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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)

**PLACING OF NEW SHARES
UNDER THE GENERAL MANDATE**

On 19 March 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 202,000,000 Placing Shares at the Placing Price of HK\$0.25 per Placing Share to not less than six Placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The Placing Shares will be allotted and issued pursuant to the General Mandate.

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 202,000,000 Placing Shares under the Placing represents (i) approximately 19.57% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.36% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing Price of HK\$0.25 per Placing Share represents (i) a discount of approximately 1.96% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a premium of approximately 9.55% to the average closing price of HK\$0.2282 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Placing Agreement.

Assuming that all the Placing Shares are fully placed, the estimated gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing will amount to approximately HK\$50.5 million and approximately HK\$49.6 million, respectively.

The Company intends to apply the net proceeds from the Placing as general working capital and/or further investments of the Group as and when the opportunities arise. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable, and the Placing will strengthen the Group's financial position, broaden the Company's shareholder base and is in the interests of the Company and the Shareholders as a whole.

Given that completion of the Placing, which is subject to fulfillment of the conditions under the Placing Agreement, may or may not take place, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE PLACING

On 19 March 2021, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 202,000,000 Placing Shares at the Placing Price of HK\$0.25 per Placing Share. The principal terms of the Placing Agreement are set out below.

THE PLACING AGREEMENT

Date

19 March 2021 (after trading hours)

Parties

Issuer : the Company

Placing Agent : Silverbricks Securities Company Limited

The Placing Agent is a company incorporated in Hong Kong with limited liability and licensed by the SFC to carry on type 1 (dealing in securities), type 2 (dealing in future contracts) and type 6 (advising on corporate finance) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Placing

The Placing Agent has conditionally agreed to procure, as agent of the Company, the placing to not less than six Placees in board lots who are individual, institutional or other professional investors that are third parties independent of the Company and its connected persons, for up to 202,000,000 Placing Shares at the Placing Price of HK\$0.25 per Placing Share on a best efforts basis. The Placing Agent will receive a placing commission of 1.5% of the aggregate amount equal to the Placing Price multiplied by the actual number of Placing Shares placed by the Placing Agent (i.e. the gross proceeds from the Placing).

The placing commission payable to the Placing Agent under the Placing Agreement is arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market commission rate for similar transactions. The Directors are of the view that the placing commission is fair and reasonable.

Number of Placing Shares

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 202,000,000 Placing Shares under the Placing represents (i) approximately 19.57% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.36% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$50,500,000.

Placing Price

The Placing Price is HK\$0.25 per Placing Share which represents:

- a) a discount of approximately 1.96% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- b) a premium of approximately 9.55% to the average closing price of HK\$0.2282 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Placing Agreement.

The Placing Price was determined on an arm's length basis between the Company and the Placing Agent and with reference to the recent market price of the Shares and the prevailing market conditions. The Directors consider that the Placing Price is fair and reasonable based on the current market conditions.

General Mandate

The Placing Shares will be allotted and issued under the General Mandate granted to the Board at the AGM held on 28 August 2020, pursuant to which the Board is authorised to allot, issue and deal with up to 206,472,640 Shares. As at the date of this announcement, the Company has not utilised the General Mandate and the maximum number of 202,000,000 Placing Shares under the Placing represents approximately 97.83% of the entire General Mandate.

The allotment and issue of the Placing Shares is not subject to any additional Shareholders' approval.

Conditions Precedent of the Placing

Completion of the Placing Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Placing Shares (either unconditionally or subject to conditions which are acceptable to the Company and the Placing Agent); and
- (ii) no representation, warranty or undertaking under the Placing Agreement having been breached in any material respect by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Completion Date.

None of the above conditions can be waived. In the event of the above conditions not having been fulfilled by the Long Stop Date, all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing, save for any antecedent breaches of the Placing Agreement.

Completion of the Placing

Completion of the Placing will take place not later than the fourth Business Days after the fulfilment of the conditions as set out above or such other date to be agreed between the Company and the Placing Agent in writing (the "**Completion Date**").

Termination Rights of the Placing Agent

The Placing Agent may after consultation with the Company terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to noon on the Completion Date, if:

- i. there shall have been, since the date of the Placing Agreement, such a change in national or international financial, political or economic conditions or taxation or exchange controls as would, in the opinion of the Placing Agent, be likely to prejudice materially the consummation of the Placing; or
- ii. any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provisions of the Placing Agreement; or
- iii. any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise.

APPLICATION FOR LISTING

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

REASONS FOR THE PLACING AND USE OF PROCEEDS

The principal activity of the Company is 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.

Assuming that all the Placing Shares are fully placed, the estimated gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing will amount to approximately HK\$50.5 million and approximately HK\$49.6 million respectively. The net price per Placing Share will be approximately HK\$0.246.

The Company intends to apply the net proceeds from the Placing as general working capital and/or further investments of the Group as and when the opportunities arise.

The Directors are of the view that the terms of the Placing Agreement are fair and reasonable, and the Placing will strengthen the Group's financial position, broaden the Company's shareholder base and will provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the unfavourable COVID-19 pandemic situation currently, and is in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fund raising activity in the twelve months immediately preceding the date of this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY UPON COMPLETION OF THE PLACING

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Placing (assuming the maximum number of Placing Shares are placed and there is no change in the share capital of the Company from the date of this announcement up to the completion of the Placing) are set out as follows:

| Shareholders | As at the date of this announcement | | Immediately upon completion of the Placing | |
|---|--|---------------------------------------|---|---------------------------------------|
| | <i>Approximate</i> | | <i>Approximate</i> | |
| | <i>Number of Shares held</i> | <i>% of total Shares in issue</i> | <i>Number of Shares held</i> | <i>% of total Shares in issue</i> |
| Excel Time Investments Limited ("Excel Time") (Note) | 238,942,059 | 23.15 | 238,942,059 | 19.36 |
| Mr. Han Weining ("Mr. Han") (Note) | 8,160,000 | 0.79 | 8,160,000 | 0.66 |
| Mr. Lam Siu Sun | 172,000,000 | 16.66 | 172,000,000 | 13.93 |
| Mr. Gao Jiemin | 97,716,800 | 9.47 | 97,716,800 | 7.92 |
| Placees | – | – | 202,000,000 | 16.36 |
| Other public Shareholders | <u>515,544,341</u> | <u>49.93</u> | <u>515,544,341</u> | <u>41.77</u> |
| Total | <u>1,032,363,200</u> | <u>100.00</u> | <u>1,234,363,200</u> | <u>100.00</u> |

Note:

Excel Time is wholly and beneficially owned by Mr. Han, the chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han is deemed to be interested in 238,942,059 Shares held by Excel Time.

Mr. Han also holds 8,160,000 Shares as beneficial owner.

Given that completion of the Placing, which is subject to fulfillment of the conditions under the Placing Agreement, may or may not take place, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITION

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

| | |
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| “AGM” | the annual general meeting of the Company held on 28 August 2020; |
| “Board” | the board of Directors; |
| “Business Day(s)” | a day on which banks in Hong Kong are open for business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon on which banks generally are open for business in Hong Kong; |
| “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; |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Directors(s)” | the director(s) of the Company; |
| “General Mandate” | the general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the AGM to allot, issue and deal with up to 20% of the then issued Shares (i.e. 206,472,640 Shares) as at the date of the AGM; |
| “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 Committee” | has the meaning ascribed thereto in the Listing Rules; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Long Stop Date” | 21 April 2021 or such later date as the parties to the Placing Agreement may agree in writing; |
| “Placees” | any person or entity whom the Placing Agent has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement; |
| “Placing” | the placing of the Placing Shares by the Placing Agent on a best effort basis pursuant to the terms and conditions of the Placing Agreement; |
| “Placing Agent” | Silverbricks Securities Company Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in future contracts) and type 6 (advising on corporate finance) regulated activities under the SFO; |
| “Placing Agreement” | the conditional placing agreement dated 19 March 2021 and entered into between the Company as issuer and the Placing Agent as the placing agent in relation to the Placing; |
| “Placing Price” | HK\$0.25 per Placing Share; |
| “Placing Shares” | up to 202,000,000 new Shares to be placed pursuant to the Placing Agreement; |
| “SFC” | the Securities and Futures Commission of Hong Kong; |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Share(s)” | ordinary share(s) of HK\$0.25 each in the issued share capital of the Company; |

“Shareholder(s)” The holder(s) of the Shares;

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

“%” per cent.

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

Hong Kong, 19 March 2021

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.