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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 –
INVESTMENT IN THE COMPANY’S SUBSIDIARY
BY THE SUBSCRIBER UNDER
THE MOX SUBSCRIPTION AGREEMENT**

THE MOX SUBSCRIPTION AGREEMENT

On 23 June 2023, MOX (an indirect non-wholly owned subsidiary of the Company) entered into the MOX Subscription Agreement with the Subscriber and the Guarantor, pursuant to which the Subscriber has agreed to subscribe for, and MOX has agreed to allot and issue to the Subscriber 25,000 Subscription Shares at the aggregate Subscription Price of RMB25,000,000. The MOX Subscription Completion shall take place on the MOX Subscription Completion Date pursuant to the MOX Subscription Agreement.

LISTING RULES IMPLICATION

As at the date of this announcement, the entire issued share capital of MOX is wholly owned by Sense Field, being a 85%-owned indirect subsidiary of the Company. Immediately following the MOX Subscription Completion, the interest of Sense Field in the issued share capital of MOX will be diluted from 100% to approximately 66.67%. The MOX Subscription will therefore constitute a deemed disposal by the Company under Rule 14.29 of the Listing Rules. As more than one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the deemed disposal arising from the MOX Subscription exceed 5% but are less than 25%, the MOX Subscription Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE MOX SUBSCRIPTION

The Board wishes to announce that on 23 June 2023, MOX (an indirect non-wholly owned subsidiary of the Company) entered into the MOX Subscription Agreement with, the Subscriber and the Guarantor, pursuant to which the Subscriber has agreed to subscribe for, and MOX has agreed to allot and issue to the Subscriber 25,000 Subscription Shares at the aggregate Subscription Price of RMB25,000,000.

The MOX Subscription Agreement

Date: 23 June 2023 (after trading hours)

Parties:

- (1) MOX (as the issuer);
- (2) the Subscriber (as the subscriber); and
- (3) the Guarantor (as the guarantor).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber, its ultimate beneficial owner(s) and the Guarantor are third parties independent of the Company and its connected persons.

Subscription Price

According to the terms of the MOX Subscription Agreement, the aggregate subscription price of the Subscription Shares is RMB25,000,000. The Subscription Price shall be payable in full by the Subscriber in cash upon the MOX Subscription Completion on or before the MOX Subscription Completion Date.

The Subscription Price is determined based on the consolidated net asset value and the future business potential of MOX and its subsidiaries and the potential benefits of the transaction to the Group which are further described in the paragraph headed "Reasons for and benefits of the transaction contemplated under the MOX Subscription Agreement" below.

Guarantee

According to the terms of the MOX Subscription Agreement, the Guarantor has unconditionally and irrevocably guaranteed to MOX the due and punctual performance and discharge by the Subscriber of all obligations due, owing or incurred to MOX by the Subscriber under or pursuant to the MOX Subscription Agreement.

MOX Subscription Completion

Completion of the MOX Subscription Agreement was unconditional and shall take place on the MOX Subscription Completion Date.

INFORMATION ON THE PARTIES

The Group

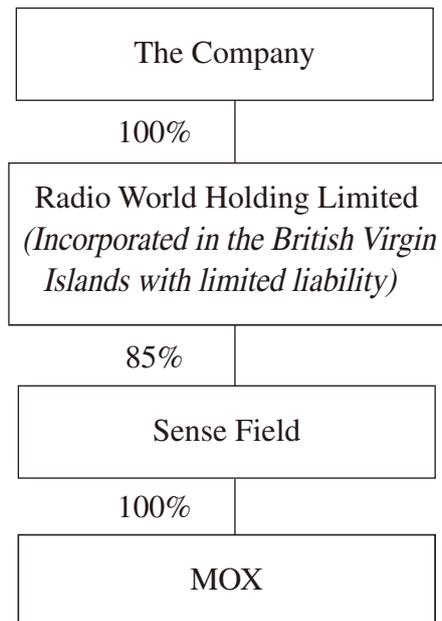
The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed and traded on the Stock Exchange. It is principally engaged in investment holding.

The Group is principally engaged in (i) design, development and sale of automation control systems; (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings; and (iii) the rental and maintenance services in relation to computer equipment and machines, information technology infrastructure and platform and robots and other related services.

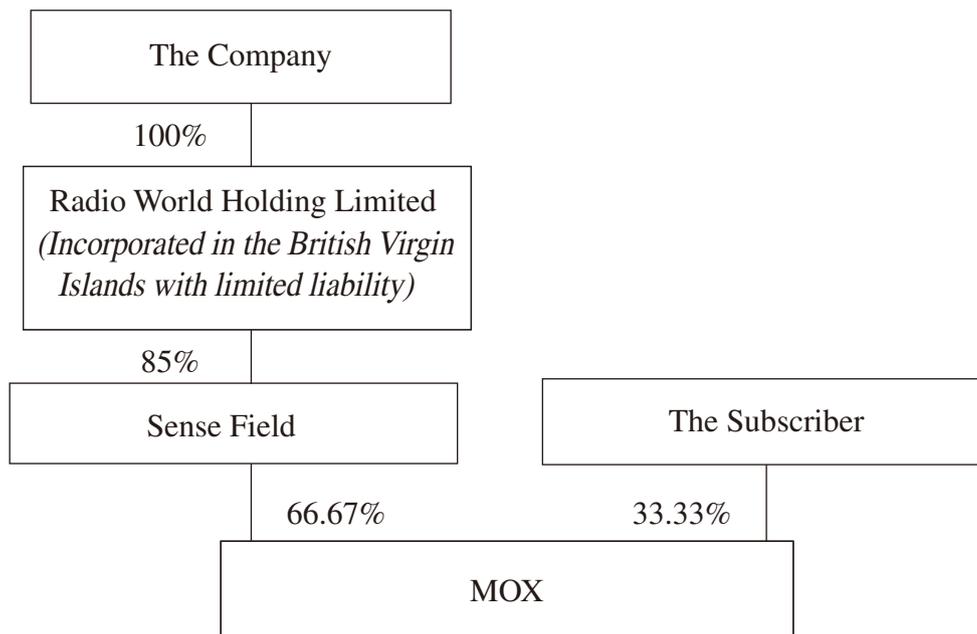
MOX

MOX is a limited liability company incorporated in the British Virgin Islands. It is principally engaged in investment holding. MOX is also the beneficial owner of Wanakesi Auto-control Equipment, which is principally engaged in the research and development, manufacturing and sales of intelligent building systems, including video intercom and surveillance systems for buildings in the PRC.

As at the date of this announcement, the entire issued share capital of MOX was wholly owned by Sense Field, being a 85%-owned indirect subsidiary of the Company. The simplified shareholding structure of MOX as at the date of this announcement is set out as follows:



Immediately following the MOX Subscription Completion, the entire issued share capital of MOX will become approximately 66.67%-owned by Sense Field and approximately 33.33%-owned by the Subscriber. The simplified shareholding structure of MOX immediately after the MOX Subscription Completion is set out as follows:



Set out below is certain unaudited consolidated financial information in relation to MOX and its subsidiaries, which was prepared in accordance with the Hong Kong Financial Reporting Standards, for the financial years or as at the dates specified below:

	For the year ended	
	31 March	31 March
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	17,371	22,149
Loss after taxation	17,371	22,149
	As at	As at
	31 March	31 March
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net asset value	15,845	38,787

The Subscriber

The Subscriber is a limited company incorporated in Hong Kong and is principally engaged in the electronic products related business. Its entire issued share capital is owned by the Guarantor.

The Guarantor

The Guarantor is an individual with extensive experience in the innovative and high technology sector.

FINANCIAL IMPACT OF THE DEEMED DISPOSAL TO THE GROUP

Immediately following the MOX Subscription Completion, the interest of Sense Field in the issued share capital of MOX will be diluted from 100% to approximately 66.67%. MOX will remain as an indirect non-wholly owned subsidiary of the Company and its financial results, financial conditions and cash flows will continue to be consolidated in that of the Company. Therefore, it is expected that the MOX Subscription will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the Group's consolidated statement of profit or loss. Also, upon the MOX Subscription Completion, the book value of the consolidated net assets of MOX attributable to the Group is expected to increase as compared to that before the MOX Subscription, and the book value of the consolidated net assets of MOX attributable to the Subscriber is expected to be lower than the amount of its capital contribution under the MOX Subscription.

REASONS FOR AND BENEFITS OF THE TRANSACTION CONTEMPLATED UNDER THE MOX SUBSCRIPTION AGREEMENT

The net proceeds arising from the MOX Subscription will be used for general working capital and repayment of borrowings of Wankesi Auto-control Equipment, which principally engaged in the research and development, manufacturing and sales of intelligent building systems, including video intercom and surveillance systems for buildings in the PRC.

As disclosed in the interim report of the Company for the six months ended 30 September 2022, due to the on-and-off lockdown in China since the second quarter of 2022, the production and principal operation of the Group's building intelligence business were seriously affected and suspended, particularly for the major income source of the building intelligence business which was located in Shanghai and Eastern China regions. As such, the segment recorded a decrease in revenue and an operation loss during the reporting period.

In light of the financial performance in the Group's building intelligence business, the Directors are of the view that the MOX Subscription would enhance the financial position of MOX and support the Group's building intelligence business by providing an additional source of funding to Wankesi Auto-control Equipment. The introduction of the Subscriber to MOX also represents a good opportunity to broaden the shareholder base and capital base of MOX such that it will be in a better position to meet the capital requirements for any further business development. In addition, the cooperation between MOX and the Subscriber demonstrates a positive prospect of the Group's building intelligence business which may attract further investors to invest in MOX and/or in the Group.

Having considered the abovementioned benefits, the Directors are of the view that the terms of the MOX Subscription Agreement, which were arrived at after arm's length negotiations between MOX and the Subscriber, are fair and reasonable and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the entire issued share capital of MOX is wholly owned by Sense Field, being a 85%-owned indirect subsidiary of the Company. Immediately following the MOX Subscription Completion, the interest of Sense Field in the issued share capital of MOX will be diluted from 100% to approximately 66.67%. The MOX Subscription will therefore constitute a deemed disposal by the Company under Rule 14.29 of the Listing Rules. As more than one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the deemed disposal arising from the MOX Subscription exceed 5% but are less than 25%, the MOX Subscription Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions have the following meaning:

“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains 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 thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Guarantor”	Mr. Zhang Pangfei
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOX”	MOX Group Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect non-wholly owned subsidiary of the Company
“MOX Subscription”	the subscription of the MOX Subscription Shares pursuant to the MOX Subscription Agreement
“MOX Subscription Agreement”	the subscription agreement dated 23 June 2023 entered into among MOX (as issuer), the Subscriber (as subscriber) and the Guarantor (as guarantor) in relation to the MOX Subscription
“MOX Subscription Completion”	completion of the MOX Subscription
“MOX Subscription Completion Date”	24 July 2023, or such other time and/or date as the Parties may agree
“Parties”	collectively, MOX, the Subscriber and the Guarantor, being the parties to the MOX Subscription Agreement
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sense Field”	Sense Field Group Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect non-wholly owned subsidiary of the Company and the direct holding company of MOX
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Hong Kong Haoxuan Co., Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party immediately prior to the MOX Subscription
“Subscription Price”	the aggregate subscription price of RMB25,000,000
“Subscription Shares”	25,000 new shares in the share capital of MOX to be subscribed for by the Subscriber pursuant to the MOX Subscription Agreement

“Wankesi Auto-control
Equipment”

萬科思自控設備(中國)股份有限公司, a joint stock limited
company established in the PRC

“%”

per cent

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

Hong Kong, 23 June 2023

As at the date of this announcement, the executive Directors are Mr. Han Weining, Mr. Chong Alex Tin Yam and Ms. Wang Jie; and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Wang Chen, Ms. Li Mingqi and Mr. Cheng Nicholas Tat Hei.