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協同通信集團有限公司
Synertone Communication Corporation
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1613)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF SUBSIDIARIES

THE DISPOSALS

On 23 August 2019 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreements pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Companies at a total Consideration of approximately HK\$7,700,000. Completion has taken place on the date of the Agreements. Upon Completion, the Target Company I and the Target Company II have ceased to be subsidiaries of the Company.

IMPLICATIONS OF THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposals exceeds 5% but is less than 25%, the Disposals constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

The Board announces that on 23 August 2019 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreements with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Companies at a total Consideration of approximately HK\$7,700,000. Completion has taken place on the date of the Agreements. Upon Completion, the Target Company I and the Target Company II have ceased to be subsidiaries of the Company.

THE AGREEMENTS

The principal terms of each of the Agreements are set out below:

Agreement I

Date: 23 August 2019

Parties: Vendor: Radio World Holding Limited, a wholly-owned subsidiary of the Company.

Purchaser: Allied Link Technology Limited, a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holdings.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Subject matter: 100% of the issued share capital of Target Company I.

Further information on the Target Company I is set out in the section headed "Information on the Target Companies" in this announcement.

Consideration: The consideration for the Disposal I is HK\$7,700,000, payable by the Purchaser to the Vendor in cash within seven (7) Business Days after signing of the Agreement I.

The consideration for the Disposal I was arrived at based on normal commercial terms after arm's length negotiations among the parties to the Agreement I after taking into account the net assets value of the Target Company I and the future cost of operating and maintaining the Target Company I.

Completion: Completion has taken place on the date of the Agreement I.

Agreement II

Date: 23 August 2019

Parties: Vendor: Radio World Holding Limited, a wholly-owned subsidiary of the Company.

Purchaser: Allied Link Technology Limited, a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holdings.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Subject matter: 100% of the issued share capital of Target Company II.

Further information on the Target Company II is set out in the section headed "Information on the Target Companies" in this announcement.

Consideration: The consideration for the Disposal II is US\$1, payable by the Purchaser to the Vendor in cash at completion of the Disposal II.

The consideration for the Disposal II was arrived at based on normal commercial terms after arm's length negotiations among the parties to the Agreement II after taking into account the net liability position of the Target Company II.

Completion: Completion has taken place on the date of the Agreement II.

INFORMATION ON THE TARGET COMPANIES

Target Company I, a company incorporated in the Hong Kong with limited liability, was an indirect wholly-owned subsidiary of the Company immediately prior to the completion of the Disposal I. Target Company I, together with its subsidiary incorporated in the PRC, is principally engaged in research and development, production and sales of specialised communication systems.

Target Company II, a company incorporated in the British Virgin Islands with limited liability, was an indirect wholly-owned subsidiary of the Company immediately prior to the completion of the Disposal II. Target Company II, together with its subsidiaries incorporated in Hong Kong and the PRC, is principally engaged in research and development and sale of safe communication technology and systems.

Set out below is the financial information of each of the Target Companies for the two financial years ended 31 March 2018 and 2019:

Target Company I

	For the year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before taxation	(71,849)	(55,868)
Net loss after taxation	(71,832)	(50,480)

The unaudited net assets value of the Target Company I as at 31 March 2019 was approximately HK\$41,292,000.

Target Company II

	For the year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before taxation	(1,390)	(17,156)
Net loss after taxation	(1,390)	(17,160)

The unaudited net liability value of the Target Company II as at 31 March 2019 was approximately HK\$19,001,000.

Based on the latest unaudited management accounts of the Target Companies for the three months ended 30 June 2019, both of the Target Companies have recorded no turnover and incurred loss for the period due to the lack of customer demand for the products of the Target Companies.

FINANCIAL IMPACT OF THE DISPOSALS AND USE OF PROCEEDS

Upon Completion, each of the Target Companies ceased to be a subsidiary of the Company and its financial statements will no longer be consolidated into the Group's financial statements.

It is estimated that the Group will realise a loss of approximately HK\$14,591,000 from the Disposals. The estimated loss is based on the total Consideration less the aggregate carrying value of the net assets of the Target Companies in their respective unaudited management accounts as at 31 March 2019. The actual loss on the Disposals to be recorded by the Company is subject to the review and final audit by the auditor of the Company.

The net proceeds of approximately HK\$7,650,000 (after deducting the related expenses in relation to the Disposals) will be used as the Group's general working capital.

REASONS FOR AND BENEFIT OF THE DISPOSALS

The Group is principally engaged in (i) design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies; (ii) design, development and sale of automation control systems for industrial use; and (iii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

The Directors have considered to cease the Group's communication technology business on the basis that the outlook of market demand for its specialised communication systems and products is diminished, which has been partly affected by the Group's discontinuation of the satellite communication business in the preceding financial year. In view of the recent market condition, the Directors expect the rate of return of the Disposals is generally more favourable and higher than that of maintaining the Target Companies, and the Disposals will enable the Company to reallocate its resources to other existing businesses of the Group and will generate a lump sum cash to improve the cash flow of the Group.

On the basis of the foregoing, the Directors consider that the terms of the Agreements are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposals exceeds 5% but is less than 25%, the Disposals constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Agreement I”	the shares transfer agreement dated 23 August 2019 and entered into between the Vendor and the Purchaser in relation to the Disposal I
“Agreement II”	the shares transfer agreement dated 23 August 2019 and entered into between the Vendor and the Purchaser in relation to the Disposal II
“Agreements”	collectively, Agreement I and Agreement II
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday) on which banks in Hong Kong are open for business in Hong Kong generally throughout their normal business hours
“Company”	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposals
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration payable by the Purchaser to the Vendor for the Disposals
“Director(s)”	the director(s) of the Company
“Disposal I”	the disposal of 100% of the issued share capital of the Target Company I in accordance with the terms and conditions of the Agreement I
“Disposal II”	the disposal of 100% of the issued share capital of the Target Company II in accordance with the terms and conditions of the Agreement II

“Disposals”	collectively Disposal I and Disposal II
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Allied Link Technology Limited, a company incorporated in Hong Kong with limited liability
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively Target Company I and Target Company II
“Target Company I”	Synertone Communication Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company immediately prior to the completion of the Disposal I

“Target Company II”	Thrive United Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company immediately prior to the completion of the Disposal II
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Radio World Holding Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 23 August 2019

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