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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 5 June 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 20% of the issued share capital in the Target Company, at a consideration of HK\$56,000,000.

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.

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

THE SALE AND PURCHASE AGREEMENT

Date: 5 June 2020

Parties:

- (i) Wylie Wei Ji Chak, 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 is a third party 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 20% 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 Consideration in the sum of HK\$56,000,000 shall be paid in cash by the Purchaser by way of two instalments, with the first instalment of 10% of the Consideration in the amount of HK\$5,600,000 to be paid on the date of execution of the Sale and Purchase Agreement, and the second instalment of 90% of the Consideration in the amount to HK\$50,400,000 to be paid on the Completion Date.

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 prospects of the business of the Target Company; (ii) the potential contribution to the financial performance of the Group in the future after Completion; (iii) the potential synergy benefits from the Acquisition to the Group; and (iv) the valuation regarding the Sale Shares of approximately HK\$59.5 million as at 31 March 2020 conducted by an independent valuer engaged by the Company.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will become an associate 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 an investor and businessman with extensive experience in the innovative and high technology sector.

As at the date of the Sale and Purchase Agreement, the Vendor is interested in 90% of the issued share capital in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the British Virgin Islands and its principal activity is investment holding.

The Target Group are principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services.

FINANCIAL INFORMATION OF THE TARGET COMPANY

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

	For the year ended 31 December 2018 (unaudited) RMB'000	For the year ended 31 December 2019 (unaudited) RMB'000
Revenue	3,623	22,340
Net (loss)/profit before taxation	(4,431)	11,682
Net (loss)/profit after taxation	(4,431)	10,849

The unaudited consolidated net asset values of the Target Company as at 31 December 2018 and 2019 are approximately RMB11,626,000 and RMB22,489,000, 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 Company has been actively looking for new investment opportunities for the benefits of the Group in order to diversify its business while creating additional value to its shareholders, through making investments in and/or acquisition of businesses or entering into projects that have promising outlooks and prospects. The Directors consider that the business of the Target Group is in a growing trend, which recorded a profit for the year of approximately RMB10.8 million for the year ended 31 December 2019. Upon the Completion, the Company could share the proportionate profits of the Target Group as its associate which is expected to bring a positive impact to the financial performance to the Group in the future years.

The Target Group is engaged in the leasing and renting of charging stations for mobile devices while the Group is principally engaged in the development and manufacturing of devices and systems. The Directors consider that there exists potential business synergy benefits to the Group from the Acquisition by utilizing part of the Group's manufacturing capacity of its production plant for the production of charging stations and devices for the Target Group. In the regard, the manufacturing income of the Group would also increase accordingly.

Furthermore, the Consideration for the Acquisition is determined at a discount of approximately 5.9% with reference to the independent valuation on the Sale Shares performed by the Company of approximately HK\$59.5 million as at 31 March 2020. 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 its 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 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 the Sale Shares, representing 20% of the issued share capital in the Target Company, by the Purchaser from the Vendor at the Consideration;
“Board”	The board of Directors;
“Business Day”	Any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorized by law to be closed 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 date of Completion, which shall take place within ten Business Days from the date of the Sale and Purchase Agreement remotely via the exchange of documents and signatures, or at such other time as the Parties shall mutually agree in writing;

“Consideration”	The consideration of HK\$56,000,000 to be settled and discharged in cash pursuant to the Sale and Purchase Agreement;
“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 PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	The Purchaser and the Vendor, collectively;
“PRC” or “China”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	The sale and purchase agreement dated 5 June 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 20% of the issued share capital in the Target Company at the Consideration;
“Sale Shares”	10,000 ordinary shares of the Target Company, representing 20% of the issued share capital of the Target Company as at the date of the Sale and Purchase Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Iogo Workshop Investment Ltd., a company incorporated in the British Virgin Islands with limited liability which, together with its subsidiaries, is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services;

