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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)

**BUSINESS UPDATE
AND
DISPOSAL OF SUBSIDIARIES**

BUSINESS UPDATE

This announcement is made by the board (the “**Board**”) of directors (the “**Director(s)**”) of Synertone Communication Corporation (the “**Company**”) to provide shareholders and potential investors of the Company with the latest business update of the Group.

Reference is made to the announcement of the Company dated 14 September 2023, in relation to, among other things, the Company’s engagement in virtual asset-related activities (the “**Business**”). The Board wishes to inform the shareholders and potential investors of the Company that upon review of the business operations of the Group, after due and careful consideration, the Board has resolved to cease pursuing the Business and to divest the Subsidiaries (as defined below) in view of the current unsatisfactory financial performance of the Subsidiaries, as well as the resignation of Mr. Chong Alex Tin Yam (“**Mr. Chong**”) as the co-chief executive officer of the Company and an executive Director, render it uncertain as to whether the management team of the Company processes sufficient expertise and capacity to continue pursue any possible development of the Business and to achieve the expected return from the Business. The Board considers that to cease to pursue the Business will enable the Group to better utilise its resources to operate the Group’s current businesses or other potential new businesses.

The Directors believe that the cessation of pursuing the Business would not pose any material effect on the Group's existing operations, and is in the interest of the Company and its shareholders as a whole.

DISPOSAL OF SUBSIDIARIES

The Board announces that on 31 October 2023 (after trading hours), Radio World Holding Limited (the "**Vendor**") (as vendor), a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company, and Mr. Chong (as the purchaser) entered into two sale and purchase agreements (the "**Agreements**"), pursuant to which the Vendor has agreed to sell, and Mr. Chong has agreed to purchase:

- (1) the entire issued share capital ("**Sale Share A**") of Hong Kong Blockchain Development Marketing Limited ("**HK Blockchain Marketing**"), a company incorporated in Hong Kong with limited liability; and
- (2) the entire issued share capital ("**Sale Share B**") of, and the entire shareholder's loan owed by ("**Sale Loan**"), Hong Kong Blockchain Development Company Limited ("**HK Blockchain Development**"), a company incorporated in Hong Kong with limited liability.

As at the date of this announcement, HK Blockchain Development holds the entire issued share capital of Hong Kong Blockchain Development Custody Services Limited ("**HK Blockchain Custody**"), together with HK Blockchain Marketing and HK Blockchain Development, the "**Subsidiaries**").

Consideration

The consideration (the "**Consideration**") for the sale and purchase of Sale Share A is HK\$10,000, Sale Share B is HK\$1.00 and Sale Loan is HK\$2,522,012.15, respectively, which had been paid by Mr. Chong to the Vendor upon completion (the "**Completion**") which took place simultaneously upon the signing of the Agreements.

The Consideration was determined through arm's length negotiations between the Vendor and Mr. Chong on a commercial basis with reference to (i) the net assets or liabilities position of the Subsidiaries as at 31 October 2023; and (ii) the shareholder's loan of HK\$2,522,012.15 owed by HK Blockchain Development to the Vendor as at 31 October 2023.

Information of the Company and the Subsidiaries

The Company is a company incorporated in the Cayman Islands with limited liability and principally engaged in investment holding. The Group is principally engaged in the control system, building intelligence and data centre business.

As HK Blockchain Marketing was newly incorporated in August 2023, it has not been involved in any business transaction up to the date hereof, HK Blockchain Marketing has not recorded any profit or loss since its incorporation in August 2023 up to 31 October 2023 and has recorded unaudited net assets of HK\$10,000 as at 31 October 2023.

HK Blockchain Development was incorporated in Hong Kong in May 2023 and is the holding company of HK Blockchain Custody which was incorporated in Hong Kong in June 2023. HK Blockchain Development together with HK Blockchain Custody currently have no business operation. HK Blockchain Development has recorded an unaudited consolidated loss of HK\$2,532,012 for the period since its incorporation in May 2023 up to 31 October 2023 and has recorded unaudited consolidated net liabilities of HK\$2,522,012 as at 31 October 2023.

After the Completion, the Company has no longer held any interest in the Subsidiaries and the financial results of the Subsidiaries would no longer be consolidated into the consolidated financial statement of the Group.

Reasons for and benefits of the Disposal

As mentioned in the section headed “Business Update” in this announcement above, the Board considers it is in the interests of the Company and its shareholders as a whole to divest the Subsidiaries in view of their unsatisfactory financial performance. The Directors are of the view that the disposal (the “**Disposal**”) of the Subsidiaries represents a good opportunity for the Company to recover the initial investment injected into the Subsidiaries which were incorporated in preparation of any possible development of the Business, which the Company is uncertain whether the management team of the Company possesses sufficient expertise and capacity to continue pursue any possible development of the Business and to achieve the expected return from the Business after the resignation of Mr. Chong.

It is estimated that, upon Completion, the Group will not record any gain or loss on Disposal based on the calculation with reference to (i) the total Consideration received from the Disposal of HK\$2,532,013.15, (ii) the unaudited consolidated net liabilities of HK Blockchain Development of HK\$2,522,012 as at 31 October 2023, (iii) the net assets of HK Blockchain Marketing of HK\$10,000 as at 31 October 2023 and (iv) the amount of Sale Loan of HK\$2,522,012.15 as at 31 October 2023. The actual gain or loss to be recorded by the Company depends on the net asset/liability value of the Subsidiaries upon Completion, which is subject to final audit to be performed by the auditors of the Company.

The Board intends to apply the net sale proceeds of approximately HK\$2,442,000 (after deducting professional fees and other related expenses) for general working capital of the Group.

In view of the above, the Board, including the independent non-executive Directors, consider that the terms and conditions of the Agreements are fair and reasonable, and the Disposal is in the interest of the Company and its shareholders as a whole.

Listing Rules implications

The Purchaser is the former co-chief executive officer of the Company and a former Director within 12 months and hence he is a connected person (as defined under the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “**Stock Exchange**”)) of the Company. The Disposal shall therefore constitute a connected transaction on the part of the Company. As all of the applicable percentage ratio(s) (as defined under the Listing Rules) are less than 5% and the total Consideration is less than HK\$3,000,000, the Disposal is fully exempt from the reporting, announcement, circular and independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 October 2023

As at the date of this announcement, the executive Director is Mr. Han Weining; the non-executive Director is Mr. Wong Hoi Lok; and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Ms. Li Mingqi and Mr. Cheng Nicholas Tat Hei.