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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)

PROPOSED PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing agent

KGI ASIA LIMITED



PROPOSED PLACING OF NEW SHARES

The Directors are pleased to announce that on 12 March 2013, after trading hours, the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent as its agent to procure not less than six Placees on a best effort basis to subscribe for up to a maximum of 125,000,000 Placing Shares at the Placing Price of HK\$0.145 per Placing Share. The Placing Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 6 August 2012.

The maximum of 125,000,000 Placing Shares represent (i) approximately 16% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.79% of the issued share capital of the Company as enlarged by the Placing.

The Placing Price of HK\$0.145 per Placing Share represents (i) a discount of approximately 10.49% to the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 11.37% to the average of the closing price per Share of HK\$0.1636 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date; and (iii) a discount of approximately 9.94% to the average of the closing price per Share of HK\$0.161 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date.

The gross proceeds from the Placing will be approximately HK\$18.13 million. The net proceeds from the Placing, after deduction of the commission for the Placing and other related expenses, are estimated to be approximately HK\$17.67 million. The Company intends to apply the net proceeds arising from the Placing as general working capital and to finance the payment of the registered capital of Guangzhou YBDS and Beijing Yunbo.

Pursuant to the Placing Agreement, the Placing is conditional upon, among other things, the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

GENERAL

Shareholders and potential investors should note that the Placing are subject to conditions to be fulfilled. As the Placing may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PROPOSED PLACING OF NEW SHARES

The Directors are pleased to announce that on 12 March 2013, after trading hours, the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent as its agent to procure not less than six Placees on a best effort basis to subscribe for up to a maximum of 125,000,000 Placing Shares at the Placing Price of HK\$0.145 per Placing Share.

THE PLACING AGREEMENT

Set out below is a summary of the principal terms of the Placing Agreement:

Date: 12 March 2013.

Parties: (i) The Company; and
(ii) The Placing Agent.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Placing Agent is an Independent Third Party.

Placees: Not less than six independent Placees (which will be independent institutional, corporate or individual investors), who and whose ultimate beneficial owner(s) (i) is a party independent of and not connected with, and is not acting in concert (as defined in the Takeovers Codes) with the Company and its connected persons; and (ii) immediately after the Placing, none of the Placees will become a substantial shareholder of the Company.

Placing Shares:

The maximum of 125,000,000 Placing Shares represent (i) approximately 16% of the existing issued share capital of the Company; and (ii) approximately 13.79% of the issued share capital of the Company as enlarged by the Placing.

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 6 August 2012.

The Placing Shares, when issued and fully paid up, shall rank pari passu in all respects inter se with all other Shares then in issue.

Placing Price:

The Placing Price of HK\$0.145 represents (i) a discount of approximately 10.49% to the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 11.37% to the average of the closing price per Share of HK\$0.1636 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date; and (iii) a discount of approximately 9.94% to the average of the closing price per Share of HK\$0.161 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent with reference to the recent market prices, the performance of the Shares and the current market conditions. The Board is of the opinion that the Placing Price is fair and reasonable, on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole.

The net price raise per Placing Share under the Placing will be approximately HK\$0.1414. The aggregate nominal value of the Placing Shares under the Placing will be HK\$12,500,000.

Conditions:

Completion of the Placing is conditional upon:

- (i) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment and/or despatch of certificates for the Placing Shares) the listing of, and permission to deal in all of the Placing Shares; and
- (ii) any other approval as may be required by applicable laws or regulations for the Placing.

Completion of the Placing will take place on a date falling within five Business Days following the satisfaction of all the conditions as set out above (the “**Placing Conditions**”) (exclusive of the date of satisfaction of all the Placing Conditions) or such other date as the Company and the Placing Agent may agree (the “**Completion Date**”) but in any event not later than 30 June 2013 (or such later date as may be agreed between the Placing Agent and the Company) (the “**Long Stop Date**”). If the Placing Conditions are not fulfilled by the Long Stop Date, the Placing will lapse and the obligations and liabilities of the Company and the Placing Agent under the Placing shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing save for any antecedent breaches of the Placing Agreement.

Termination of the Placing:

If any of the following events occurs at any time prior to 10:00 a.m. on the Completion Date, the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to 10:30 a.m. on the Completion Date, rescind the Placing Agreement without liability to the other party to the Placing Agreement and, subject to certain provisions which shall continue, the Placing Agreement shall thereupon cease to have effect and none of the parties to the Placing Agreement shall have any rights or claims by reason thereof, save for any antecedent breaches:

- (a) in the reasonable opinion of the Placing Agent 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 be likely to prejudice materially the consummation of the Placing; or

- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material breach of any of the representations and warranties made by the Company 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 10:00 a.m. on 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 provision of the Placing Agreement; or
- (d) there is any adverse change in the financial position of the Company which in the opinion of the Placing Agent is material in the context of the Placing.

Completion of the Placing: Subject to the fulfillment of the Placing Conditions, completion of the Placing will take place on the Completion Date.

Application for Listing: Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Placing commission: Upon completion of the Placing, the Company undertakes to pay the Placing Agent a commission of 2.5% of the aggregate amount which is equal to the Placing Price multiplied by the actual number of Placing Shares being placed by the Placing Agent upon receipt of subscription moneys for such Placing Shares.

REASONS FOR AND BENEFIT OF THE SHARE PLACING AND THE WARRANT PLACING AND USE OF PROCEEDS

The Group is principally engaged in provision of system integration services and other value-added technical consultation services and hardware-related business.

As at 31 January 2013, the consolidated unaudited cash balance and total assets value of the Company were approximately HK\$6,340,000 and HK\$36,160,000, respectively. The gross proceeds from the Placing will be approximately HK\$18.13 million. The net proceeds from the Placing, after deduction of the commission for the Placing and other related expenses, are estimated to be approximately HK\$17.67 million. The net price raise per Placing Share under the Placing will be approximately HK\$0.1414. The Company intends to apply the net proceeds arising from the Placing as general working capital and to finance the payment of the registered capital of Guangzhou YBDS and Beijing Yunbo, its wholly owned subsidiaries in the PRC.

As disclosed in the announcement of the Company dated 17 August 2012, the business scope of Guangzhou YBDS includes computer software or hardware system integration, external equipment, financial and electronic equipment, automated control systems and related equipment, new models of electronic devices, smart modems, research and development of educational software and hardware, sale of computer software, hardware and ancillary equipment, electronic products, general machinery, specialised equipment, and provision of technical services and support. The total investment and registered capital of Guangzhou YBDS are RMB40 million (equivalent to approximately HK\$49.9 million) and RMB20 million (equivalent to approximately HK\$24.9 million), respectively. The business licence of Guangzhou YBDS was granted on 18 September 2012. According to the relevant government approval, Guangzhou YBDS is required to pay up 20% of its registered capital on or before 18 December 2012 and the remaining 80% shall be paid up on or before 18 September 2013. As at the date of this announcement, approximately RMB12.65 million of the registered capital of Guangzhou YBDS has been paid up.

As disclosed in the announcement of the Company dated 21 December 2012, the business scope of Beijing Yunbo includes technology development and system integration of computer hardware and software, communication system, network system and automatic control system, educational software development, sale of self-developed products, technical services and technical consultancy. The total investment and registered capital of Beijing Yunbo are RMB40 million (equivalent to approximately HK\$49.9 million) and RMB20 million (equivalent to approximately HK\$24.9 million), respectively. The business licence of Beijing Yunbo was granted on 19 December 2012. According to the relevant government approval, Beijing Yunbo is required to pay up 20% of its registered capital on or before 19 March 2013 and the remaining 80% shall be paid up on or before 19 December 2013. As at the date of this announcement, the Company has not yet paid up any of the registered capital of Beijing Yunbo.

The Group established Guangzhou YBDS and Beijing Yunbo in September and December 2012, respectively, to facilitate the evolution of the Company into a service orientated organisation, focusing on the provision of software and hardware of information and information technologies within the communication industry in the PRC. As disclosed in the prospectus of the Company dated 21 November 2012, Guangzhou YBDS had placed an order (“**Purchase Order**”) to purchase certain wireless internet network equipment which it in turn sold to its customers. The Purchase Order, with a value of approximately HK\$14 million, was completed in January 2013.

The Group had raised funds of approximately HK\$4.96 million through the 2012 Placements (without taking into account the exercise of any Warrants), of which approximately HK\$1.5 million had been utilised as the setting up cost for establishing Guangzhou YBDS and approximately HK\$1.5 million had been utilised as the setting up cost for establishing Beijing Yunbo. As at the date of this announcement, none of the Warrants has been exercised. The Group had also raised funds of approximately HK\$14.96 million through the Open Offer. Of the unused proceeds from the 2012 Placements (without taking into account the exercise of any Warrants) and the Open Offer of approximately HK\$16.92 million, approximately HK\$15.6 million had been used to pay up the registered capital of Guangzhou YBDS and the balance of HK\$1.32 million had been used as general working capital. Payment of the remaining portion of Guangzhou YBDS’s registered capital and Beijing Yunbo’s entire registered capital will be financed through further fund raising exercises and/or bank borrowings.

The Directors are of the view that, at this particular time in the Company’s development, it would be prudent for the Group to carry out the Placing to enable the Company to raise additional funds for the aforementioned purposes rather than having to draw against its interest bearing bank facilities for its current financing requirements. As such, the Directors consider that it is beneficial for the Group to carry out the Placing.

The Directors also consider that the Placing Agreement was entered into on normal commercial terms after arm’s length negotiation between the Company and the Placing Agent with reference to the recent market prices, the performance of the Shares and the current market conditions. The Board considers that the Placing Agreement (including the Placing Price and the commission for the Placing) is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

The Placing Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 6 August 2012. Pursuant to the General Mandate, the Directors are allowed to allot and issue up to 125,000,000 Shares. Immediately prior to entering into of the Placing Agreement and as at the date of this announcement, no Shares has been allotted and issued under the General Mandate. Accordingly, the issue of the Placing Shares is not subject to any further approval by the Shareholders.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Set out below are the fund raising activities conducted by the Company in the past 12 months immediately prior to the date of this announcement:

Date of initial announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
17 May 2012	Placing of 15,000,000 new Shares and 30,000,000 non-listed Warrants	Approximately HK\$2,705,625 and HK\$292,500 respectively for the placing and approximately HK\$5,550,000 upon exercise of 30,000,000 Warrants	For the establishment of two wholly foreign owned enterprises in the PRC	Approximately HK\$3.0 million had been utilised as the setting up cost for establishing Guangzhou YBDS and Beijing Yunbo
6 July 2012	Placing of 10,000,000 new Shares and 60,000,000 non-listed Warrants	Approximately HK\$1,374,750 and HK\$585,000 respectively for the placing and approximately HK\$8,460,000 upon exercise of 60,000,000 Warrants	For the establishment of two wholly foreign owned enterprises in the PRC	Approximately HK\$1.96 million had been utilised to pay up the registered capital of Guangzhou YBDS
31 October 2012	Open offer of 156,250,000 new Shares	Approximately HK\$14.96 million	For paying up the registered capital of Guangzhou YBDS, of which approximately HK\$14 million is expected to be used for settling the Purchase Order and the balance will be retained as general working capital	Approximately HK\$13.64 million had been used to pay up the registered capital of Guangzhou YBDS and approximately HK\$1.32 million had been used as general working capital

Save as disclosed above and the proposed placing of up to a maximum of 30,000,000 new Shares and the proposed placing of up to a maximum of 90,000,000 non-listed warrants which had both lapsed on 1 May 2012 (details of which are set out in the announcements of the Company dated 28 March 2012 and 1 May 2012, respectively), the Company did not raise any other funds by issue of equity securities during the 12 months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 781,250,000 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of Placing but before the subscription of any Warrant Shares by holders of the Warrants and (iii) immediately after completion of the Placing and subscription of the Warrant Shares by holders of the Warrants in full (assuming that there will be no further changes in the issued share capital of the Company prior to such subscription) are as follows:

	As at the date of this announcement		Immediately after completion of the Placing but before the subscription of any Warrant Shares by holders of Warrants		Immediately after completion of the Placing and subscription of the Warrant Shares by holders of Warrants in full	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Happy On Holdings Limited (Note)	537,888,771	68.85	537,888,771	59.35	537,888,771	53.99
Public						
Placees	–	–	125,000,000	13.79	125,000,000	12.55
Holders of Warrants	–	–	–	–	90,000,000	9.03
Other Public	243,361,229	31.15	243,361,229	26.85	243,361,229	24.43
Sub-total	<u>243,361,229</u>	<u>31.15</u>	<u>368,361,229</u>	<u>40.65</u>	<u>458,361,229</u>	<u>46.01</u>
Total	<u>781,250,000</u>	<u>100.00</u>	<u>906,250,000</u>	<u>100.00</u>	<u>996,250,000</u>	<u>100.00</u>

Note: The entire issued share capital of Happy On Holdings Limited is beneficially owned by Mr. Chan Foo Wing.

ADJUSTMENTS IN RELATION TO THE WARRANTS

As at the date of this announcement, the Company has 90,000,000 Warrants which has not been exercised, and holders of which, in aggregate, would be entitled to subscribe for up to a maximum of 90,000,000 Shares. The Board confirmed that, according to the terms of the Warrant Instruments, the issue of the Placing Shares will not cause adjustments to the subscription price of the Warrants.

GENERAL

Shareholders and potential investors should note that the Placing are subject to conditions to be fulfilled. As the Placing may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“2012 Placements”	the placing of 15,000,000 new Shares and 30,000,000 non-listed Warrants which was completed on 4 June 2012 and the placing of 10,000,000 new Shares and 60,000,000 non-listed Warrants which was completed on 26 July 2012, details of which are set out in the announcements of the Company dated 17 May 2012, 4 June 2012, 6 July 2012 and 26 July 2012, respectively
“AGM”	the annual general meeting of the Company held on 6 August 2012
“associates”	has the meaning given to that term in the GEM Listing Rules
“Beijing Yunbo”	北京韻博港信息科技有限公司(Beijing Yunbo Gang Information Technology Company Limited*), a wholly foreign owned enterprise established on 19 December 2012 in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	any day on which banks in Hong Kong are open for business (other than Saturday and any day on which a tropical cyclone warning No.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Company”	Yunbo Digital Synergy Group Limited 雲博產業集團有限公司, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on GEM
“connected person(s)”	has the meaning given to that term in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the AGM

“Group”	the Company and its subsidiaries
“Guangzhou YBDS”	廣州韻博信息科技有限公司 (Guangzhou YBDS IT Co., Ltd.*), a wholly foreign owned enterprise established on 18 September 2012 in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Independent Third Party (Parties)”	independent third party (parties) not connected with the chief executive, the directors, substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates
“Last Trading Date”	12 March 2013, being last trading day immediately prior to the entering into of the Placing Agreement
“Open Offer”	the open offer of 156,250,000 which was completed on 13 December 2012, details of which are set out in the prospectus of the Company dated 21 November 2012 and the announcements of the Company dated 31 October 2012, 12 December 2012 and 13 December 2012, respectively
“Placees”	placees under the Placing
“Placing”	the placing of up to 125,000,000 new Shares under the General Mandate pursuant to the terms of the Placing Agreement
“Placing Agent”	KGI Asia Limited, a corporation licensed by the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a conditional placing agreement dated 12 March 2013 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.145 per Placing Shares
“Placing Shares”	up to a maximum of 125,000,000 new Shares to be placed through the Placing Agent pursuant to the Placing Agreement
“PRC”	the People’s Republic of China

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to that term in the GEM Listing Rules
“Takeovers Codes”	the Codes of Takeovers and Mergers issued by the Securities and Futures Commission (as may be supplemented and amended from time to time)
“Warrant(s)”	warrant which carries the right to subscribe for Shares pursuant to the Warrant Instruments
“Warrant Instruments”	instruments dated 4 June 2012 and 26 July 2012, respectively, relating to Warrants in registered form to subscribe for Shares, details of which are set out in the announcements of the Company dated 17 May 2012 and 6 July 2012 respectively
“Warrant Shares”	up to a maximum of 90,000,000 Shares to be allotted and issued by the Company upon the exercise by the holders of the Warrants of the subscription rights attached to the Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

* For identification purpose only.

For the purpose of illustration only, unless otherwise specified in this announcement, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1=HK\$1.247. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.

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

Hong Kong, 12 March 2013

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

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at <http://ybds.com.hk>.