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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)

- (I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY ONE CONSOLIDATED SHARE HELD
ON THE RECORD DATE; AND
(III) APPLICATION FOR WHITEWASH WAIVER**

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.05. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the EGM.

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the Share Consolidation having become effective, the grant of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM, the Company proposes to raise a minimum gross proceeds of HK\$209.3 million, before expenses, by way of the Rights Issue of not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.125 per Rights Share on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately HK\$207 million, which are intended to be used (i) as to approximately HK\$160 million for the proposed acquisition of further equity interests in Sense Field Group Limited; and (ii) as to the remaining balance of approximately HK\$47 million for general working capital of the Group. The net subscription price is estimated to be approximately HK\$0.124 per Rights Share.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As no excess application for the Rights Shares is available under the Rights Issue and the Rights Issue is underwritten by Excel Time, who is a substantial shareholder of the Company, specific approval shall be obtained from the Independent Shareholders and those persons who have a material interest in the arrangement of the Rights Issue shall abstain from voting in respect of resolution relating to the Rights Issue at the EGM.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, Excel Time, being the Underwriter, has agreed to subscribe for and take up a maximum of 1,829,279,995 Rights Shares that are not subscribed for under the Rights Issue pursuant to the Underwriting Agreement.

Accordingly, the subscription and underwriting of the Rights Shares under the Rights Issue by the Underwriter may result in its shareholdings in the Company being increased from approximately 14.69% of the existing issued share capital of the Company to approximately 57.35% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (assuming none of the outstanding Share Options and Warrants are exercised), or to approximately 56.73% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (if all the Vested Share Options and the outstanding Warrants are all exercised in full). If the total voting rights of the Underwriter and the parties acting in concert with it increases from below 30% as at the date of this announcement to more than 30%, the Underwriter would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Consolidated Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it and any Shareholders who are involved in or interested in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

If the Whitewash Waiver is not granted by the Executive, the Rights Issue will not proceed.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, will be established to provide recommendation to the Independent Shareholders in connection with the Underwriting Agreement, the Rights Issue and the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

A circular containing, among other things, (i) further details of the Share Consolidation; (ii) further details of the Rights Issue; (iii) the Whitewash Waiver; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver; and (vi) a notice convening the EGM will be despatched by the Company to the Shareholders on or before 2 March 2016. As the expected date of despatch of the Circular is more than 21 days from the date of this announcement, an application will be made to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Independent Shareholders at the EGM and the grant of the Whitewash Waiver, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL to the Excluded Shareholders. For the avoidance of doubt, so long as the Excluded Shareholders are Independent Shareholders, they are entitled to vote at the EGM to approve the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND CONSOLIDATED SHARES

The Rights Issue is subject to, among other things, the fulfillment of the conditions set out in the paragraph headed “Conditions of the Rights Issue” below. In particular, it is subject to the grant of the Whitewash Waiver by the Executive and the Underwriting Agreement not being terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed.

Shareholders should note that the Consolidated Shares will be dealt in on an entitlement basis commencing from 23 March 2016 and that dealings in the Shares and/or the Consolidated Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares and/or the Consolidated Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares and/or the Consolidated Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

(I) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.05.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of the necessary ordinary resolution(s) to approve the Share Consolidation by the Shareholders at the EGM;
- (ii) the Stock Exchange granting approval to the listing of, and the permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the necessary procedures and requirements under the Cayman Islands law and the Listing Rules to effect the Share Consolidation.

The Share Consolidation will become effective on the next business day immediately following the fulfillment of the above conditions.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company amounted to HK\$200,000,000 divided into 20,000,000,000 Shares, of which 8,372,000,000 Shares are in issue.

Upon the Share Consolidation becoming effective and on the basis that no further Shares will be allotted and issued or bought back prior thereto, the authorised share capital of the Company will become HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares of HK\$0.05 each, of which 1,674,400,000 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the articles of association of the Company. Other than the expenses, including but not limited to the professional

fees and printing charges, to be incurred in relation to the Share Consolidation, the implementation thereof will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business operations, management or financial position of the Group or result in any change in the rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Reasons for the Share Consolidation

The Share Consolidation will increase the nominal value of the Shares. It is expected that the Share Consolidation would bring about corresponding upward adjustments in the trading price of the Consolidated Shares. In addition, the Share Consolidation will increase the market value per board lot of the Shares, which will reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot. The Board therefore believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Application for listing of the Consolidated Shares

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC. The Share Consolidation will be conducted in accordance with the provisions of the articles of association of the Company.

No part of the securities of the Company is listed or dealt in on any other stock exchange, or on which listing or permission to deal is being or is proposed to be sought.

Fractional Consolidated Shares and odd lots arrangements

Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if feasible and applicable. 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.

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a designated broker to provide matching services for the sale and purchase of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for Shareholders on a best efforts basis. Further details in respect of the odd lots matching arrangement will be set out in the circular to be despatched by the Company to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of Share certificates

Should the Share Consolidation become effective, which is currently expected to be 21 March 2016, Shareholders may, during the period from 21 March 2016 to 29 April 2016 (both days inclusive), submit the existing share certificates for the Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, the existing share certificates will remain effective as documents of title and may be exchanged only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) per existing share certificate cancelled or new share certified issued (whichever is the higher) by Shareholders but are not acceptable for trading, settlement and registration upon the Share Consolidation becoming effective.

No change in board lot size

The Shares are currently traded in a board lot of 8,000 Shares. Upon the Share Consolidation becoming effective, the board lot size of the Consolidated Shares for trading on the Stock Exchange will remain at 8,000 Consolidated Shares.

Based on the closing price of HK\$0.076 per Share (equivalent to HK\$0.38 per Consolidated Share) on the Last Trading Day, the value of each board lot of 8,000 Consolidated Shares, assuming that the Share Consolidation had already been effective, would be HK\$3,040.

(II) PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the Share Consolidation having become effective, the grant of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM, the Company proposes to raise a minimum gross proceeds of approximately HK\$209.3 million (before expenses) on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date, by issuing not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares at the Subscription Price of HK\$0.125 per Rights Share.

On 5 February 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue and further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.125 per Rights Share

Number of Shares in issue at the date of this announcement	:	8,372,000,000 Shares
Number of Consolidated Shares expected to be in issue as at the Record Date	:	1,674,400,000 Consolidated Shares (assuming none of the outstanding Share Options and the Warrants are exercised)
Number of Rights Shares	:	not less than 1,674,400,000 Rights Shares (assuming none of the Share Options and the Warrants are exercised) and not more than 1,829,279,995 Rights Shares (assuming full exercise of the Vested Share Options and the Warrants)
Underwriter	:	Excel Time Investments Limited
Enlarged issued share capital upon completion of the Share Consolidation and the Rights Issue	:	not less than 3,348,800,000 and not more than 3,658,559,990 Consolidated Shares

Based on the existing issued share capital of the Company and assuming the Share Consolidation becomes effective and no further Shares will be issued or bought back by the Company on or before the Record Date, a total of 1,674,400,000 Rights Shares will be provisionally allotted under the Rights Issue, representing 100% of the existing issued share capital of the Company and 50% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. The Rights Issue is subject to, among other conditions, the approval of the Independent Shareholders at the EGM, the grant of the Whitewash Waiver and the Share Consolidation having become effective.

As at the date of this announcement, the Company has 343,200,000 Share Options outstanding, of which 114,399,976 Shares (or 22,879,995 whole Consolidated Shares upon completion of the Share Consolidation) may be allotted and issued upon full exercise of the Vested Share Options at the exercise price of HK\$0.50 per Share (subject to adjustment), and 660,000,000 Warrants exercisable into 660,000,000 Shares (or 132,000,000 Consolidated Shares upon completion of the Share Consolidation) at the subscription price of HK\$0.59 per Share (subject to adjustment) respectively. Save for the 343,200,000 Share Options and the 660,000,000 Warrants, the Company has no outstanding options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares or new Consolidated Shares (as the case may be).

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Company's branch share registrars in

Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong time) on or before 24 March 2016. It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is 22 March 2016 and the Consolidated Shares will be dealt in on an ex-rights basis from 23 March 2016.

Subject to the Share Consolidation having become effective, the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM, the grant of the Whitewash Waiver and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents, including the Prospectus and the PAL, to the Qualifying Shareholders. The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Company will comply with Rule 13.36 of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If based on legal opinions provided by the legal adviser to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place of registered address or the requirements of the relevant overseas regulatory body or stock exchange in that place, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders, together with any Rights Shares provisionally allotted but not accepted will be taken up by Excel Time pursuant to the Underwriting Agreement.

Closure of register of members

For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 16 March 2016 to 18 March 2016 (both dates inclusive) during which period no transfer of Shares will be registered.

Subscription Price

The Subscription Price is HK\$0.125 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance under the PAL(s). The Subscription Price represents:

- (i) a discount of approximately 67.1% to the theoretical closing price of HK\$0.38 per Consolidated Share, based on the closing price of HK\$0.076 per Share on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;
- (ii) a discount of approximately 65.7% to the average of the theoretical closing prices of approximately HK\$0.364 per Consolidated Share, based on the average of the closing prices of HK\$0.0728 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted taking into account the effect of the Share Consolidation; and
- (iii) a discount of approximately 50.5% to the theoretical ex-rights price of HK\$0.2525 per Consolidated Share, based on the closing price of HK\$0.076 as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions, the financial position of the Company and the business prospect of the Company.

The Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it, and the independent non-executive Directors who will express their views on the Underwriting Agreement, the Rights Issue and the Whitewash Waiver after taking into account the advice of the independent financial adviser) consider that the Subscription Price is set at a discount to the recent closing prices of the Shares after taking into account of the Share Consolidation with an objective to encourage the Shareholders to take up their entitlements so as to participate in the potential growth of the Group. In order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate.

Given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, the Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it, and the independent non-executive Directors who will express their views on the Underwriting Agreement, the Rights Issue and the Whitewash Waiver after taking into account the advice of the independent financial adviser) consider that the terms of the

Underwriting Agreement, the Rights Issue and the Subscription Price are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The net price per Rights Share will be approximately HK\$0.124.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the latest time for acceptance of the Rights Issue, i.e. by 4:00 p.m. on 15 April 2016.

Fractions of Rights Shares

The Company will not provisionally allot to and will not accept applications for any fractions of Rights Shares from Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractional entitlements will be aggregated and the fractions of nil-paid Rights Shares shall be provisionally allotted to a nominee of the Company. The Company shall procure such nominee, if possible, to sell all the fractions of the nil-paid Rights Shares in the market and the net proceeds of such sales, after deduction of expenses, will be aggregated and an equivalent amount will accrue for the benefit of the Company.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the then Consolidated Shares in issue. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

Application for the Rights Shares

The PALs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the branch share registrar of the Company by the latest time for acceptance.

No application for excess Rights Shares

The Board is of the view that the Rights Issue gives the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company and is negotiated on an arm's length basis with Excel Time, the Underwriter. If application for excess Rights Shares is arranged, the Company will be required to put in additional effort to administer the excess application procedures. The Board considers that it is important for the Group to minimise all costs which may be incurred during the fund-raising process. Notwithstanding that excess application arrangement will not be made available to the Qualifying Shareholders, the Board considers that offering a discount on the Subscription Price would encourage the

Qualifying Shareholders to participate in the Rights Issue and the potential growth of the Group. In light of the above, the Board is of the view that the absence of the excess application arrangement is in the interests of the Shareholders and the Group as a whole. Accordingly, no excess Rights Shares will be offered to the Qualifying Shareholders and any Rights Shares not taken up by the Qualifying Shareholders will be underwritten by Excel Time pursuant to the Underwriting Agreement.

Certificates for the Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” below, certificates for all fully-paid Rights Shares are expected to be posted on or before 25 April 2016 by ordinary post to those entitled thereto at their own risk. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before 25 April 2016 by ordinary post at the respective Shareholders’ own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or about 25 April 2016 by ordinary post at the risk of the Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. Dealing in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 8,000) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates 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 to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted should note that their shareholdings in the Company will be diluted.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the passing by the Shareholders (or Independent Shareholders, if required under the Listing Rules and/or Takeovers Code) at the relevant EGM of ordinary resolutions to approve (a) the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the Rights Issue and the absence of the arrangement for application for the Rights Shares by the Qualifying Shareholders in excess of their assured entitlement; (b) the Whitewash Waiver; and (c) the Share Consolidation;
- (ii) the Share Consolidation having become effective;
- (iii) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the CWUMPO not later than the Prospectus Posting Date;
- (iv) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares by no later than the first day of their dealings;
- (vi) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (vii) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement;
- (viii) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (ix) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The conditions set out above are incapable of being waived. If all of the above conditions are not satisfied by 5:00 p.m. (Hong Kong time) on 18 April 2016, the Latest Time for Termination, or such later date or dates as the Underwriter may agree

with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed.

UNDERWRITING ARRANGEMENT

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Underwriting Agreement

Date	:	5 February 2016
Underwriter	:	Excel Time Investments Limited
Number of Rights Shares	:	not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares
Number of Underwritten Shares	:	up to 1,582,879,995 Rights Shares
Commission	:	the Underwriter will receive a nominal commission of HK\$1.00 in respect of its underwriting of the Rights Issue

Excel Time is an investment holding company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by Mr. Wong Chit On, the Chairman of the Board and an executive Director. It is a connected person of the Company by virtue of it being a substantial shareholder of the Company.

Underwriting Commission

The Company will pay the Underwriter a nominal underwriting commission of HK\$1.00 and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it, and the independent non-executive Directors who will express their views on the Underwriting Agreement, the Rights Issue and the Whitewash Waiver after taking into account the advice of the independent financial adviser) consider the terms of the Underwriting Agreement including the underwriting commission to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (h) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 8,372,000,000 Shares in issue. The table below depicts the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the Share Consolidation having become effective but before completion of the Rights Issue; (iii) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders; and (iv) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders, and assuming there is no other change in the shareholding structure of the Company since the date of this announcement up to the completion of the Rights Issue, for illustrative purposes only:

	As at the date of this announcement		Immediately upon the Share Consolidation having become effective but before completion of the Rights Issue		Immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders		Immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>
Excel Time and parties acting in concert with it (<i>Note 1</i>)	1,230,000,000	14.69	246,000,000	14.69	492,000,000	14.69	1,920,400,000	57.35
Ms. Ni Yunzi (<i>Note 2</i>)	600,000,000	7.17	120,000,000	7.17	240,000,000	7.17	120,000,000	3.58
Public Shareholders	6,542,000,000	78.14	1,308,400,000	78.14	2,616,800,000	78.14	1,308,400,000	39.07
Total	<u>8,372,000,000</u>	<u>100.00</u>	<u>1,674,400,000</u>	<u>100.00</u>	<u>3,348,800,000</u>	<u>100.00</u>	<u>3,348,800,000</u>	<u>100.00</u>

The table below depicts the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the Share Consolidation having become effective but before completion of the Rights Issue; (iii) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders; and (iv) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders, and assuming full exercise of the subscription rights attached to the Vested Share Options and the Warrants exercised into 22,879,995 Consolidated Shares and 132,000,000 Consolidated Shares respectively and there is no other change in the shareholding structure of the Company since the date of this announcement up to the completion of the Rights Issue, for illustrative purposes only:

	As at the date of this announcement		Immediately upon the Share Consolidation having become effective and full exercise of the subscription rights attached to the Vested Share Options and Warrants but before completion of the Rights Issue		Immediately upon the Share Consolidation having become effective, full exercise of the subscription rights attached to the Vested Share Options and Warrants and completion of the Rights Issue assuming all Rights Shares are accepted by the existing Shareholders		Immediately upon the Share Consolidation having become effective, full exercise of the subscription rights attached to the Vested Share Options and Warrants and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders	
	Number of Shares		Number of Consolidated Shares		Number of Consolidated Shares		Number of Consolidated Shares	
	Approx. %	Approx. %	Approx. %	Approx. %	Approx. %	Approx. %	Approx. %	Approx. %
Excel Time and parties acting in concert with it (Note 1)	1,230,000,000	14.69	246,400,000	13.47	492,800,000	13.47	2,075,679,995	56.73
Mr. Han Weining (Note 3)	—	—	400,000	0.02	800,000	0.02	400,000	0.01
Mr. Lam Ying Hung Andy (Note 3)	—	—	400,000	0.02	800,000	0.02	400,000	0.01
Mr. Hu Yunlin (Note 3)	—	—	400,000	0.02	800,000	0.02	400,000	0.01
Ms. Ni Yunzi (Note 2)	600,000,000	7.17	120,000,000	6.57	240,000,000	6.57	120,000,000	3.29
Public Shareholders (including holder of the Warrants exercised into 132,000,000 Consolidated Shares and other holders of the Vested Share Options exercised into 21,279,995 Consolidated Shares)	6,542,000,000	78.14	1,461,679,995	79.90	2,923,359,990	79.90	1,461,679,995	39.95
Total	8,372,000,000	100.00	1,829,279,995	100.00	3,658,559,990	100.00	3,658,559,990	100.00

Notes:

- The entire issued share capital of Excel Time is owned by Mr. Wong Chit On, the Chairman of the Board and an executive Director. Mr. Wong Chit On also holds 6,000,000 Share Options, of which 2,000,000 Share Options have been vested. With the grant of the decree absolute for divorce by the District Court of Hong Kong on 20 November 2015, Ms. Ni Yunzi ceased to be the spouse of Mr. Wong Chit On and is not a person acting in concert with Mr. Wong Chit On under the Takeovers Code.

2. These 600 million Shares are held by Excel Time but beneficially owned by Ms. Ni Yunzi. According to the order for divorce made by the District Court of Hong Kong on 30 June 2015, Mr. Wong Chit On shall transfer 1,000 million Shares under the name of Excel Time to Ms. Ni Yunzi as part of the settlement for divorce. 400 million Shares have been transferred to Ms. Ni Yunzi in July 2015 and the remaining 600 million Shares are still under the name of Excel Time pending transfer. As such Excel time has no beneficial interest in such 600 million Shares and Ms. Ni Yunzi is entitled to all the rights and benefits of such 600 million Shares including participation in the Rights Issue if she so wishes.
3. They are Directors who were granted Share Options and one-third of these Share Options have been vested which remain outstanding as at the date of this announcement.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Share Consolidation and the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2016
Expected despatch date of circular with notice and form of proxy for the EGM	Wednesday, 2 March
Latest time for lodging transfer of shares to qualify for attendance and voting at EGM.....	4:30 p.m. on Tuesday, 15 March
Latest time for lodging forms of proxy for the purpose of the EGM.....	11:00 a.m. on Wednesday, 16 March
Closure of register of members of the Company (both dates inclusive).....	Wednesday, 16 March to Friday, 18 March
Expected date and time of the EGM.....	11:00 a.m. on Friday, 18 March
Announcement of poll results of EGM	Friday, 18 March
Effective date of the Share Consolidation	Monday, 21 March
Dealings in the Consolidated Shares commences.....	9:00 a.m. on Monday, 21 March
Original counter for trading in existing Shares in board lots of 8,000 existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 21 March

Event**2016**

Temporary counter for trading in Consolidated Shares in board lots of 1,600 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 21 March
First day for free exchange of existing share certificates for new share certificates for the Consolidated Shares commences.....	Monday, 21 March
Last day of dealings in Consolidated Shares on a cum-rights basis.....	Tuesday, 22 March
First day of dealings in Consolidated Shares on an ex-rights basis.....	Wednesday, 23 March
Latest time for the Shareholders to lodging transfer of Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 24 March
Closure of register of members of the Company (both dates inclusive).....	Tuesday, 29 March to Wednesday, 30 March
Record Date and time for determining entitlements to the Rights Issue.....	4:30 p.m. on Wednesday, 30 March
Register of members of the Company re-opens.....	Thursday, 31 March
Despatch of Prospectus Documents.....	Thursday, 31 March
First day of dealings in nil-paid Rights Shares.....	9:00 a.m. on Tuesday, 5 April
Latest time for splitting nil-paid Rights Shares.....	4:30 p.m. on Thursday, 7 April
Original counter for trading in Consolidated Shares in board lots of 8,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Thursday, 7 April
Parallel trading in Consolidated Shares (in the form of both existing certificates in board lots of 1,600 Consolidated Shares and new certificates in board lots of 8,000 Consolidated Shares) commences	9:00 a.m. on Thursday, 7 April

Event**2016**

First day of odd lot arrangement	Thursday, 7 April
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 12 April
Latest time for acceptance of, and payment for, the Rights Shares	4:00 p.m. on Friday, 15 April
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional.....	5:00 p.m. on Monday, 18 April
Announcement of results of the Rights Issue.....	Friday, 22 April
Refund cheques, if any, to be despatched if the Rights Issue is terminated on or before	Monday, 25 April
Certificates for fully paid Rights Shares to be despatched on or before	Monday, 25 April
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 26 April
Temporary counter for trading in Consolidated Shares in board lots of 1,600 Consolidated Shares (in the form of existing share certificates) closes.....	4:00 p.m. on Wednesday, 27 April
Last day of odd lot arrangement.....	Wednesday, 27 April
Parallel trading in Consolidated Shares (represented by both existing certificates in board lots of 1,600 Consolidated Shares and new certificates in board lots of 8,000 Consolidated Shares) ends.....	4:00 p.m. on Wednesday, 27 April
Last day for free exchange of existing share certificates for the new share certificates for the Consolidated Shares	Friday, 29 April

REASONS FOR THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The Group is primarily engaged in the design and development of products and technologies relating to digital trunking and satellite communication systems through its own research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. Following the acquisition of the “Synertone-1” satellite bandwidth in October 2013, the Group has started the business of satellite communication operation. In addition to the above, the Group also provides specialised communication network design

and implementation solutions according to client's specific needs, engages in research and development of systems technologies for the operation of the specialised communication system and the sales of accessory parts and components to some of its customers for further integration or other related uses.

As disclosed in the interim report of the Company for the six months ended 30 September 2015, the Group has recorded a decrease in turnover of approximately HK\$189.9 million or 83.7% when compared to the corresponding period in 2014, mainly attributable to the adjustments made to certain business markets and opportunities in light of the comprehensive upgrade measures for the satellite resources network by the Group so as to avoid the potential huge compensation cost derived from the change in services. As announced by the Company dated 27 November 2015 and 16 December 2015, the Group completed the acquisition of 49% equity interest in Sense Field Group Limited. Such acquisition would enable the Group to diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC, and also to provide services to the existing and potential customers of Sense Field Group Limited and its group of companies (together the "SF Group") through leverage on the Group's existing satellite communication capabilities. It is the intention of the Company to raise additional fund to acquire further equity stakes in Sense Field Group Limited beyond 50% thereby securing a control over the SF Group. Given that the Group had only about HK\$10.7 million cash and cash equivalent as at 30 September 2015, there is a funding need of the Group to meet its business objective and operational use. As at the date of this announcement, there is no agreement, arrangement or understanding between the Company and the prospective vendors for the proposed acquisition of remaining equity interest in Sense Field Group Limited, and no terms of such proposed acquisition have been discussed or negotiated between the parties. In the event that such proposed acquisition materializes, the Company will comply with all applicable requirements under the Listing Rules and the Takeovers Code.

On 15 July 2015, the Company issued a written demand to Regal Force Limited for the subscription of the convertible bonds in the principal amount of HK\$445 million pursuant to the subscription agreement entered into in 2013 but Regal Force Limited has not responded and repudiated such agreement on 31 August 2015. The Directors have considered other fund raising methods including placing of new Shares through an independent placing agent and debts financing. In view of the recent volatility of the stock market, the Directors consider the Rights Issue will allow the Group to (i) strengthen its capital base by raising long term funds; (ii) raise the necessary funds with more certainty as it is fully underwritten by the Underwriter (as compared to placing which is generally conducted on a best effort basis); (iii) avoid any interest burden; and (iv) provide an equitable means for the Shareholders to participate in the future development of the Group.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately HK\$207 million, which are intended to be used (i) as to approximately HK\$160 million for the proposed acquisition of further equity stakes in the SF Group; and (ii) as to the remaining balance of approximately HK\$47 million for general working capital of the Group. If the proposed acquisition does not proceed, the amount of approximately HK\$160 million will be used for other similar investment project(s) which would create synergy by leverage of the existing satellite communication systems of the Group. The net subscription price is estimated to be approximately HK\$0.124 per Rights Share.

Having taken into account the above reasons and benefits, the Directors (other than Mr. Wong Chit On, the Chairman of the Board, an executive Director and the beneficial owner of all the issued share capital of Excel Time, who abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver due to his material interest in it, and the independent non-executive Directors who will express their views on the Underwriting Agreement, the Rights Issue and the Whitewash Waiver after taking into account the advice of the independent financial adviser) consider that the terms of the Underwriting Agreement (including the Rights Issue and the Whitewash Waiver) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FUND RAISING EXERCISES OF THE COMPANY DURING THE PAST 12 MONTHS

Save for the issue by the Company of a written demand to Regal Force Limited for the subscription of the convertible bonds in the principal amount of HK\$445 million on 15 July 2015 pursuant to the subscription agreement entered into in 2013 but Regal Force Limited repudiated such agreement on 31 August 2015, the Company had not conducted any other fund raising activities during the past 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As no excess application for the Rights Shares is available under the Rights Issue and the Rights Issue is underwritten by Excel Time, who is a substantial shareholder of the Company, specific approval shall be obtained from the Independent Shareholders and those persons who have a material interest in the arrangement of the Rights Issue shall abstain from voting in respect of the resolution relating to the Rights Issue at the EGM.

Since there is no controlling Shareholder as at the date of this announcement, the Directors (including Excel Time but excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates, which together hold 1,230,000,000 Shares or approximately 14.69% of the total issued share capital of the Company, shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6) of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, Excel Time, being the Underwriter, has agreed to subscribe for and take up a maximum of 1,582,879,995 Rights Shares that are not subscribed for under the Rights Issue pursuant to the Underwriting Agreement.

Assuming the Underwriter has taken up its obligation pursuant to the Underwriting Agreement in full, the subscription for and the underwriting of the Rights Shares under the Rights Issue by the Underwriter may result in its shareholdings in the Company being increased from approximately 14.69% of the existing issued share capital of the Company to approximately 57.35% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (assuming none of the outstanding Share Options and the Warrants are exercised), or to approximately 56.73% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (if all the Vested Share Options and the outstanding Warrants are all exercised in full). If the total voting rights of the Underwriter and the parties acting in concert with it increases from below 30% as at the date of this announcement to more than 30%, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Consolidated Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it and any Shareholders who are involved in or interested in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

Completion of the Rights Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. Accordingly, if the Whitewash Waiver is not obtained, the Rights Issue will lapse and will not proceed.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

There has been no dealing of Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by the Underwriter and parties acting in concert with it for the six months' period immediately prior to the date of this announcement.

As at the date of this announcement, the Underwriter and parties acting in concert with it are interested in 1,230,000,000 Shares (or approximately 14.69% of the issued share capital of the Company) and 6,000,000 Share Options, of which 2,000,000 are Vested Share Options. Save as disclosed, the Underwriter and parties acting in concert with it:

- (a) do not hold or have any control or direction over any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) do not receive any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Underwriting Agreement or the Rights Issue or the Whitewash Waiver; and

- (c) do not borrow or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the transaction contemplated under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company and which may be material to the Underwriting Agreement, the Whitewash Waiver and/or the Rights Issue.

There was no agreements or arrangements to which the Underwriter is a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue, other than those set out in the section headed “Conditions of the Rights Issue” in this announcement.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors will be established to provide recommendation to the Independent Shareholders in connection with the Underwriting Agreement, the Rights Issue and the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

A circular containing, among other things, (i) further details of the Share Consolidation; (ii) further details of the Rights Issue; (iii) the Whitewash Waiver; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Underwriting Agreement, the Rights Issue and the Whitewash Waiver; and (vi) a notice convening the EGM will be despatched by the Company to the Shareholders on or before 2 March 2016. As the expected date of despatch of the Circular is more than 21 days from the date of this announcement, an application will be made to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Independent Shareholders at the EGM and the grant of the Whitewash Waiver, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL to the Excluded Shareholders. For the avoidance of doubt, so long as the Excluded Shareholders are Independent Shareholders, they are entitled to vote at the EGM to approve the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND CONSOLIDATED SHARES

The Rights Issue is subject to, among other things, the fulfillment of the conditions set out in the paragraph headed “Conditions of the Rights Issue” above. In particular, it is subject to the grant of the Whitewash Waiver and the Underwriting Agreement not being terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed.

Shareholders should note that the Consolidated Shares will be dealt in on an entitlement basis commencing from 23 March 2016 and that dealings in the Shares and/or the Consolidated Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares and/or the Consolidated Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares and/or the Consolidated Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Synertone Communication Corporation, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company upon the Share Consolidation becoming effective
“CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among other things, the Share Consolidation, the Underwriting Agreement, the Rights Issue and the Whitewash Waiver
“Excel Time” or “Underwriter”	Excel Time Investments Limited, a company incorporated in the British Virgin Islands holding 1,230,000,000 Shares (or about 14.69% of the issued Shares), being the underwriter of the Rights Issue
“Excluded Shareholders”	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant overseas regulatory bodies or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
“Executive”	the Executive Director of the Corporate Finance Division of the SFC
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company and to be constituted by all the independent non-executive Directors for the purpose of giving a recommendation to the Independent Shareholders on the Underwriting Agreement, the Rights Issue and the Whitewash Waiver after taking into account the advice of the independent financial adviser
“Independent Shareholders”	the Shareholders other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter and the parties acting in concert with it; and (iii) any Shareholders who are involved in or interested or have a material interest in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver
“Last Trading Day”	5 February 2016, being the last full trading day of the Shares on the Stock Exchange prior to the release of this announcement
“Latest Time for Termination”	5:00 p.m. on 18 April 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company at the close of business on the Record Date) with register address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	together, the Prospectus and the PAL
“Prospectus Posting Date”	31 March 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of posting of the Prospectus Documents by the Company to the Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than those Excluded Shareholders, if any
“Record Date”	30 March 2016, the record date to determine entitlements to the Rights Issue
“Rights Issue”	the issue of not less than 1,674,400,000 and not more than 1,829,279,995 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date payable in full on acceptance
“Rights Share(s)”	new Consolidated Share(s) to be allotted and issued in respect of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company before the Share Consolidation becoming effective
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05

“Shareholder(s)”	holder(s) of the Share(s) or the Consolidated Share(s), as the case may be
“Share Options”	the share options granted by the Company pursuant to the share option scheme adopted on 22 March 2012, exercisable into the Shares at the exercise price of HK\$0.50 per Share (subject to adjustment)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.125 per Rights Share
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter dated 5 February 2016 in relation to the Rights Issue
“Underwritten Shares”	the number of Rights Shares to be underwritten by the Underwriter up to a maximum of 1,582,879,995 Rights Shares
“Vested Share Options”	Share Options which have been validly vested to the holders entitling them to subscribe for Shares on or before the Record Date (being Share Options in respect of 114,399,976 Shares as at the date of this announcement)
“Warrants”	the outstanding unlisted warrants issued by the Company to Citic Capital Management Limited on 22 September 2014, exercisable into the 660,000,000 Shares (or 132,000,000 Consolidated Shares) at the subscription price of HK\$0.59 per Share (subject to adjustment)
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and the parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 5 February 2016

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. Hu Yunlin and Mr. Wang Chen.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.