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YUNBO DIGITAL SYNERGY GROUP LIMITED
雲博產業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050

interim report

2012/2013

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This report, for which the directors of Yunbo Digital Synergy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company (the "Directors"), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

INDEPENDENT REVIEW REPORT

Grant Thornton
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To the Board of Directors of Yunbo Digital Synergy Group Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 4 to 18 which comprises the condensed consolidated statement of financial position of Yunbo Digital Synergy Group Limited as of 30 September 2012 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flows statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton Hong Kong Limited
Certified Public Accountants
20th Floor Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

13 November 2012

Shaw Chi Kit
Practising Certificate No.: P04834

The board of Directors (the "Board") of Yunbo Digital Synergy Group Limited (the "Company") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2012

	Note	Three months ended 30 September		Six months ended 30 September	
		2012	2011	**2012**	2011
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	3	**5,904**	3,599	**9,721**	9,576
Cost of sales		**(5,045)**	(3,133)	**(8,018)**	(5,577)
Gross profit		**859**	466	**1,703**	3,999
Other income		**277**	2	**333**	34
Gain on disposal of subsidiaries		**–**	–	**–**	10,822
Distribution costs		**(11)**	(7)	**(23)**	(118)
Administrative expenses		**(3,525)**	(1,122)	**(6,450)**	(5,467)
Other operating expenses		**–**	–	**(74)**	–
(Loss)/Profit before income tax		**(2,400)**	(661)	**(4,511)**	9,270
Income tax expense	4	**–**	–	**–**	–
(Loss)/Profit for the period		**(2,400)**	(661)	**(4,511)**	9,270
Other comprehensive expense					
Reclassification adjustments for translation reserve released upon disposal of subsidiaries		**–**	–	**–**	(1,495)
Other comprehensive expense for the period, net of tax		**–**	–	**–**	(1,495)
Total comprehensive (expense)/income for the period, net of tax		**(2,400)**	(661)	**(4,511)**	7,775

	Note	Three months ended 30 September		Six months ended 30 September	
		2012	2011	**2012**	2011
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss)/Profit for the period attributable to:					
Owners of the Company		**(2,412)**	(574)	**(4,543)**	9,217
Non-controlling interests		**12**	(87)	**32**	53
		(2,400)	(661)	**(4,511)**	9,270
Total comprehensive (expense)/ income for the period attributable to:					
Owners of the Company		**(2,412)**	(574)	**(4,543)**	7,722
Non-controlling interests		**12**	(87)	**32**	53
		(2,400)	(661)	**(4,511)**	7,775
(Loss)/Earnings per share attributable to the owners of the Company					
– Basic (in HK cents)	5	**(0.39)**	(0.10)	**(0.74)**	1.54
– Diluted (in HK cents)	5	**(0.39)**	(0.10)	**(0.74)**	1.54

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Note	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**103**	26
Current assets			
Trade and other receivables	7	**1,857**	2,546
Cash and cash equivalents		**7,175**	65,795
		9,032	68,341
Current liabilities			
Trade and other payables	8	**4,058**	3,864
Bank borrowings	9	**–**	60,000
		4,058	63,864
Net current assets		**4,974**	4,477
Net assets		**5,077**	4,503
Equity			
Equity attributable to the owners of the Company			
Share capital	10	**62,500**	60,000
Reserves		**(57,624)**	(55,666)
		4,876	4,334
Non-controlling interests		**201**	169
Total equity		**5,077**	4,503

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Net cash used in operating activities	**(3,619)**	(2,620)
Net cash generated from investing activities	**4,999**	26,046
Net cash used in financing activities	**(60,000)**	(41,580)
Net decrease in cash and cash equivalents	**(58,620)**	(18,154)
Cash and cash equivalents at the beginning of the period	**65,795**	26,574
Cash and cash equivalents at the end of the period	**7,175**	8,420
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	**7,175**	8,420

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to the owners of the Company								
	Share capital HK$'000 (unaudited)	Share premium HK$'000 (unaudited)	Warrant reserve HK$'000 (unaudited)	Merger reserve HK$'000 (unaudited)	Translation reserve HK$'000 (unaudited)	Accumulated losses HK$'000 (unaudited)	Total HK$'000 (unaudited)	Non-controlling interests HK$'000 (unaudited)	Total equity HK$'000 (unaudited)
As at 1 April 2011	60,000	77,955	–	(47,430)	1,495	(50,844)	41,176	895	42,071
Comprehensive income									
Profit for the period	–	–	–	–	–	9,217	9,217	53	9,270
Other comprehensive expenses									
Reclassification adjustments for translation reserve released upon disposal of subsidiaries	–	–	–	–	(1,495)	–	(1,495)	–	(1,495)
Total comprehensive income/ (expense)	–	–	–	–	(1,495)	9,217	7,722	53	7,775
Special distribution	–	(41,580)	–	–	–	–	(41,580)	–	(41,580)
Disposal of subsidiaries	–	–	–	47,430	–	(47,430)	–	(872)	(872)
As at 30 September 2011	60,000	36,375	–	–	–	(89,057)	7,318	76	7,394
As at 1 April 2012	**60,000**	**36,375**	**-**	**-**	**-**	**(92,041)**	**4,334**	**169**	**4,503**
Comprehensive income									
(Loss)/Profit for the period	**-**	**-**	**-**	**-**	**-**	**(4,543)**	**(4,543)**	**32**	**(4,511)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**-**	**(4,543)**	**(4,543)**	**32**	**(4,511)**
Issue of shares	**2,500**	**1,685**	**-**	**-**	**-**	**-**	**4,185**	**-**	**4,185**
Issue of warrants	**-**	**-**	**900**	**-**	**-**	**-**	**900**	**-**	**900**
As at 30 September 2012	**62,500**	**38,060**	**900**	**-**	**-**	**(96,584)**	**4,876**	**201**	**5,077**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. GENERAL INFORMATION

Yunbo Digital Synergy Group Limited (the "Company") (formerly known as FlexSystem Holdings Limited) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Room 2, 27/F., Golden Centre, 188 Des Voeux Road Central, Central, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business.

In the opinion of the directors of the Company ("Directors"), the parent and ultimate holding company of the Company is Happy On Holdings Limited ("Happy On"), which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2012 (the "Condensed Financial Report") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2012 (the "2012 Annual Financial Statements"). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2012 Annual Financial Statements.

The preparation of the Condensed Financial Report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting periods beginning on 1 April 2012, the adoption has no material effect on the reported results and the financial position of the Group for the current or prior accounting periods.

The Condensed Financial Report has been prepared under the historical cost convention. The Condensed Financial Report is presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company and all values are rounded to the nearest thousands ("HK$'000") unless otherwise stated.

3. REVENUE AND SEGMENT INFORMATION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from the sale of enterprise software and hardware products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

Maintenance service income is recognised over the life of the agreement on a straight-line basis. The unearned portion of the maintenance service income received is stated as deferred income grouped in other payables in the statement of financial position.

All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. Revenue recognised by segments during the period are as follows:

	Three months ended 30 September		**Six months ended 30 September**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue:				
Hardware	**5,589**	3,333	**8,844**	6,084
Software	**131**	17	**488**	1,645
Services	**184**	249	**389**	1,847
	5,904	3,599	**9,721**	9,576

Management has determined the operating segments based on the reports reviewed by the executive Directors that are used to make operating decisions. Executive Directors are considered as the Chief Operating Decision Maker ("CODM").

The CODM review the Group's financial information from hardware, software and services perspectives. The reportable segments are classified in a manner consistent with the information reviewed by the CODM.

The CODM assess the performance of the operating segments based on a measure of reportable segment (loss)/profit. This measurement basis excludes other income and net gains, gain on disposal of subsidiaries and unallocated expenses.

Segment assets mainly exclude assets that are managed on a central basis.

	Hardware Six months ended 30 September **2012** **HK$'000** **(unaudited)**	 2011 HK$'000 (unaudited)	Software Six months ended 30 September **2012** **HK$'000** **(unaudited)**	 2011 HK$'000 (unaudited)	Services Six months ended 30 September **2012** **HK$'000** **(unaudited)**	 2011 HK$'000 (unaudited)	Total Six months ended 30 September **2012** **HK$'000** **(unaudited)**	 2011 HK$'000 (unaudited)
Reportable segment revenue:								
From external customers	**8,844**	6,084	**488**	1,645	**389**	1,847	**9,721**	9,576
Reportable segment profit/(loss)	**(775)**	(438)	**376**	1,119	**319**	1,523	**(80)**	2,204

	Hardware **30 September** **2012** **HK$'000** **(unaudited)**	 31 March 2012 HK$'000 (audited)	Software **30 September** **2012** **HK$'000** **(unaudited)**	 31 March 2012 HK$'000 (audited)	Services **30 September** **2012** **HK$'000** **(unaudited)**	 31 March 2012 HK$'000 (audited)	Total **30 September** **2012** **HK$'000** **(unaudited)**	 31 March 2012 HK$'000 (audited)
Reportable segment assets	**1,029**	1,256	**408**	744	**81**	182	**1,518**	2,182

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the condensed consolidated financial statements as follows:

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Reportable segment (loss)/profit	**(80)**	2,204
Gain on disposal of subsidiaries	**–**	10,822
Depreciation	**(3)**	(14)
Unallocated corporate expense	**(4,687)**	(3,776)
Unallocated corporate income	**259**	34
(Loss)/Profit before income tax	**(4,511)**	9,270

	30 September	31 March
	2012	2012
	HK$'000	HK$'000
	(unaudited)	(audited)
Total segment assets	**1,518**	2,182
Unallocated assets	**7,617**	66,185
Total assets per condensed consolidated statement of financial position	**9,135**	68,367

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax or overseas income tax has been made as the Group had incurred losses for taxation purpose for the period (30 September 2011: Nil as the Group had no assessable profit arising in or derived from Hong Kong or overseas).

Deferred tax had not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2011: Nil).

5. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the three months and six months ended 30 September 2012 is calculated by dividing the loss or profit attributable to owners of the Company for the period of loss of HK$2,412,000 and loss of HK$4,543,000 respectively (three months and six months ended 30 September 2011: loss of HK$574,000 and profit of HK$9,217,000 respectively) by the weighted average number of 622,282,609 and 613,415,301 (three months and six months ended 30 September 2011: weighted average number of 600,000,000) ordinary shares respectively in issue during the periods.

Diluted (loss)/earnings per share for the three months and six months ended 30 September 2012 equals to the basic (loss)/earnings per share as the potential ordinary shares on exercise of warrants were not included in the calculation of diluted (loss)/earnings per share because they are anti-dilutive (three months and six months ended 30 September 2011: no dilutive potential ordinary shares in existence for the periods).

Details of calculation of (loss)/earnings per share:

	Three months ended 30 September		**Six months ended 30 September**	
	2012 (unaudited)	2011 (unaudited)	**2012 (unaudited)**	2011 (unaudited)
(Loss)/Profit attributable to owners of the Company (HK$'000)	**(2,412)**	(574)	**(4,543)**	9,217
Weighted average number of ordinary shares in issue during the period (in thousands)	**622,283**	600,000	**613,415**	600,000
	HK cents	HK cents	**HK cents**	HK cents
Basic (loss)/earnings per share	**(0.39)**	(0.10)	**(0.74)**	1.54
Diluted (loss)/earnings per share	**(0.39)**	(0.10)	**(0.74)**	1.54

6. DIVIDEND

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

On 13 April 2011, the Board resolved that a special dividend of HK$0.0693 per share, amounting to HK$41,580,000, to be paid to the shareholders of the Company. The special dividend was paid in April 2011.

7. TRADE AND OTHER RECEIVABLES

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Trade receivables (Note)	**1,518**	2,182
Prepayments, deposits and other receivables	**339**	364
	1,857	2,546

Note: The credit period granted by the Group to its customers generally ranged from 30 to 90 days. As at 30 September 2012 and 31 March 2012, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date was as follows:

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
0–30 days	**804**	1,564
31–60 days	**53**	43
61–90 days	**19**	–
91–180 days	**115**	1
181–365 days	**21**	116
Over 365 days	**506**	458
	1,518	2,182

8. TRADE AND OTHER PAYABLES

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Trade payables (Note)	**2,713**	945
Other payables and accruals	**1,345**	2,886
Sales deposits received	**–**	33
	4,058	3,864

Note: The ageing analysis of trade payables based on invoice date was as follows:

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
0–30 days	**1,540**	413
31–60 days	**494**	459
61–90 days	**305**	5
91–180 days	**314**	8
181–365 days	**–**	60
Over 365 days	**60**	–
	2,713	945

9. BANK BORROWINGS

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Bank loans-secured	**–**	60,000
Carrying amount repayable:		
Amounts due on demand or within one year shown under current liabilities	**–**	60,000

As at 30 September 2012, the Group had banking facilities amounting to HK$100,000,000 (31 March 2012: HK$100,000,000) secured by the ultimate holding company's bank deposits and carried interest at 1.3% (31 March 2012: 2%) per annum over HIBOR. As at 30 September 2012, the unutilised banking facilities amounted to HK$100,000,000 (31 March 2012: HK$40,000,000).

All bank loans were denominated in Hong Kong dollars and the effective interest rate at the end of reporting period was Nil (31 March 2012: 2.15% per annum).

The carrying amounts of bank loans approximate their fair value, as the impact of discounting is not significant due to their short-term maturity.

10. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.10 each Number of shares (in thousands)	HK$'000 (unaudited)
As at 31 March 2012 and 30 September 2012	**2,000,000**	**200,000**

	Issued and fully paid Ordinary shares of HK$0.10 each Number of shares (in thousands)	HK$'000 (unaudited)
As at 1 April 2011, 31 March 2012 and 1 April 2012	**600,000**	**60,000**
Issue of shares (Note)	**25,000**	**2,500**
As at 30 September 2012	**625,000**	**62,500**

Note:

On 4 June 2012, the Company had completed, through the placing agent, the placing of 15,000,000 new shares of HK$0.1 each in the capital of the Company at a share placing price of HK$0.185 each and 30,000,000 warrants at issue price of HK$0.01 each to independent third parties.

On 26 July 2012, the Company had completed, through the planning agent, the placing of 10,000,000 new shares of HK$0.1 each in the capital of the Company at a share placing price of HK$0.141 each and 60,000,000 warrants at issue price of HK$0.01 each to independent third parties.

During the period, approximately HK$2,500,000 was credited to share capital and the balance of HK$1,685,000 was credited to the share premium account. The net proceeds from issue of capital and warrants are mainly used for the establishment of subsidiaries in the People's Republic of China ("PRC").

30,000,000 warrants issued on 4 June 2012 and 60,000,000 warrants issued on 26 July 2012 have initial subscription price of HK$0.185 per share and HK$0.141 per share for one ordinary share of the Company exercisable for a period of five years.

11. COMMITMENTS

Operating lease commitments

At the reporting dates, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Within one year	**374**	162
In the second to fifth year inclusive	**374**	–
	748	162

The Group leases a number of properties under operating leases. The leases run for an initial period of two years, with an option to renew the leases and renegotiate the terms at the expiry date.

12. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the reporting period. For the six months ended 30 September 2011, printing service fee of HK$311,000 was paid to a related company owned by a substantial shareholder of the Company and controlled by one of the directors of the Company. The transactions were conducted at pre-determined prices in accordance with terms mutually agreed between the Group and the related company. The transaction was conducted in the normal course of business.

No transactions have been entered with the Directors (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

13. EVENTS AFTER THE REPORTING DATE

On 31 October 2012, the Company announced that it proposed to make an open offer at the subscription price of HK$0.10 per offer share on the basis of one offer share for every four existing shares held on 20 November 2012 ("Open Offer") and announced the entering into of the underwriting agreement with Happy On (as the underwriter) on 31 October 2012 in relation to the Open Offer. The gross proceeds of the Open Offer will be not less than approximately HK$15.6 million and not more than approximately HK$17.9 million. It is expected that the aggregate expenses of the Company to be incurred in connection with the Open Offer will be approximately HK$667,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 September 2012, the Group recorded revenue of approximately HK$9,721,000, representing an increase of approximately 2% when compared with the corresponding period last year of approximately HK$9,576,000. The increase in revenue was mainly attributed to new customers of the hardware division.

Loss before income tax of the Group for the six months ended 30 September 2012 was approximately HK$4,511,000, compared with profit before income tax of approximately HK$9,270,000 for the corresponding period last year. Loss attributable to owners of the Company for the period was approximately HK$4,543,000 compared with profit attributable to owners of the Company of approximately HK$9,217,000 for the corresponding period last year.

BUSINESS REVIEW AND PROSPECTS

Due to the macro economic conditions, the challenging business environment in Hong Kong prevailed throughout the period under review. The overall environment has moderately improved as business activities gradually pick up. The proposed larger scale IT projects had increased the number of business opportunities in the market. To capitalize these opportunities, the Group reinforced its sales efforts and deployed additional resources to enhance our product offerings. However, intense competition and inflationary pressure constituted unforeseen difficulties which inhibited the Group's ability to continue to grow and improve profits. As a result, the Group disposed the business of development and sale of enterprise software and provision of maintenance services and re-directed its resources towards the business of provision of system integration services and other value-added technical consultation services and hardware-related business during the period for the six months ended 30 September 2011.

The senior management of the Company has conducted a detailed review of the operations of the Group with a view to developing a corporate strategy to broaden its income base and enhance the growth potential of the Group. To achieve this target, it is believed that the Company should consider expanding into the China market in the areas of manufacturing of ancillary high-tech software products specifically designed for smart phones; developing and establishing an integrated platform for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among others.

In this connection, Guangzhou YBDS IT Co., LTD (廣州韻博信息科技有限公司) ("Guangzhou YBDS"), a wholly foreign owned enterprise ("WFOE") of the Company in the People's Republic of China ("PRC"), has been approved on 13 August 2012 for establishment. The entire equity interests of Guangzhou YBDS are held by the Group, being an indirect wholly-owned subsidiary of the Company. The business licence of Guangzhou YBDS was issued on 18 September 2012. The total investment and the registered capital of Guangzhou YBDS are RMB40 million and RMB20 million, respectively. 20% and the remaining 80% of the amount of the registered capital of Guangzhou YBDS will be required to be paid up within 3 months and 1 year from 18 September 2012, respectively. The Company is also in the process of applying with the relevant government authority in Beijing, the PRC, for the relevant licenses to operate another WFOE. The business scope of such WFOE would include computer software or hardware system integration, external equipment, financial and electronic equipment, automated control systems and related equipment, smart modems, research and development of educational software and hardware; sale of computer software, hardware and ancillary equipment, electronic products, general machinery, specialized equipment, and procurement of technical services and support.

On 4 June 2012, the Company completed a placing for an aggregate of 15,000,000 new shares of HK$0.1 each in the capital of the Company at a share placing price of HK$0.185 each to independent third parties, and 30,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.185 per warrant share to independent third parties ("May 2012 Placing").

On 26 July 2012, the Company completed a placing for an aggregate of 10,000,000 new shares of HK$0.1 each in the capital of the Company at a share placing price of HK$0.141 each to independent third parties, and 60,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.141 per warrant share to independent third parties ("July 2012 Placing").

The net proceeds raised from the share placement and warrant placement in May 2012 Placing were approximately HK$2,706,000 and HK$293,000 respectively, and approximately HK$1,375,000 and HK$585,000 respectively from the share placement and warrant placement in July 2012 Placing. The majority part of the net proceeds from the aforesaid share and warrant placements will be applied towards the Company's initial paid-in capital requirements in respect of the two aforementioned WFOEs.

On 31 October 2012, the Company announced that it proposed to make an open offer at the subscription price of HK$0.10 per offer share on the basis of one offer share for every four existing Shares held on 20 November 2012 ("Open Offer") and announced the entering into of the underwriting agreement with Happy On Holdings Limited ("Happy On") (as the Underwriter) on 31 October 2012 in relation to the Open Offer. The gross proceeds of the Open Offer will be not less than approximately HK$15.6 million and not more than approximately HK$17.9 million. It is expected that the aggregate expenses of the Company to be incurred in connection with the Open Offer will be approximately HK$667,000. The Company plans to use the net cash proceeds from the Open Offer of not less than approximately HK$14.96 million and not more than approximately HK$17.21 million for paying up the amount of the registered capital of Guangzhou YBDS, of which approximately HK$14 million will then be utilised to settle the purchase order and the balance of the net cash proceeds will be retained as general working capital.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2012, the shareholders' funds of the Group amounted to approximately HK$5,077,000. Current assets were approximately HK$9,032,000, mainly comprising cash and cash equivalents of approximately HK$7,175,000, and trade and other receivables of approximately HK$1,857,000. Current liabilities mainly comprising trade and other payables of approximately HK$4,058,000. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2012, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 2.23:1 (As at 31 March 2012: 1.07:1), reflecting the adequacy of financial resources.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the period for the six months ended 30 September 2012, the Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group are considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

OPERATING LEASE COMMITMENTS

As at 30 September 2012, the Group had operating lease commitments of approximately HK$748,000.

CONTINGENT LIABILITIES

As at 30 September 2012, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2012, the Group had no charges on the Group's assets.

SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group is set out in note 3 to the unaudited condensed consolidated financial statements of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2012, the Group had 26 employees (2011: 13). The total remuneration to employees, including that to the Directors, for the six months ended 30 September 2012 amounted to approximately HK$3,924,000 (2011: HK$994,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2012, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES

As at 30 September 2012, so far as the Directors are aware of and having made due enquires, the following persons had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	**Capacity**	**Number of issued ordinary shares held** (Note 2)	**Approximate percentage of issued share capital as at 30 September 2012** (Note 3)
Happy On (Note 1)	Beneficial Interest	420,002,000 (L)	67.20%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Corporate Interest	420,002,000 (L)	67.20%

Notes:

1. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 420,002,000 shares held by Happy On.

2. "L" means long positions in the shares.

3. Based on 625,000,000 shares of the Company in issue as at 30 September 2012.

Save as disclosed above, as at 30 September 2012, so far as the Directors are aware of and having made due enquiries, there was no person (other than the Directors) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 12 April 2012 and an approval from the Registrar of Companies in the Cayman Islands on 13 April 2012, the name of the Company has been changed from "FlexSystem Holdings Limited" to "Yunbo Digital Synergy Group Limited" with the adoption of "雲博產業集團有限公司" as its dual foreign name on 13 April 2012. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 11 May 2012.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 30 September 2012, at no time during the six months ended 30 September 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

Pursuant to the share option scheme for employees which was adopted on 1 August 2011 (the "Share Option Scheme"), the Directors may at their discretion grant options to eligible persons to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. The maximum number of ordinary shares in respect of which options may be granted under the Share Option Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

No share options under the Share Option Scheme were granted, outstanding, lapsed, cancelled or exercised at any time during the six months ended 30 September 2012.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 September 2012.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the date of this report, none of the Directors or the initial management shareholders or the substantial shareholder of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed with or might compete with any business of the Group and had or might have any other conflicts of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 September 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The Company has complied with the code provisions set out in the Code throughout the six months ended 30 September 2012 except for the deviations from the code provisions A.2.1 and A.6.7 of the Code as explained as follows:

Code provision A.2.1

Pursuant to code provision A.2.1 of the Code, the role between the chairman and chief executive officer should be separate and should not be performed by the same individual.

Following the resignation of Mr. Lau Wai Shu as the chairman of the Company and Mr. Sit Hon Cheong as the chief executive officer of the Company on 17 February 2012, and the appointment of Mr. Yau Hoi Kin, Mr. Kwong Wai Ho Richard and Dr. Huang Youmin as executive Directors on 30 January 2012, the said executive Directors are focusing on evaluating new potential business and investment opportunities and formulating a new business strategy to enhance the revenue and growth potential of the Company. Hence, a new chairman and chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

Code provision A.6.7

Under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other commitments, the independent non-executive Directors were not able to attend the extraordinary general meeting of the Company held on 12 April 2012 and the annual general meeting of the Company held on 6 August 2012.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") since May 2000 with revised specific terms of reference as of 21 March 2012 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee currently comprises three members, namely, Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Mr. Liu Zhiquan is the current chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Group's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance with the GEM Listing Rules, internal and audit control, and cash flow forecast.

The unaudited consolidated results of the Group for the six months ended 30 September 2012 have been reviewed by the Audit Committee and the auditors of the Company.

By order of the Board
Yunbo Digital Synergy Group Limited
Yau Hoi Kin
Director

Hong Kong, 13 November 2012

As at the date of this report, the executive Directors are Mr. Yau Hoi Kin, Mr. Kwong Wai Ho Richard and Dr. Huang Youmin; the non-executive Director is Mr. Hsu Chia-Chun; and the independent non-executive Directors are Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit.