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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF THE SHARES IN THE TARGET COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 17 April 2020 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Shares, representing 100% of the issued share capital in the Target Company at the Total Consideration.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes 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 is pleased to announce that, on 17 April 2020 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Shares, representing 100% of the issued share capital in the Target Company at the Total Consideration. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

The principal terms of the Sale and Purchase Agreement are as follows:

THE SALE AND PURCHASE AGREEMENT

Date: 17 April 2020

Parties:

- (i) Wellington Investments Group Limited, as vendor; and
- (ii) the Company, as purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement and subject to the conditions thereunder, the Purchaser has agreed to purchase, and the Vendor has agreed to sell, free from any encumbrances whatsoever, the Sale Shares, representing 100% of the issued share capital in the Target Company as at the date of the Sale and Purchase Agreement.

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

Consideration:

The Total Consideration in the sum of HK\$2.5 million plus the Net Asset Value Amount shall be paid in cash by the Purchaser in the following manner:

- (a) HK\$1.25 million (the "**Deposit**"), as the deposit, is payable on the date of the Sale and Purchase Agreement; and
- (b) The remaining balance of the Total Consideration shall be payable on the Completion Date.

According to the Sale and Purchase Agreement, the Total Consideration shall not exceed HK\$16 million.

Basis for the Consideration:

The consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiations between the parties to the Sale and Purchase Agreement after taking into account of (i) the net asset value of the Target Company; (ii) the potential synergy benefits from the Acquisition to the Group; (iii) the economic factors which are further described in the section headed "Reasons For and Benefits of the Acquisition"; (iv) the time required and potential costs to be incurred by the Company for the set-up of a securities brokerage company which are further described in the section headed "Reasons For and Benefits of the Acquisition"; and (v) the price-to-book ratio in relation to the Acquisition.

Conditions Precedent

Completion of the Acquisition is conditional upon the satisfaction of the following conditions:

- (a) The change of substantial shareholders of the Target Company having been approved by the Securities and Futures Commission; and
- (b) None of the warranties in the Sale and Purchase Agreement being not true and/or inaccurate in any material respect or misleading in any material respect that would result in a damage to the Purchaser in an amount of HK\$800,000 or more.

The Condition in paragraph (a) above cannot be waived by either party while the Condition in paragraph (b) above can be waived by the Purchaser.

In the event that the Conditions above are not satisfied or waived (if applicable) on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate (save and except certain provisions including the provisions on waiver of conditions, confidentiality, announcement, governing law which shall survive termination of the Sale and Purchase Agreement) in which case none of the Purchaser or the Vendor shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the Sale and Purchase Agreement).

In the event that the Condition in paragraph (a) above is not satisfied by the Long Stop Date and the Sale and Purchase Agreement is thereby terminated, then within seven Business Days after termination of the Sale and Purchase Agreement, the Vendor shall return 50% of the Deposit (being HK\$625,000) to the Purchaser.

In the event that the Condition in paragraph (b) above is not satisfied by the Long Stop Date and the Sale and Purchase Agreement is thereby terminated, then the Vendor shall forthwith return the full amount of the Deposit to the Purchaser upon termination of the Sale and Purchase Agreement.

The Vendor is entitled to forfeit the Deposit if the Sale and Purchase Agreement is terminated in any other circumstances that is not caused by the Vendor.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed and traded on the Stock Exchange. It is principally engaged in investment holding.

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

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the Republic of Seychelles with limited liability. It is principally engaged in investment holding and is the holding company of the Target Company.

As at the date of the Sale and Purchase Agreement, the Vendor is interested in the entire equity interest in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is principally engaged in securities trading and brokerage services in Hong Kong and is the holder of the licenses for Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the summary of financial information of the Target Company based on the financial statements of the Target Company for the year ended 31 December 2018 (audited) and 31 December 2019 (unaudited):

| | For the year ended 31 December 2018 (audited) HK\$'000 | For the year ended 31 December 2019 (unaudited) HK\$'000 |
|-----------------------------------|---|---|
| Revenue | 5,584 | 2,920 |
| Net profit/(loss) before taxation | 1,819 | (253) |
| Net profit/(loss) after taxation | 1,814 | (253) |

The net asset values of the Target Company as at 31 December 2018 and 2019 are approximately HK\$13,119,000 (audited) and HK\$12,866,000 (unaudited), respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) design, development and sale of automation control systems and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings. The Group's operations are principally conducted in the People's Republic of China ("**China**").

As disclosed in the Company's latest interim report, the Group is focusing to identify and secure new investment opportunities for the benefits of the Group in order to diversify its business risks to other new business segments and geographical segments, especially under the current turbulent economic environment. The Target Company is a well-established securities brokerage firm set up in Hong Kong since 2016 mainly to provide the securities brokerage services in Hong Kong. The Company considers that the Group's business risks can be well diversified after the Acquisition in terms of both the business nature and geographical location.

Furthermore, the Acquisition will allow the Group to leverage on the past experience of the Target Company to create the synergies on the brokerage business and other financial services business in Hong Kong in the future, while the Target Company would enjoy the synergy benefit as backed up by the Company as a Hong Kong listed company with strong China background and network, sound financial position and sufficient resources. Having considered the possible synergy benefits, the Board believes that the profitability of the Target Company would be improved after the Acquisition with (1) the potential expansion of the client base to mainland China; (2) potential expansion of existing business and to other financial-related regulated activities with the support from the Company; and (3) the potential resources sharing with the Group which will result in cost saving and higher efficiency in resources utilization.

Despite the management is aware of the recent huge slump of the Hong Kong stock market in the first quarter of 2020, the Board remains optimistic as there seems to be a signal of stabilization in April 2020. As such, the Company considers that the Acquisition represents a good opportunity for the Group to invest in the financial and brokerage industry by acquisition of a well-established brokerage firm at more favourable price and terms, as compared to establishing a new firm which will involve substantial effort and time for the Company. The Company believes that the consideration for acquiring the Target Company is fair and reasonable which is determined at a fixed cash premium of HK\$2.5 million in addition to its net asset value, and with expected price-to-book ratio only at approximately 1.2 based on its latest financial statements.

In view of the above, the Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

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

DEFINITIONS

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

| | |
|---------------|--|
| “Acquisition” | The acquisition of 100% of the issued share capital in the Target Company by the Purchaser from the Vendor at the Total Consideration; |
| “Board” | The board of Directors; |

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|--------------------------|--|
| “Business Day” | A day on which licensed banks in Hong Kong are generally open for business, other than Saturday, Sunday or public holidays in Hong Kong; |
| “Company” or “Purchaser” | 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 Acquisition; |
| “Completion Date” | The fifth Business Day following the satisfaction of the Condition set out in paragraph (a) under section headed “Conditions Precedent”; |
| “Conditions” | The conditions as set out under the section headed “Conditions Precedent”, with each of the Conditions being a “Condition”; |
| “Director(s)” | the director(s) of the Company; |
| “Group” | The Company and its subsidiaries; |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; |
| “Hong Kong” | The Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange; |
| “Long Stop Date” | 31 December 2020 or any other date as mutually agreed by the Purchaser and the Vendor in writing; |
| “Net Asset Value Amount” | Being an amount (which shall not exceed HK\$13.5 million) equal to the total net assets value of the Target Company minus the net fixed assets value minus the right of use assets value as of the Price Determination Date; |
| “Parties” | The Purchaser and the Vendor, collectively; |

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|-------------------------------|--|
| “Price Determination Date” | If Completion is to take place after 30 June 2020, the price determination date is 30 June 2020; if Completion is to take place before 30 June 2020, the price determination date is one Business Day before the Completion Date; |
| “Sale and Purchase Agreement” | The sale and purchase agreement dated 17 April 2020, entered into between the Purchaser and the Vendor, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Shares representing 100% of the issued share capital in the Target Company at the Total Consideration; |
| “Sale Shares” | 13,000,000 shares of the Target Company, representing 100% of the issued share capital of the Target Company as at the date of the Sale and Purchase Agreement; |
| “Shareholders” | holder(s) of the shares of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Target Company” | Wellington Financial Limited, a company incorporated in Hong Kong with limited liability principally engaged in securities trading and brokerage services in Hong Kong; |
| “Total Consideration” | The total consideration for the Acquisition in an amount not exceeding HK\$16 million, being the sum of HK\$2.5 million plus the Net Asset Value Amount; |
| “Vendor” | Wellington Investments Group Limited, a company incorporated in the Republic of Seychelles with limited liability. |

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

Hong Kong, 17 April 2020

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