

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yunbo Digital Synergy Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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)

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders**



A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 18 of this circular. A letter from the independent financial adviser, Octal Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 41 of this circular.

A notice convening the extraordinary general meeting (the "EGM") of the Company to be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 29 July 2013 at 9:30 a.m., is set out on pages 48 to 50 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

This circular will remain on the "Latest Company Announcements" page of the website of the Growth Enterprise Market ("GEM") of the Stock Exchange at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.ybds.com.hk>.

11 July 2013

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing Yunbo”	北京韻博港信息科技有限公司 (Beijing YBDS IT Co., Ltd.*), a wholly foreign owned enterprise established on 19 December 2012 in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday) on which banks in Hong Kong are generally open for business
“Chinasoft”	Chinasoft International Limited (中軟國際有限公司*), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 354)
“China Telecom”	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 728)
“Company”	Yunbo Digital Synergy Group Limited 雲博產業集團有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Completion”	completion of the transactions contemplated under the Subscription Agreement
“Completion Date”	the second Business Day following the date on which the Conditions Precedent are fulfilled or such other date as the Company and the Subscriber may agree
“Conditions Precedent”	the conditions precedent to the Completion, which are summarised in the paragraph headed “Conditions Precedent” under the section headed “Letter from the Board” of this circular
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules

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“controlling shareholder”	has the meaning as ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on 29 July 2013 for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guangdong Online Education Platform Project”	the project to be implemented by the Department of Education of Guangdong Province of the PRC (中華人民共和國廣東省教育廳) for the establishment of an online education platform in Guangdong Province
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit) established by the Board to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription)
“Independent Shareholders”	Shareholders other than the Subscriber and its associates

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“Last Trading Date”	31 May 2013, being last trading day immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	8 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Octal Capital”	Octal Capital Limited (八方金融有限公司), a corporation licenced under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) activities and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription
“PRC”	the People’s Republic of China
“Purchase Order”	an order (with a value of approximately HK\$14 million) placed by Guangzhou YBDS to purchase certain wireless internet network equipment, which it in turn sold to its customers and was completed in January 2013
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Specific Mandate”	the mandate to allot and issue the Subscription Shares to be sought at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Happy On Holdings Limited, a controlling shareholder of the Company which, as at the Latest Practicable Date, holds 537,888,771 Shares, representing approximately 59.35% of the issued share capital of the Company, and is wholly and beneficially owned by Mr. Chan Foo Wing
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement

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“Subscription Agreement”	the subscription agreement dated 2 June 2013 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.225 per Subscription Share
“Subscription Shares”	450,000,000 new Shares to be allotted and issued to the Subscriber upon Completion pursuant to the Subscription Agreement
“Warrant(s)”	warrant(s) 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 Share(s)”	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 right(s) attached to the Warrants
“Wireless City Project”	the project to be implemented by China Mobile Group Guangdong Company Limited for the construction of a wireless city infrastructure in the PRC
“%”	per cent

* For identification purposes only.

For the purpose of illustration only, unless otherwise specified in this circular, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1 = HK\$1.25. 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.



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)

Executive Directors:

Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

Non-executive Director:

Mr. Hsu Chia-Chun

Independent Non-executive Directors:

Dr. Chow Ka Ming, Jimmy
Mr. Liu Zhiquan
Dr. Wong Wing Lit

Registered Office:

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P.O. Box 2681, Grand Cayman
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of Business in Hong Kong:*

Room 2, 27/F
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188 Des Voeux Road Central
Central
Hong Kong

11 July 2013

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 2 June 2013. On 2 June 2013, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 450,000,000 Subscription Shares at the Subscription Price of HK\$0.225 per Subscription Share.

The purpose of this circular is to provide you with, among other things, (i) further information on the Subscription Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Octal Capital to the

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Independent Board Committee and the Independent Shareholders on terms of the Subscription Agreement and the transactions contemplated thereunder; and (iv) the notice of the EGM.

SUBSCRIPTION AGREEMENT

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

Date

2 June 2013

Parties

- (i) the Company; and
- (ii) the Subscriber.

The Subscriber, Happy On Holdings Limited, is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment activities. The Subscriber is wholly and beneficially owned by Mr. Chan Foo Wing, who is also the sole director of the Subscriber. As at the Latest Practicable Date, the Subscriber is a controlling shareholder of the Company, holding 537,888,771 Shares, representing approximately 59.35% of the issued share capital of the Company, and thus, is a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules.

Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 450,000,000 Subscription Shares at the Subscription Price of HK\$0.225 per Subscription Share.

The Subscription Shares represent (i) approximately 49.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.10 each) is HK\$45,000,000.

The Subscription Shares, when issued and fully paid up, shall rank pari passu in all respects among themselves and with all other Shares in issue on the date of allotment and issue of the Subscription Shares.

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Subscription Price

The Subscription Price of HK\$0.225 per Subscription Share represents:

- (i) a discount of approximately 15.09% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 26.71% to the average closing price of HK\$0.307 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date;
- (iii) a discount of approximately 18.24% to the average closing price of HK\$0.2752 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 5.34% to the average closing price of HK\$0.2136 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date; and
- (v) a discount of approximately 18.18% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price of HK\$0.225 per Subscription Share also represents a premium of approximately 548% to the net asset value of HK\$0.0347 per Share based on the consolidated results of the Company as at 31 March 2013.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to the following factors:

- (i) the recent market prices, in particular the then price fluctuations of the Shares. The prices of the Shares fluctuated between the range of HK\$0.17 to HK\$0.35 in May 2013 while the prices of the Shares were in the range of HK\$0.169 to HK\$0.186 in April 2013;
- (ii) the recent performance and trading volume of the Shares. The average daily trading volume of the Shares in May 2013 as percentage of the total number of Shares in issue as at the Latest Practicable Date was approximately 0.08% which the Directors consider the liquidity of the Shares was thin during the period;
- (iii) the discount of the Shares and the market trend. As disclosed above, the Subscription Price represents a discount of approximately 15.09% to the closing price per Share on the Last Trading Date. The Directors has reviewed the discount to the average closing price per Share for the last 5 trading days in its prior fund raising exercises completed in June 2012, July 2012 and March 2013 (excluding the open offer which was completed in December 2012) of 18.14%, 19.43% and 11.37%, or an average of 16.31%, and given that the price put forward for subscription of new shares under specific mandate would

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often involve a discount to the market price, the Directors believe the 15.09% discount of the Subscription Shares is in line with the market trend. Please also refer to the market comparables as set out in the section headed "Letter from Octal Capital" of this circular;

- (iv) the then market conditions in which the Hang Seng Index fell approximately 345 points in May 2013, representing a decrease of 1.52% as compared to April 2013;
- (v) the business prospects of the Group; and
- (vi) the net asset value of the Shares.

The Directors (including the independent non-executive Directors) are of the opinion that the Subscription Price is fair and reasonable, on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole.

The aggregate Subscription Price of HK\$101,250,000 shall be payable by the Subscriber to the Company in cash upon Completion.

Lock-up undertaking

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that it will not, and will procure that its associates or nominees or trustees (as the case may be) will not, during the period commencing from the Completion Date and ending on the date which is one year from the Completion Date, without the prior written consent of the Company, offer, pledge, charge, sell, dispose of, nor enter into any agreement to give effect to any of the foregoing or otherwise create any options, rights, interests or encumbrances in respect of any of the Subscription Shares.

Conditions Precedent

Completion shall be subject to fulfillment of the following Conditions Precedent:

- (i) the GEM Listing Committee of the Stock Exchange granting (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Subscription Shares; and
- (ii) the Shareholders approving at the EGM the Subscription Agreement and the transactions contemplated thereunder (including, among other things, the allotment and issue of the Subscription Shares) (at which the Subscriber and its associates shall abstain from voting).

If the Conditions Precedent are not fulfilled on or before 31 October 2013 or such later date as may be agreed between the Company and the Subscriber, the Subscription Agreement will lapse and become null and void and the parties thereto will be released from all obligations thereunder, save for the liabilities for any antecedent breaches thereof. None of the Conditions Precedent may be waived by any party to the Subscription Agreement.

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Completion

Subject to the fulfillment of the Conditions Precedent, Completion will take place on the Completion Date.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTION

Assuming the Subscription is successfully completed, the gross proceeds accruing to the Company will be HK\$101,250,000. Net proceeds, after deducting professional fees and other related expenses, are estimated to be approximately HK\$100 million.

The Directors have considered to raise funds through various financing alternatives, including the arrangement of bank loans, placing of shares and/or rights issue, but ultimately it was concluded that equity financing by way of Subscription is comparatively a more appropriate and viable means of raising additional capital, particularly given the amount to be raised and in view of current market sentiments.

In light of the net loss position of the Group for the year ended 31 March 2013, the relatively small asset base of the Company, the current negative operating cash flow position and the fact that the new projects undertaken by the Group have yet to generate income, it would be difficult for the Group to find a bank to provide a loan in the sum of HK\$100 million. Although the Group has an unutilised HK\$100 million credit facility, the bank facility is supported by deposits of the Subscriber. In view of the Group's current financial position, it is foreseeable that drawing funds against this credit facility may put the Company under additional financial pressure to make the relevant interest payment and repayment as and when they fall due.

Given the current market volatility and the Company's current stage of business development, the Directors consider that it would not be effective nor would it be efficient for the Company to continue to raise funds as it did historically through the placing of new Shares and non-listed Warrants as the amount raised on each occasion was small in scale compared to its needs. As such, the Company was unable to finalise an investment plan with independent placing agent for raising the desirable sum.

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Further, rights issue may incur substantial costs to the Company in the form of underwriting commission as a typical rights issue or open offer would involve engagement of underwriter(s). The substantial cost involved may not be favourable to the Company and the Shareholders and it is also difficult to find an underwriter in view of the financial performance and current business development of the Company. In addition, the price put forward for a rights issue or open offer often involve a substantial discount to market price and it may have an adverse impact on the price of the Shares. Moreover, in order to raise HK\$100 million, the Company would be required to issue a substantial number of new Shares and there is a longer timetable for a successful implementation.

The Directors (including the independent non-executive Directors) are of the view that the Subscription Agreement has been entered into on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Subscription will enlarge and strengthen the capital base of the Company and minimize the out-of pocket expenses related to this fund raising exercise. The Directors consider the entering into of the Subscription Agreement with the Subscriber to raise net proceeds of approximately HK\$100 million represents a valuable opportunity and a cost-effective means for the Group to raise a sizable amount of funds and is beneficial to the Company and its Shareholders as a whole.

In addition to the projects undertaken by the Company as stipulated under the paragraphs headed "Use of Proceeds" below, the Group is also in discussions with various parties on a number of projects, which include, among others, the development and establishment of various online platforms and sale and lease of certain telecommunications equipment. Each project is at different stages of development. The Directors are confident of the prevailing and future business development of the Group and believe that the Subscription will allow the Company to raise the much needed funds at a reasonable cost to support the Group's current operations and future development of its existing and potential business and investment opportunities.

To the best of the Directors' knowledge, information and belief, none of the Directors has a material interest in the Subscription Agreement and the transactions contemplated thereunder, or is required to abstain from voting in the resolutions of the Board for approving the same.

USE OF PROCEEDS

Assuming the Subscription is successfully completed, the gross proceeds of the Subscription will be HK\$101,250,000. The net proceeds of the Subscription, after deducting professional fees and other related expenses, are estimated to be approximately HK\$100,000,000, and the net issue price per Subscription Share will be approximately HK\$0.222. The Company intends to apply the net proceeds arising from the Subscription in the following manner:

- (i) approximately HK\$30,000,000 to pay up the remaining registered capital of Guangzhou YBDS and Beijing Yunbo;
- (ii) approximately HK\$50,000,000 as further investment for contribution towards the total investment amounts of Guangzhou YBDS and Beijing Yunbo; and
- (iii) the remaining balance as general working capital of the Company.

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The Group is principally engaged in provision of system integration services and other value-added technical consultation services and hardware-related business. The Group is also expanding into the PRC market in the areas of, among others, 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 venture cooperation with multinational companies to introduce and procure mobile application services. Guangzhou YBDS and Beijing Yunbo were set up to facilitate these potential ventures.

The total investment and registered capital of Guangzhou YBDS are RMB40 million (equivalent to approximately HK\$50 million) and RMB20 million (equivalent to approximately HK\$25 million) respectively. As at the Latest Practicable Date, approximately RMB12.65 million (equivalent to approximately HK\$15.82 million) of the registered capital of Guangzhou YBDS has been paid up and the remaining registered capital of RMB7.35 million (equivalent to approximately HK\$9.19 million) is required to be paid up on or before 18 September 2013.

The total investment and registered capital of Beijing Yunbo are RMB40 million (equivalent to approximately HK\$50 million) and RMB20 million (equivalent to approximately HK\$25 million) respectively. As at the Latest Practicable Date, approximately RMB4.0 million (equivalent to approximately HK\$5.0 million) of the registered capital of Beijing Yunbo has been paid up and the remaining registered capital of RMB16.0 million (equivalent to approximately HK\$20 million) is required to be paid up on or before 18 December 2014.

The Group for the year ended 31 March 2013 had cash and bank balances of approximately HK\$28.2 million. The Company also has an undrawn banking facility, supported by bank deposits provided by the Subscriber, in the amount of HK\$100.0 million. In the event the Subscription is not completed before the relevant long stop date under the Subscription Agreement (i.e. 31 October 2013), the Company would still have the financial capability of satisfying the outstanding registered capital of Guangzhou YBDS on or before 18 September 2013. Therefore, the Directors consider the setting of the long stop date of the Subscription at 31 October 2013 is acceptable.

As disclosed in the announcement of the Company dated 2 August 2012, the Company entered into a non-legally binding letter of intent with Chinasoft, pursuant to which the Company and Chinasoft will collaborate with each other on bidding for specific parts of the Wireless City Project. As further disclosed in the announcement of the Company dated 7 May 2013, 北京掌中無限信息技術有限公司 (MMIM Info. Technology Co., Ltd.*), a wholly-owned subsidiary of Chinasoft in the PRC, had, as designated by the Company and Chinasoft, submitted open tender documents for specific parts of the Wireless City Project to China Mobile Group Guangdong Company Limited, and Excellent Master Investments Limited, a wholly-owned subsidiary of the Company, Chinasoft International (Hong Kong) Limited, a wholly-owned subsidiary of Chinasoft, the Company and Chinasoft had entered into a project implementation agreement to implement the specific parts of the Wireless City Project in the event that the aforesaid bidding is successful.

Further, as disclosed in the announcement of the Company dated 12 April 2013, the Group intends to cooperate with New5TV (Cayman) CO., LTD. to establish, develop and create a variety of online platforms that employs a “narrowcasting” television channel

LETTER FROM THE BOARD

operating mode. As disclosed in the announcement of the Company dated 18 April 2013, the Group also entered into a cooperation agreement with South China Normal University to work on a project to research, develop, design and produce micro lectures in physics with the intention of distributing the creation made under the project to targeted audiences in the PRC through the aforesaid online platforms. Over the next 12 months, the Group has budgeted not less than HK\$10 million (which will be invested by Guangzhou YBDS) for the build-up of its content repertoire.

Furthermore, as disclosed in the announcement of the Company dated 22 April 2013 and the circular of the Company dated 30 May 2013, the Group entered into a collaboration agreement with the Guangdong Branch of China Telecom to collaborate with each other to develop, establish and operate an online education platform, supporting the intentions of the Department of Education of Guangdong Province of the PRC to standardize education programs in primary and secondary schools such that students in rural areas will be privy to the same quality of education as enjoyed by students in the urban areas. Once completed, it is expected that the online education platform would be accessible by all education administration and research institutions, more than 20,000 primary and secondary schools, 890,000 teachers, and over 18,000,000 students in Guangdong Province.

There are three primary reasons, among others, for wanting to expedite the Subscription to satisfy the registered capital and investment amounts of Guangzhou YBDS and Beijing Yunbo. There is first the concern regarding the continued appreciation of the Renminbi. Given the current trend, irrespective of the project, the Company's expected capital investment in terms of Hong Kong Dollars over the few months have already risen by about 5%. This foreign exchange risk represents not only an increase in the expected capital investment but expected returns have also been lowered. Moreover, from a business perspective, the Company would like to fulfill the registered capital requirement and raise the investment amount of both Guangzhou YBDS and Beijing Yunbo because in many of the projects which the Company is canvassing in the PRC market, in order to submit a tender or qualify as a supplier or partner to these projects, the respective company needs to comply with the guidelines as set forth in terms of minimum registered capital and/or investment amount and the relevant qualifications, license or permit, and experience.

As stated in the paragraph headed "Reasons for and benefit of the Subscription" above, in addition to the aforementioned projects undertaken by the Company, the Group is also in discussions with various parties on a number of projects. In particular, the Group intends to supply a telecommunication operator with sourced hardware equipment that supports payment services through bidding. Settlement terms of this proposed project will include sale and/or through leasing structure. The project is currently expected to be implemented in a number of phases over several years with the first and second phases, having an estimated budgeted amount of HK\$3 million and HK\$20 million (which will be invested by Guangzhou YBDS) respectively based on the expected number of hardware equipment to be supplied, to take place in 2013. However, the exact terms of and amounts to be spent on the first and second phases of the project will depend on further discussions and negotiation with the relevant parties upon successful bidding of the project. In addition, the Group is in close discussions with an Independent Third Party in the PRC to develop and establish an online advertising platform onto over 2,000 locations using the Group's proprietary technology in live streaming and on-demand streaming (the "Online Advertising Platform Project"). The precise form of collaboration as to whether it will be

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by way of a joint venture, cooperative arrangement, or sale and transfer of operating rights has yet to be determined. Should this project materializes in third or fourth quarter of this year, the Group is expected to incur not less than an estimated RMB30 million during the planning, development and implementation stage for providing, hardware, telecommunications equipment including the content delivery network, controller module, systems integration, planning, layout, and installation, and working with other relevant professional parties, including telecommunications operator(s), in conjunction with the project. The required amount of the expenditure of the Group may be significantly higher if the Independent Third Party opts to sell and transfer the operating rights in respect of the Online Advertising Platform Project to the Group.

The Company is also in discussions with its business partners regarding participation in other projects deriving from the Wireless City Project, including the construction of a unified payment clearance system platform and a users' reward management program. These projects are still at the discussion stage and, as at the Latest Practicable Date, no binding terms or agreements have been entered into in respect of these projects. In the event that the abovementioned projects materialize, further announcement(s) will be made by the Group in accordance with the applicable laws, rules and regulations, including the SFO and the GEM Listing Rules, if required.

Participation in all of the aforesaid projects is subject to requirements under the relevant PRC laws and regulations, including a minimum registered capital and/or investment amount, which Guangzhou YBDS and Beijing Yunbo have yet to fulfill. Other requirements would include but not limited to relevant experience in terms of participation in a minimum number of projects, project value and level of competency of the candidates. In view of the aforesaid, the Company will have to cooperate with other party(ies) that satisfy(ies) the requirements when participating in these projects for the time being. The Directors believe that the Subscription enables Guangzhou YBDS and Beijing Yunbo to reach such minimum registered capital and/or investment amount so that the Group could participate in these kinds of projects without relying on other business partners.

It is intended that Guangzhou YBDS and/or Beijing Yunbo be used as vehicles for facilitating the aforesaid projects should they materialise and for other business and investment opportunities of the Group in the PRC as and when such opportunities arise. As the paid up registered capital of Beijing Yunbo is only approximately RMB4.0 million as at the Latest Practicable Date, the Group initially intends to carry out the abovementioned projects, if they materialised, through Guangzhou YBDS. Once Beijing Yunbo has been adequately capitalised, it will fulfill its intended use which is to appropriately facilitate the Group's business activities depending on the relevant projects' location and requirements.

As the Company expands into the telecommunications industry in the PRC, the Group would require a considerable amount of capital in order to meet its expenditure on, amongst others, expansion of human resources, renting new office(s) and setting up new companies as well as its existing business operation (including fees for its existing personnel and other professional charges). The Group intends to recruit approximately 150 additional staff (including professional staff such as software designers and engineers, system integration engineers etc.) in the PRC by the end of 2013, and such recruitment plan would require a working capital of approximately RMB12.6 million per year. Depending on the progress of deployment and development of the projects

LETTER FROM THE BOARD

undertaken by the Company, there may also be a need to recruit additional staff for system repair and maintenance works. As such, after paying up the registered capital of and contributing towards the total investment amounts of Guangzhou YBDS and Beijing Yunbo, the remaining balance of the net proceeds of the Subscription would be retained as general working capital.

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 Latest Practicable Date:

Date of initial announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Amount utilised as at the Latest Practicable Date and actual use of proceeds
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 of Shares and Warrants and approximately HK\$8,460,000 upon exercise of the subscription rights attaching to the 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
12 March 2013	Placing of 125,000,000 new Shares	Approximately HK\$17,670,000	As general working capital and to finance the payment of the registered capital of Guangzhou YBDS and Beijing Yunbo	Approximately HK\$5 million had been used to pay up the registered capital of Beijing Yunbo, approximately HK\$5 million had been utilised to repay bank loans, and the remaining balance of approximately HK\$7.67 million has not been utilised

LETTER FROM THE BOARD

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the 12 months immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, the Company has yet to commence or enter into any discussion or negotiation for any other fund raising exercise. However, the Company intends to carry out further fund raising exercises in the coming 12 months to finance the construction of an online education platform as mentioned hereinabove. Such construction will be carried out in phases and the first phase is expected to commence at the end of third quarter this year. As the Group is still discussing with the relevant parties for a detailed implementation plan, the exact amount to be raised and the relevant time frame has yet been finalized. Further announcement(s) will be made by the Company in accordance with the requirements of the GEM Listing Rules, if applicable.

EFFECT ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 906,250,000 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares but before subscription of any Warrant Shares by holders of the Warrants; and (iii) immediately after the allotment and issue of the Subscription Shares 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 subscriptions) are as follows:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares but before subscription of any Warrant Shares by holders of Warrants		Immediately after the allotment and issue of the Subscription Shares and subscription of the Warrant Shares by holders of Warrants in full	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Subscriber (<i>Note</i>)	537,888,771	59.35	987,888,771	72.84	987,888,771	68.31
Public						
Holders of Warrants	–	–	–	–	90,000,000	6.22
Other Public	368,361,229	40.65	368,361,229	27.16	368,361,229	25.47
Sub-total	368,361,229	40.65	368,361,229	27.16	458,361,229	31.69
Total	906,250,000	100.00	1,356,250,000	100.00	1,446,250,000	100.00

Note: The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chan Foo Wing.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE GEM LISTING RULES

The Subscriber is a controlling shareholder of the Company and thus, a connected person of the Company. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors (namely, Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit) has been established to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription). Octal Capital has also been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

EGM

The EGM will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 29 July 2013 at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. As the Subscriber has a material interest in the Subscription Agreement, the Subscriber (which, as at the Latest Practicable Date, holds 537,888,771 Shares, representing approximately 59.35% of the issued share capital of the Company) and its associates will abstain from voting on the relevant resolution to be proposed at the EGM for approving, among other things, the Subscription Agreement and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages 48 to 50 of this circular. Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the view that the Subscription Agreement is on normal commercial terms and that such terms are fair and reasonable so far as the Company and its Shareholders are concerned and the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) is in the interest of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent

LETTER FROM THE BOARD

Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issue of the Subscription Shares).

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular and the letter from Octal Capital set out on pages 19 to 41 of the circular, which contain their advices in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

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



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)

11 July 2013

To the Independent Shareholders

Dear Sir or Madam

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON**

We refer to the circular of the Company dated 11 July 2013 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board on pages 5 to 17 of the Circular, which sets out details of the Subscription Agreement and the transactions contemplated thereunder. We also wish to draw your attention to the letter from Octal Capital set out on pages 19 to 41 of the Circular, which contains their advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder.

Having taken into account the terms of the Subscription Agreement and the advice and recommendation of Octal Capital, we consider that the Subscription Agreement is on normal commercial terms and that such terms are fair and reasonable so far as the interests of the Independent Shareholders are concerned and the Subscription Agreement and the transactions contemplated thereunder (including the Subscription) are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issue of the Subscription Shares).

Yours faithfully,

Dr. Chow Ka Ming, Jimmy
*Independent
Non-executive Director*

Mr. Liu Zhiquan
*Independent
Non-executive Director*

Dr. Wong Wing Lit
*Independent
Non-executive Director*

Independent Board Committee

LETTER FROM OCTAL CAPITAL



801-805, 8/F, Nan Fung Tower,
173 Des Voeux Road Central,
Hong Kong

11 July 2013

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION – SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and terms of the Subscription Agreement, particulars of which are set out in the letter from the Board (the “Letter from the Board”) of the circular to the Shareholders dated 11 July 2013 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 2 June 2013, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 450,000,000 Subscription Shares at the Subscription Price of HK\$0.225 per Subscription Share. The Subscription Shares represent (i) approximately 49.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The issue of the Subscription Shares will be made under the Specific Mandate to be sought at the EGM.

As the Subscriber is a controlling shareholder of the Company and thus, a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to the GEM Listing Rules. The Subscriber and its associates will be required to abstain from voting in respect of the resolution to be proposed to approve the Subscription and the transactions contemplated thereunder at the EGM.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Subscriber or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive and substantial shareholders of the Company or the Subscriber or any of their respective subsidiaries or associates.

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In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group and the Subscription Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Subscriber and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Subscription, we have considered the following principal factors and reasons:

1. Background of and reasons for the Subscription and use of proceeds

As set out in the Letter from the Board, the Group is principally engaged in provision of system integration services and other value-added technical consultation services and hardware-related business. The Group is also expanding into the PRC market in the areas of, among others, 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 venture cooperation with multinational companies to introduce and procure mobile application services. Guangzhou YBDS and Beijing Yunbo were set up to facilitate these potential ventures. As advised by the Company, the scope of business 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, specialized equipment, and provision of technical services and support, and the scope of business 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.

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The Company has three primary reasons, among others, for wanting to expedite the Subscription. First, they have expressed their concerns about the continued appreciation of the Renminbi. Given the current trend, irrespective of the project, the Company's expected investment in terms of Hong Kong Dollars over the few months have already risen by about 5%. This foreign exchange risk represents not only an increase in capital expenditure but also a squeeze in the expected returns. Moreover, from a business perspective, the Company would like to fulfill its registered capital requirement and raise the investment amount of both Guangzhou YBDS and Beijing Yunbo. This is because in many of the projects which the Company are canvassing in the PRC market, in order to submit a tender or qualify as a supplier or partner to these projects, the respective company needs to comply with the guidelines as set forth in terms of minimum registered capital and/or investment amount and the relevant qualifications, license or permit, and experience, to successfully bid for a project. We have reviewed the guidelines (namely Computer Information System Integration Qualification Certification (計算機信息系統集成企業資質認定)) for qualifying as a qualified computer system integrator formulated by Ministry of Industry and Information Technology of the PRC which is usually used as a pre-requisite requirement for submitting tender or acting as a supplier or partner in the relevant projects. We note that there are certain specific requirements for a company to obtain the relevant qualification, such as the relevant company should have, subject to the exact level of qualification and amongst others, (i) at least a few years of history of engaging in system integrations; (ii) a registered capital requirement; (iii) completed projects of value of certain size and under certain standards; (iv) attained certain level of technical competency; and (v) no record of receiving material complaint nor project being disapproved in last three years. Given the short history of Guangzhou YBDS and Beijing Yunbo, we were advised by the Company that both Guangzhou YBDS and Beijing Yunbo may not meet the relevant requirements for certain projects and the Group intends to cooperate with partners who possess the required qualification to submit tender for those projects until Guangzhou YBDS and/or Beijing Yunbo builds up their track record and experience of meeting the requirements. As further set out in the Letter from the Board, the Directors believe that the Subscription enables Guangzhou YBDS and Beijing Yunbo to reach such minimum registered capital and/or investment so that, over the course of time, the Group could participate in these projects without relying on other business partners. Finally, with the ongoing unstable global business and economic conditions and deteriorating market sentiments, the management of the Company believes the Subscription represents a good opportunity for the Company to increase its financial flexibility amid the prevailing situation.

As set out in the Letter from the Board, the Company intends to apply the net proceeds arising from the Subscription in the following manner: (i) approximately HK\$30,000,000 to pay up the remaining registered capital of Guangzhou YBDS and Beijing Yunbo; (ii) approximately HK\$50,000,000 as further investment for contribution towards the total investment amounts of Guangzhou YBDS and Beijing Yunbo; and (iii) the remaining balance as general working capital of the Company. We were advised by the Company that the outstanding registered capital of Guangzhou YBDS (in the amount of approximately HK\$9.2 million) and Beijing Yunbo (in the amount of approximately HK\$20.0 million) is required to be paid up on or before 18 September 2013 and 18 December 2014 respectively. We were also

LETTER FROM OCTAL CAPITAL

advised by the Company that failure to comply with the relevant requirement of paying up the relevant registered capital of Guangzhou YBDS and Beijing Yunbo would result in the possible suspension and revocation of the business licence of Guangzhou YBDS and Beijing Yunbo by the relevant authority which would be detrimental to the business operations and future prospects of the Group. In such cases, the Group may face the risk of breaching the respective contractual and financial obligations set out in the relevant contracts and agreements entered into by Guangzhou YBDS and Beijing Yunbo (as the case may be). Nevertheless, according to the annual report of the Company for the year ended 31 March 2013, the cash and bank balances of the Group as at 31 March 2013 were approximately HK\$28.2 million. Furthermore, the Company has an undrawn banking facility, supported by bank deposits provided by the Subscriber, in the amount of HK\$100.0 million. As such, in the event the Subscription has not been completed before the relevant long stop date, the Company has confirmed that it presently has the financial capability of satisfying the outstanding registered capital of Guangzhou YBDS on or before 18 September 2013. Thus, we consider the arrangement of the long stop date of the Subscription being set at 31 October 2013 is acceptable.

From our discussions, the management of the Company has disclosed that the money injected as the investment amounts of Guangzhou YBDS and Beijing Yunbo is planned to be used for business and product development in the telecommunication industry, fixed asset investment, leasing, trading activities, expansion of human resources, new office(s) and general working purposes. The Group is presently in close discussions with various parties on a number of projects, which include, among others, the development and establishment of various online platforms and sale and lease of certain telecommunications equipment. Each project is at different stages of development. Given the fluidity of the situations, it is difficult to predict whether any of these projects will ultimately materialise. In most cases, the mode of cooperation is consummated first through some form of an agreement. Thereafter, the parties work closely together to solidify the business model before business or implementation plan and cash flow forecast are performed. At this particular time, an aggregate of about HK\$23.0 million has been budgeted to be utilized in the coming 12 months towards a bid of the project of a telecommunication operator in the PRC where the Group intends to supply sourced hardware equipment to such telecommunication operator that supports payment services (the "Payment Services Equipment Project"). In addition, as advised by the Company, the Group is in close discussions with an Independent Third Party in the PRC to develop and establish an online advertising platform onto the proposed over 2,000 locations using the Group's proprietary technology in live streaming and on-demand streaming (the "Online Advertising Platform Project"). The precise form of collaboration as to whether it will be by way of a joint venture, cooperative arrangement, or sale and transfer of operating rights has yet to be determined. Should this project materializes in the third or fourth quarter of this year, the Group is expected to incur not less than an estimated RMB30 million during the planning, development and implementation stage for providing software, hardware, telecommunications equipment including the content delivery network, controller module, systems integration, planning, layout, and installation, and working with other relevant professional parties, including telecommunications operator(s), in conjunction with the project. The required amount of the expenditure of the Group may be significantly higher if the Independent Third Party opts to sell and transfer

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the operating rights in respect of the Online Advertising Platform Project to the Group. The remaining of the registered capital and total investment amount, if any, is to be used thereafter depending on the progress of the various projects in pipelines and/or towards other business opportunities which may arise.

As set out in the Letter from the Board, the full rollout of the Payment Services Equipment Project is currently expected to be implemented in a number of phases over several years with the first and second phases, having an estimated budgeted amount of HK\$3 million and HK\$20 million respectively based on the expected number of hardware equipment to be supplied, to take place in 2013. However, the exact terms of and amounts to be spent on the first and second phases of the project will depend on further discussions and negotiation with the relevant parties upon successful bidding of the project. We have reviewed the relevant tender document and we note that the Group has taken a prudent approach to estimate the expected number of hardware equipment to be supplied under the project and we consider that the basis of allocation of abovementioned amount of HK\$23.0 million towards such project is reasonable.

In addition, as set out in the circular of the Company dated 30 May 2013 (“MT Circular”), pursuant to the collaboration agreement dated 22 April 2013 (the “Collaboration Agreement”) between Guangzhou YBDS and the Guangdong branch of China Telecom Corporation Limited (“China Telecom Guangdong”), the Group is required to pay a total amount of RMB30 million as the fee for using and accessing China Telecom Guangdong’s existing IPTV network and platform where such fee will be payable by installments in three consecutive years following the Collaboration Agreement. Out of the said fee, RMB3 million shall be paid by Guangdong YBDS within 6 months from the date of the Collaboration Agreement and RMB3 million and RMB4 million shall be payable within the next two quarters thereafter and this aggregate amount of RMB10 million is expected to be paid by the investment amount of Guangdong YBDS. Although Guangzhou YBDS can satisfy the RMB10.0 million fee payable to China Telecom Guangdong in the first year of the Collaboration Agreement with its existing financial resources, the outlay of funds will virtually deplete it of all of its cash balances. More importantly, the lack of adequate financial resources will hinder Guangzhou YBDS’ ability to effectively operate and grow its current trading activities in any meaningful way, limit its ability to engage into any of the existing proposed new businesses presently under discussion, or continue the business development of proposed integration projects within the China telecommunication industry. Besides, pursuant to the Collaboration Agreement, Guangdong YBDS will be responsible for investing a total amount of RMB700 million for construction of an online education platform and provision of such online education platform with overall management and operation services. However, such proposed investment is not a capital commitment nor a condition for entering the Collaboration Agreement. The actual capital investment will depend on the then circumstances and overall progress and development of the said platform and is expected to be funded by the Group through funding raising exercises and internal resources. As confirmed by the Company, the Company intends to carry out further fund raising exercises in the coming 12 months to finance the construction of an online education platform as stated above but the exact timing is uncertain.

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Moreover, as set out in the Letter from the Board, the Group has entered into a non-legally binding letter of intent with Chinasoft on 2 August 2012, pursuant to which the Company and Chinasoft will collaborate with each other on bidding for specific parts of the Wireless City Project. As further disclosed in the announcement of the Company dated 7 May 2013, a designated company has submitted open tender documents on behalf of Chinasoft and the Company and the Company has entered into a project implementation agreement with, inter alia, Chinasoft in May 2013 for implementation of the specific parts of the Wireless City Project in the event that the aforesaid bidding is successful. Furthermore, as disclosed in the announcement of the Company dated 12 April 2013, the Group intends to cooperate with New5TV (Cayman) CO., LTD. to establish, develop and create a variety of online platforms that employs a “narrowcasting” television channel operating mode. As disclosed in the announcement of the Company dated 18 April 2013, the Group also entered into a cooperation agreement with South China Normal University to work on a project to research, develop, design and produce micro lectures in physics with the intention of distributing the creation made under the project to targeted audiences in the PRC through the aforesaid online platforms. Over the next 12 months, the Group has budgeted not less than HK\$10 million for the build-up of its content repertoire, the amount of which will be invested by Guangzhou YBDS and the said amount was determined based on the survey works done by the Group against schools and universities. Moreover, as the Company expands into the telecommunications industry in the PRC, the Group intends to recruit approximately 150 additional staff (including professional staff such as software designers and engineers, system integration engineers etc.) in the PRC by the end of 2013 and such recruitment plan would require a working capital amount to approximately RMB12.6 million.

According to the annual report of the Company for the year ended 31 March 2013, the cash and bank balances of the Group as at 31 March 2013 were approximately HK\$28.2 million whilst the Group recorded a net loss of approximately HK\$11.9 million and the gross profit margin has decreased from approximately 35.7% to approximately 6.3% due to the fact that the Group shifted its focus towards trading of hardware which was of lower profit margin in nature. In addition, as further advised by the Company, the monthly recurring expenditure level of the Group, including Guangzhou YBDS and Beijing Yunbo, is approximately HK\$1.3 million. We have reviewed the working capital forecast of the Group for the next 12 months and noted that the Group may require further funding in order to meet capital expenditure on software, hardware and server equipment and its existing business operation. Therefore, based on its current scale of operation and past financial performance, we consider that the existing business is unable to generate sufficient funds to finance the usage of funds as stated above. As advised by the Company, the Company has been actively engaged in the trading of telecommunications equipment since the change in management in February 2012 and the Group plans to enter into the multimedia/advertising industry of the PRC via the projects in the pipeline. The Company envisages that the hardware-related business in Hong Kong remains stable in foreseeable future. Moreover, in view of

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the projects in the pipeline as set out above, although not all the projects require capital injection by the Company nor all projects will be materialized at the same time in near future, it is obvious that the Company would not have sufficient capital if one project materializes and if the Company does not carry out any fund raising exercise and/or the operating cash flow does not turnaround. Hence, we consider that the Group has a strong need for additional funding and we consider that the contribution towards the total investment of HK\$50 million in Guangzhou YBDS and Beijing Yunbo is justifiable.

On the other hand, we were advised by the Directors that they had considered various financing alternatives for raising fund, including the arrangement of bank loans, placing of shares and etc. However, in light of the net loss position of the Group for the year ended 31 March 2013, the relatively small asset base of the Company, the current negative operating cash flow position and the fact that the aforesaid new projects to be undertaken by the Group have yet to generate income, it would be difficult for the Group to find a bank to provide a loan in the sum of HK\$100 million. In addition, as advised by the Company, although the Group has an unutilized credit facility provided by a bank in the amount of HK\$100 million which was supported by deposits of the Subscriber, utilizing such facility would require interest payment and eventual repayment of principal which would put additional financial pressure to the Company to make the relevant interest payment and repayment when they fall due. Meanwhile, given the current market volatility and the Company's current stage of business development, it would not be effective nor would it be efficient for the Company to continue to raise funds as it did historically through the placing of new Shares and non-listed Warrants as the amount raised on each occasion was in small scale as compared to its needs. As such, the Company was unable to finalise an investment plan with independent placing agent for raising the desirable sum. Further, the Company may incur substantial costs in the form of arrangement and underwriting fees if it decides to undertake rights issue or open offer as these forms of raising capital typically requires the engagement of financial intermediaries and other independent professional third parties. The substantial costs would lower the net proceeds accruing to the Company and it may be difficult to find an underwriter willing to assume this role given the financial performance and current business nature of the Company. In addition, we observed that the price put forward for a rights issue or open offer often involve a substantial discount to market price, which may have an adverse impact on the price of the Shares whilst in order to raise funds at the level of HK\$100 million would require the Company to issue a substantial number of new shares which would follow a longer timetable for successful implementation. In light of the above and in view that the issue of the Subscription Shares will enlarge and strengthen the capital base of the Company and the Group and minimize the out-of-pocket expenses related to this fund raising exercise, the Directors consider that by entering into the Subscription Agreement with the Subscriber to raise net proceeds in the amount of approximately HK\$100 million which will be used to pay up the remaining registered capital of Guangzhou YBDS and Beijing Yunbo and invest in the investment amount of Guangzhou YBDS and Beijing Yunbo and for working capital of the Company represents a valuable opportunity and most cost-effective means for the Group to raise sizable amount of funds.

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Taking into account the above, we concur with the Directors' view that equity financing by way of the Subscription is comparatively a more appropriate and viable means of raising additional capital, particularly given the amount to be raised and in view of current market sentiments and we consider that the Subscription would enable the Company to be in a better financial position and have greater flexibility to decide when and whether to follow up on any of the projects above and/or invest/contribute further if the Company is equipped with a higher level of cash resources and the Subscription represents the best available option to obtain additional funding and working capital in light of that the Subscription serves as an acceptable means to furnish the Group with additional funding and is in the interests of the Company and Shareholders as a whole.

2. Terms of the Subscription

(i) *Share price performance and trading liquidity*

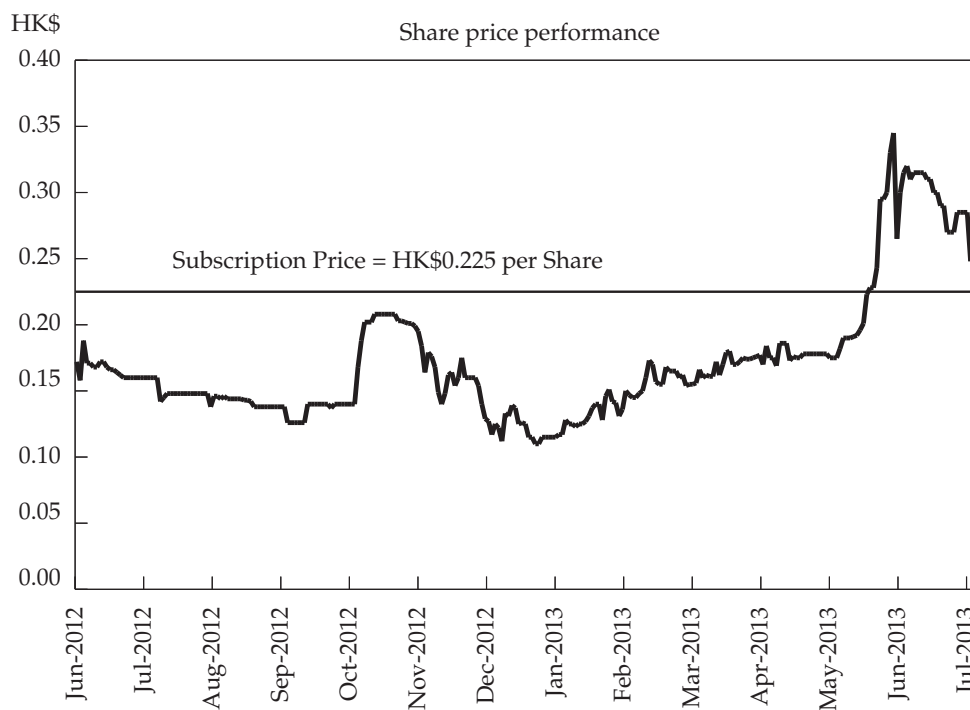
Pursuant to the Subscription Agreement, the Subscription Price of HK\$0.225 per each Subscription Share was determined after arm's length negotiations between the Company and the Subscriber. The gross proceeds from the Subscription in the total amount of approximately HK\$101.25 million shall be payable in cash by the Subscriber upon Completion. We note that the Subscription Price represents:

- (a) a discount of approximately 15.09% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 26.71% to the average closing price of HK\$0.307 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date;
- (c) a discount of approximately 18.24% to the average closing price of HK\$0.2752 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 5.34% over the average closing price of approximately HK\$0.2136 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 548% over the net asset value of HK\$0.0347 per Share based on the consolidated results of the Company as at 31 March 2013; and
- (f) a discount of approximately 18.18% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practical Date.

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- *Share price performance*

In view that the 12-month benchmarking period is a commonly used tenure for analysis purpose, we consider that it is relevant to review the closing price level of the Shares traded on the Stock Exchange during the 12-month period from 1 June 2012 to 31 May 2013 (being the Last Trading Date) and further up to the Latest Practicable Date (the "Review Period") as follows:



Source: Infocast¹

During the Review Period, the lowest closing price was HK\$0.110 per Share recorded on 17 December 2012 and the highest closing price was HK\$0.345 per Share recorded on 30 May 2013. The Shares had been traded below the Subscription Price of HK\$0.225 per Share during most of the Review Period from June 2012 to mid-May 2013, with a range from approximately HK\$0.110 per Share to HK\$0.201 per Share in general. The share price was on a declining trend during June 2012 to September 2012 and reached a level of around HK\$0.140. It rebound from HK\$0.168 per Share to HK\$0.208 per Share during early October 2012 and then continued its declining journey and reached a bottom of HK\$0.110 per Share on 17 December 2012. We note that the Company has issued a profit warning announcement on 29 October 2012 and it was the time when the share price began to fall from its then peak in

¹ Infocast is a financial information, trading, technology and total solutions provider for the major banks and brokerage firms in the Asia Pacific Region and is an independent third party not connected with the Directors and the Company

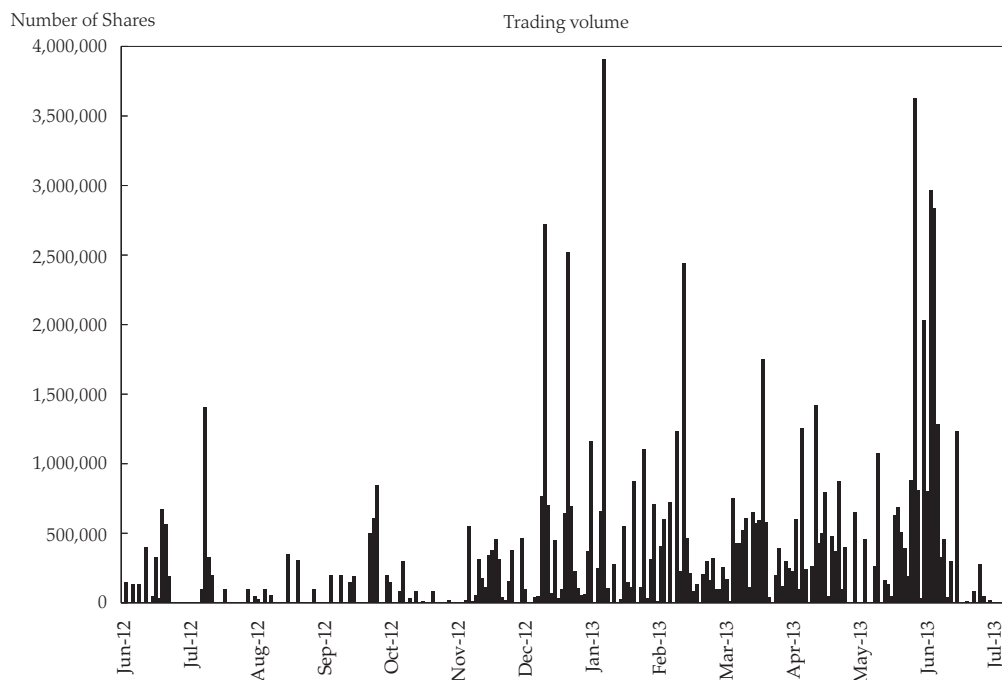
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October 2012. Since January 2013, the share price started to rebound and has been increasing gradually over a span of almost five months and the share price rocketed to a peak of the Review Period at HK\$0.345 per Share on 30 May 2013. We note that the Company announced on 22 April 2013 that the Group entered into the Collaboration Agreement with the Guangdong branch of China Telecom to develop, establish and operate an online education platform which offered better prospect to the Group and such transaction was approved by its controlling shareholder by way of written resolution in lieu of a general meeting as set out in the MT Circular.

Meanwhile, we note that the Subscription Price represents a premium of approximately 45.5% over the lowest closing price per Share and a discount of approximately 34.8% to the highest closing price per Share during the Review Period. The Subscription Price also represents a discount of approximately 18.18% to the closing price of the Shares of HK\$0.275 per Share on the Latest Practicable Date.

- *Liquidity*

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: Infocast

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Month	Highest daily turnover <i>(in number of Shares)</i>	Lowest daily turnover <i>(in number of Shares)</i>	Average daily turnover <i>(in number of Shares)</i>	Number of trading days with no turnover <i>(in days)</i>	Percentage of average daily turnover over total number of Shares in issue <i>(note 1)</i> <i>(%)</i>	Percentage of average daily turnover over total number of Shares held by the Independent Shareholders <i>(note 2)</i> <i>(%)</i>
2012						
June	672,000	–	126,190	10	0.014%	0.034%
July	1,408,000	–	109,810	13	0.012%	0.030%
August	352,000	–	48,435	16	0.005%	0.013%
September	846,000	–	146,200	11	0.016%	0.040%
October	296,000	–	27,100	12	0.003%	0.007%
November	846,000	–	179,042	4	0.020%	0.049%
December	2,718,000	–	608,635	1	0.067%	0.165%
2013						
January	3,905,802	–	454,536	5	0.050%	0.123%
February	2,444,300	–	377,900	1	0.042%	0.103%
March	1,748,500	–	456,000	1	0.050%	0.124%
April	1,422,000	–	395,522	5	0.044%	0.107%
May	3,624,500	–	746,991	3	0.082%	0.203%
June	2,836,000	–	363,684	1	0.083%	0.203%
July (up to the Latest Practicable Date)	2,196,000	–	624,400	2	0.069%	0.170%

Source: Infocast

Notes:

1. Based on the total number of issued Shares of 906,250,000 Shares as at the Latest Practicable Date
2. Based on the total number of Shares held by the Independent Shareholders of 368,361,229 Shares as at the Latest Practicable Date

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During the Review Period, the average daily trading volume of the Shares as percentage of the total number of Shares in issue as at the Latest Practicable Date ranged from approximately 0.003% to 0.083% while the average daily trading volume of the Shares as a percentage of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date ranged from approximately 0.007% to 0.203%. During the period from June 2012 to the Latest Practicable Date, the highest daily average trading volume amounted to approximately 0.7 million Shares recorded in May 2013, only representing approximately 0.082% of the total number of Shares in issue and approximately 0.203% of the total number of Shares held by the Independent Shareholders respectively. The highest average daily trading volume of the Shares occurred in May 2013. Despite the relatively higher trading volume in June 2013 after the publication of the announcement of the Company dated 2 June 2013 regarding the Subscription, we consider the liquidity of the Shares was generally thin during most of the time in the Review Period.

(ii) Comparison of Subscription Price with comparables

- *Price/earnings multiple*

As the Group is engaged in provision of system integration services and other value-added technical consultation services and hardware-related business, reference to price/earnings multiple is the most common approach adopted by the investment community in valuing such kind of revenue-generating entities. For the purpose of assessing the reasonableness of the Subscription Price by reference to the price/earnings multiple, we have identified (to the best of our knowledge) seven companies listed on the GEM Board of the Stock Exchange which are principally engaged in similar business as that of

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the Group (the “Industry Comparable(s)”) for analysis and such list of Industry Comparables is an exhaustive list. We have reviewed and tabulated below the details of the Industry Comparables:

Company Name	Stock code	Principal Business	Year end date	Closing price as at 31 May 2013 (HK\$)	Latest published earnings per share (HK cent)	Price/earnings multiple (times)
Aurum Pacific (China) Group Limited	8148	(1) Trading of computer equipment and related accessories; and (2) provision of custom-made solutions	31 December	0.265	(5.85)	N/A
China Information Technology Development Limited	8178	(1) Sale of computer hardware; (2) Provision of software development and system integration services; (3) Provision of technical support and maintenance services; (4) Sale and lease of in-house developed computer hardware; and (5) provision of internet mobile and telecommunication value-added services	31 December	0.255	(1.08)	N/A
China Netcom Technology Holdings Limited	8071	(1) Trading of computer hardware and software; (2) development of computer software, hardware and application system; (3) sale of self-developed technology or results; (4) provision of relevant technical consultancy services in the PRC (excluding Hong Kong)	31 December	0.062	(15.50)	N/A
Jiangsu Nandasoft Technology Company Limited	8045	(1) Sale of computer hardware and software products, trading of IT related products and equipment and mobile phone; (2) Rendering of system integration services; (3) Provision of IT training services	31 December	0.390	2.88	13.57

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Company Name	Stock code	Principal Business	Year end date	Closing price as at 31 May 2013 (HK\$)	Latest published earnings per share (HK cent)	Price/earnings multiple (times)
Sing Lee Software (Group) Limited	8076	(1) Sale of software products; (2) Sale of related hardware products; and (3) Provision of software-related technical support services	31 December	0.126	(1.75)	N/A
Shanghai Jiaoda Withub Information Industrial Company Limited	8205	(1) Sales and distribution of computer and electrical products and accessories; and (2) Develop and provide business application solutions services which include business solutions development, application software and network and data security products.	31 December	0.202	(0.76)	N/A
Timeless Software Limited	8028	(1) Hardware sales; (2) software development; and (3) softwares	31 March	0.131	0.92	14.24
					Mean	13.90
					Median	13.90
<i>The Company</i>	<i>8050</i>	<i>(1) Sales of hardware products; (2) development and sale of enterprise software; and (3) the provision of maintenance services</i>	<i>31 December</i>	<i>0.265</i>	<i>(1.78)</i>	<i>N/A</i>
<i>Subscription price (HK\$)</i>				<i>0.225</i>	<i>(1.78)</i>	<i>N/A</i>

Source: www.hkex.com.hk and Infocast

Upon comparison, we note that most of the Industry Comparables have been loss-making in their respective year of the latest published financial reports and the Group was also loss-making for the year ended 31 March 2013, thus, it is not feasible and meaningful to assess the Subscription Price using the price/earnings multiple approach.

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- *Net asset value*

Due to the factors mentioned in the previous section, the price-earnings multiple cannot give a meaningful result in assessing the Subscription Price. In order to have another perspective for analysing and assessing the Subscription Price, we have made reference from an analysis on the net asset value of the Industry Comparables, which is also a commonly adopted benchmark in the valuation of companies and we consider that it provides another angle for analysis and we have reviewed and tabulated below the premium/(discounts) of the closing share prices of the Industry Comparables as at the Last Trading Date over/(to) their respective net asset value as reported in their latest published financial reports:

Company Name	Stock code	Principal Business	Year end date	Closing price as at 31 May 2013 (HK\$)	Latest published net asset value per share (HK\$)	Premium/ (discount) of the closing share price on 31 May 2013 over/ (to) the latest published net asset value per share (%)
Aurum Pacific (China) Group Limited	8148	(1) Trading of computer equipment and related accessories; and (2) provision of custom-made solutions	31 December	0.265	(0.017)	N/A
China Information Technology Development Limited	8178	(1) Sale of computer hardware; (2) Provision of software development and system integration services; (3) Provision of technical support and maintenance services; (4) Sale and lease of in-house developed computer hardware; and (5) provision of internet mobile and telecommunication value-added services	31 December	0.255	0.170	50%
China Netcom Technology Holdings Limited	8071	(1) Trading of computer hardware and software; (2) development of computer software, hardware and application system; (3) sale of self-developed technology or results; (4) provision of relevant technical consultancy services in the PRC (excluding Hong Kong)	31 December	0.062	0.207	(70%)

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Company Name	Stock code	Principal Business	Year end date	Closing price as at 31 May 2013 (HK\$)	Latest published net asset value per share (HK\$)	Premium/ (discount) of the closing share price on 31 May 2013 over/ (to) the latest published net asset value per share (%)
Jiangsu Nandasoft Technology Company Limited	8045	(1) Sale of computer hardware and software products, trading of IT related products and equipment and mobile phone; (2) Rendering of system integration services; (3) Provision of IT training services	31 December	0.390	0.524	(26%)
Sing Lee Software (Group) Limited	8076	(1) Sale of software products; (2) Sale of related hardware products; and (3) Provision of software-related technical support services	31 December	0.126	0.001	11,049%
Shanghai Jiaoda Withub Information Industrial Company Limited	8205	(1) Sales and distribution of computer and electrical products and accessories; and (2) Develop and provide business application solutions services which include business solutions development, application software and network and data security products.	31 December	0.202	0.210	(4%)
Timeless Software Limited	8028	(1) Hardware sales; (2) software development; and (3) softwares	31 March	0.131	0.227	(42%)
				Mean		1,826%
				Median		(15%)
<i>The Company</i>	<i>8050</i>	<i>(1) Sales of hardware products; (2) development and sale of enterprise software; and (3) the provision of maintenance services</i>	<i>31 December</i>	<i>0.265</i>	<i>0.0347</i>	<i>663%</i>
<i>Subscription price (HK\$)</i>				<i>0.225</i>	<i>0.0347</i>	<i>548%</i>

Source: www.hkex.com.hk and Infocast

() represents negative percentage

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From the above table, we note that one of the Industry Comparables yields an abnormal result and we consider that Industry Comparable is not suitable for our comparison and we would exclude such Industry Comparable in our analysis and we consider the shortlisted Industry Comparables are fair and representative samples for comparison. The premium/(discounts) of the closing share prices as at 31 May 2013, being the last full trading day prior to the signing of the Subscription Agreement, over/(to) the net asset value per share of the shortlisted Industry Comparables range from a discount of approximately 70% to a premium of approximately 50%. We note that the shares of the majority of the shortlisted Industry Comparables have been trading at discounts to their respective net asset value per share whilst one of the Industry Comparables recorded net liabilities for its latest financial year.

Upon comparison, we note that the premium of the Subscription Price to the net asset value per Share as at 31 May 2013 of approximately 548% lies at the high end of the range of those of the shortlisted Industry Comparables and lies well above the median of those of the shortlisted Industry Comparables.

- *Market comparables on subscription of new shares*

In addition to net asset value approach, we also consider it is worthwhile to assess the Subscription Price against the prevailing market trends and we have also identified (to the best of our knowledge) an exhaustive list of share subscriptions/placements (the "Transaction Comparables") for raising funds using specific mandate as announced by companies listed on the Main Board and GEM Board of the Stock Exchange during the last six months commencing from December 2012 to the Last Trading Date and not being terminated. We consider that the terms of the comparable fund raising exercises within the last six months are appropriate benchmarks to reflect the recent market sentiment and risk appetite of the investment community.

For each of the 19 Transaction Comparables identified, we compared the premium/(discounts) of its subscription price/placing price over/(to) (a) the respective closing price on the last trading day, (b) the average closing price for the last 5 consecutive trading days up to and including the respective last trading day, (c) the average closing price for the last 10 consecutive trading days up to and including the respective last trading day, (d) the average closing price for the last 30 consecutive trading days up to and including the respective last trading

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day, and (e) the respective net asset value (“NAV”) per share, summarised in the following table:

Date of announcement	Company name	Stock code	Sub- scription price (HK\$)	Market capitalization (HK\$ million)	Gross proceeds (HK\$ million)	Premium/ (discount) over/ to the closing price of the shares as at the last 5 consecutive trading days prior to the respective last trading day (%) (Approx.)	Premium/ (discount) over/ to the closing price of the shares as at the last 10 consecutive trading days prior to the respective last trading day (%) (Approx.)	Premium/ (discount) over/ to the closing price of the shares as at the last 30 consecutive trading days prior to the respective last trading day (%) (Approx.)	Premium/ (discount) over/ to the NAV per share (%) (Approx.)	
28 May 2013	China Zenith Commercial Group	362	0.2880	693	128.85	(0.69)	2.49	7.14	23.62	(79.72)
27 May 2013	Solartech International Holdings Limited	1166	0.3000	81	22.50	(30.23)	(31.35)	(31.66)	(31.66)	(97.02)
23 May 2012	Winteam Pharmaceutical Group Limited	570	3.1000	6,830	593.61	20.72	23.16	17.44	2.08	679.10
6 May 2013	Incutech Investments Limited	356	0.1000	35	4.80	(79.17)	(79.51)	(80.66)	(81.58)	133.05
3 May 2013	Wealth Glory Holdings Limited	8269	0.2000	208	50.00	(3.85)	(0.99)	(2.91)	-	31.58
29 April 2013	Mongolia Investment Group Limited	402	0.2500	469	600.00	(1.96)	(0.79)	-	17.37	100.31
26 March 2013	China Green (Holdings) Limited	904	1.3400	1,308	303.58	(19.06)	(18.51)	(12.50)	(9.24)	(76.23)
26 March 2013	Convoy Financial Services Holdings Limited	1019	2.3000	944	43.70	(2.54)	2.31	(0.39)	15.93	386.48
28 February 2013	China Neng Xiao Technology (Group) Limited	8047	0.0720	242	24.84	(11.11)	(11.11)	(12.20)	(28.71)	32.22
22 February 2013	China 3D Digital Entertainment Limited	8078	0.1000	53	100.00	(37.11)	(37.89)	(38.65)	(40.12)	(83.59)
5 February 2013	AMCO United Holding Limited	630	0.2200	280	37.40	(31.25)	(30.82)	(29.03)	(22.54)	5,031.05
24 January 2013	China Bio-Med Regeneration Technology Limited	8158	0.1650	1,254	247.50	(1.20)	(2.94)	(1.20)	-	193.23
23 January 2013	China Gogreen Assets Investment Limited	397	0.1500	991	369.90	(4.46)	(5.66)	(1.96)	66.67	2.34
17 January 2013	IRC Limited	1029	0.9400	4,962	1,844.80	(33.80)	(27.24)	(25.28)	(13.92)	(46.53)

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Date of announcement	Company name	Stock code	Sub- scription price (HK\$)	Market capitalization (HK\$ million)	Gross proceeds (HK\$ million)	Premium/ (discount) over/ to the closing price of the shares as at the last 5 consecutive trading days prior to the respective last trading day (%) (Approx.)	Premium/ (discount) over/ to the closing price of the shares as at the last 10 consecutive trading days prior to the respective last trading day (%) (Approx.)	Premium/ (discount) over/ to the closing price of the shares as at the last 30 consecutive trading days prior to the respective last trading day (%) (Approx.)	Premium/ (discount) over/to the NAV per share (%) (Approx.)	
8 January 2013	Siberian Mining Group Company Limited	1142	0.2600	135	21.80	(18.75)	(15.58)	(11.86)	(8.77)	(85.45)
28 December 2012	Tai Shing International (Holdings) Limited	8103	0.1400	99	35.00	(9.09)	(7.53)	(10.20)	(20.47)	(74.54)
17 December 2012	Chanceton Financial Group Limited	8020	2.0000	1,130	60.00	(7.06)	(8.34)	(6.19)	(2.15)	2,268.44
12 December 2012	Wealth Glory Holdings Limited	8269	0.1700	198	7.99	(10.53)	1.07	9.89	7.91	6.57
4 December 2012	Asia Coal Limited	835	0.0235	289	151.90	(82.46)	(83.21)	(82.59)	(83.21)	154.96
				Maximum		20.72	23.16	17.44	66.67	5,031.05
				Mean		(19.14)	(17.50)	(16.46)	(10.99)	446.12
				Median		(10.53)	(8.34)	(10.20)	(8.77)	31.58
				Minimum		(82.46)	(83.21)	(82.59)	(83.21)	(97.02)
After exclusion of Transactions Comparables with gross proceeds of greater than HK\$200 million										
				Adjusted maximum		(0.69)	2.49	9.89	23.62	5,031.05
				Adjusted mean		(24.91)	(23.11)	(22.25)	(20.90)	586.46
				Adjusted median		(11.11)	(11.11)	(11.86)	(20.47)	31.58
				Adjusted minimum		(82.46)	(83.21)	(82.59)	(83.21)	(97.02)
After exclusion of Transactions Comparables with market capitalization of greater than HK\$1,000 million										
				Adjusted maximum		(0.69)	2.49	9.89	66.67	5,031.05
				Adjusted mean		(24.71)	(22.91)	(21.93)	(15.61)	412.15
				Adjusted median		(11.11)	(11.11)	(11.86)	(20.47)	6.57
				Adjusted minimum		(82.46)	(83.21)	(82.59)	(83.21)	(97.02)
2 June 2013	The Company	8050	0.225		101.25	(15.09)	(26.71)	(18.24)	5.34	548.00

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From the above table, we note that the discounts of the Subscription Price to the closing price on the Last Trading Date and the 5-day, 10-day and 30-day average closing prices up to and including the Last Trading Date fall within the range of the Transaction Comparables.

We further note that the discount of the Subscription Price to the closing price on the Last Trading Date and the 10-day average closing prices fall mildly below the median of the Transaction Comparables but lies above the mean of the Transaction Comparables whereas the discount of the Subscription Price to the 30-day average closing prices and the premium of the Subscription Price over the NAV per Share lies well above the mean and median of the Transaction Comparables. Meanwhile, the discount of the Subscription Price to the 5-day average closing price up to and including the Last Trading Date falls below the mean and median of those of the Transaction Comparables. As mentioned in the paragraph headed "Share price performance" above, the Share has been trading below the Subscription Price during most of the Review Period except the few days after the despatch of the MT Circular. Therefore, based on the above findings, we consider that the level of Subscription Price is, on balance, fair and reasonable from the sole perspective with reference to the Transaction Comparables.

Meanwhile, we also note that there were six comparables whose size of gross proceeds were greater than HK\$200 million, which were far greater than the gross proceeds of the Subscription of approximately HK\$101.25 million and we also note that there were five comparables where the market capitalization of the relevant issuers were greater than HK\$1,000 million, which was far above the market capitalization of the Company of approximately HK\$240 million as at the Last Trading Date. In view of the fact that sizable amounts raised and the huge market capitalization may have impact on our comparison, we have also compared the Subscription Price against the shortlisted Transaction Comparables based on the said parameters and we note that the results were virtually the same as our initial comparison against the full list of Transaction as discussed above.

Although each of the Transaction Comparables may not be entirely comparable to the Group in terms of the scale of operations, nature of business, market capitalisation, track record, asset base, future prospects and other relevant criteria and all of these factors may affect the valuation of a company as illustrated by the various results in our comparison, we consider that the above comparison would provide an insight of the investors' appetite and preferences against fund raising exercises in recent months. Accordingly, in forming our opinion, we have considered the findings of the above comparison together with other factors stated in this letter as a whole.

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Based on the above analysis on Transaction Comparables and together with the assessment of the Subscription Price with reference to the Industry Comparables, in particular, in terms of net asset value, we consider that the Subscription Price is acceptable so far as the Independent Shareholders are concerned.

(iii) Lock-up period

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that it will not, and will procure that its associates or nominees or trustees (as the case may be) will not, during the period commencing from the Completion Date and ending on the date which is one year from the Completion Date, without the prior written consent of the Company, offer, pledge, charge, sell, dispose of, nor enter into any agreement to give effect to any of the foregoing or otherwise create any options, rights, interests or encumbrances in respect of any of the Subscription Shares.

We consider that the arrangement of the lock-up period could effectively prevent any unfavorable and unusual price movement of the Shares provoked by the disposal of the Subscription Shares by the Subscriber in the short-term period. As such, we are of the view that the arrangement of the lock-up period is in the interests of the Company and the Shareholders as a whole.

3. Financial effects of the Subscription on the Group

- *Cashflow*

According to the annual report of the Company for the year ended 31 March 2013, the Group had cash and cash equivalents of approximately HK\$28.2 million as at 31 March 2013. Upon Completion, the liquidity and cash position of the Group will be improved as the Subscription will facilitate the Company to raise net proceeds of approximately HK\$100.0 million. Accordingly, the cash position, net current assets and current ratio of the Company are expected to be improved upon Completion.

- *Earnings*

Save for the expenses relating to the Subscription, the Completion will not have any immediate material impact on the earnings of the Company. Hence, immediately upon Completion, there will be no effect on the earnings of the Company. However, as set out in the Letter from the Board, only part of the net proceeds from the Subscription will be used to pay up the remaining registered capital of Guangzhou YBDS and Beijing Yunbo whilst the remaining portions will be not utilized right away. Thus, assuming such fund was deposited in banks, the Group may enjoy an enhancement to its earnings through interest income.

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- *Net Asset Value*

According to the annual report of the Company for the year ended 31 March 2013, the net asset value of the Group as at 31 March 2013 was approximately HK\$31.5 million. Upon Completion, the net asset value of the Company will be improved as the Subscription would increase the share capital of the Company. Accordingly, the Subscription will have a positive impact on the net asset value of the Group.

- *Gearing*

According to the annual report of the Company for the year ended 31 March 2013, the gearing ratio of the Group as at 31 March 2013 was approximately 0.32 time, as derived by dividing the total interest-bearing liabilities of the Group as at 31 March 2013 of approximately HK\$10.0 million by the net asset value of approximately HK\$31.5 million as at 31 March 2013.

Upon Completion and assuming the interest-bearing liabilities of the Group would remain the same, the net asset value of the Group would be increased as a result of the Subscription. Thus, the gearing level of the Group will be improved upon Completion.

Based on the above, the Subscription would have an overall positive effect on the financial position of the Group in terms of cashflow, net asset value, and gearing upon Completion. Meanwhile, the Subscription will not have any material impact on earnings of the Group. On such basis, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the shareholding of the Company

As set out in the table showing the shareholdings changes of the Company under the section headed "Effect on shareholding structure" as contained in the Letter from the Board, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 40.65%. Pursuant to the Subscription Agreement, 450,000,000 new Shares, representing approximately 49.66% of the existing issued share capital of the Company as at the Latest Practicable Date and 33.18% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, will be issued to the Subscriber. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 40.65% to 27.16% upon Completion but before the subscription of any Warrant Shares by holders of the Warrants, while the shareholdings of the existing public Shareholders will be diluted from approximately 40.65% to 25.47% upon Completion and subscription of the Warrant Shares by holders of the Warrants in full.

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Having considered the reasons stated in details in the section headed “Background of and reasons for the Subscription and use of proceeds” above, in particular, the following:

- (a) the net loss position of the Group for the year ended 31 March 2013, the relatively small asset base of the Company, the current negative operating cash flow position and the fact that the aforesaid new projects to be contemplated by the Group have yet to generate income would make it difficult for the Company to obtain bank loans in a sizable amount;
- (b) the Company has a strong need for additional funding for paying up the registered capital of Guangzhou YBDS and Beijing Yunbo and preparing for the development of the projects in the pipelines in order to revive its business and financial conditions;
- (c) the issue of the Subscription Shares will enlarge and strengthen the capital base of the Company as well as greatly enhance the net asset position and gearing position of the Group; and
- (d) the Directors consider that the Subscription is the best financing alternative available to the Company at the moment to raise additional funding for the Company;

we are of the opinion that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION

After taking into account the above principal factors and reasons, we consider that the Subscription was entered into on normal commercial terms and the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the resolution to approve the Subscription Agreement.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(ii) Interests of substantial Shareholders and other persons

As at the Latest Practicable Date, so far as is known to any Director and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the Shares:

Name of shareholder	Capacity	Number of Shares interested (Long position)	Approximate percentage of the issued share capital of the Company (Note 1)
The Subscriber	Beneficial interest	537,888,771	59.35%
Mr. Chan Foo Wing (Note 2)	Interest in controlled corporation	537,888,771	59.35%

Notes:

1. The percentage is calculated based on the total issued share capital of the Company as at the Latest Practicable Date.
2. Mr. Chan is the sole beneficial shareholder of the Subscriber, and is therefore deemed to be interested in the 537,888,771 Shares interested by the Subscriber.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (not being a Director or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any options in respect of such shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN CONTRACT OR ARRANGMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders or their respective associates had any interests in businesses which compete or may compete with the business of the Group or had any other conflict of interests which any such person has or may have with the Group.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

9. EXPERT AND CONSENT

- (a) The following is the qualification of Octal Capital, who has been named in this circular and has given opinions and advices which are contained in this circular:

Name	Qualifications
Octal Capital Limited	a corporation licenced under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) activities

- (b) As at the Latest Practicable Date, Octal Capital did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Octal Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it is included.
- (d) As at the Latest Practicable Date, Octal Capital did not have any direct or indirect interests in any assets which have since 31 March 2013 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to, any member of the Group.
- (e) The letter and recommendation from Octal Capital are given as of the date of this circular for incorporation herein.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (i) a share placing agreement dated 28 March 2012 entered into between the Company as issuer and Quam Securities Company Limited (“**Quam**”) as placing agent, in relation to the placing of up to a maximum of 30,000,000 placing shares at the price of HK\$0.27 per placing share on a best effort basis, which had lapsed on 1 May 2012;

- (ii) a warrant placing agreement dated 28 March 2012 entered into between the Company as issuer and Quam as placing agent, in relation to the placing of up to a maximum of 90,000,000 warrants at the price of HK\$0.02 per warrant, entitling the holders to subscribe for a maximum of 90,000,000 warrant shares at the initial subscription price of HK\$0.35 per warrant share (subject to adjustments) on a best effort basis, which had lapsed on 1 May 2012;
- (iii) a share placing agreement dated 17 May 2012 entered into between the Company as issuer and KGI Asia Limited (“KGI”) as placing agent, in relation to the placing of up to a maximum of 15,000,000 placing shares at the price of HK\$0.185 per placing share on a best effort basis;
- (iv) a warrant placing agreement dated 17 May 2012 entered into between the Company as issuer and KGI as placing agent, in relation to the placing of up to a maximum of 30,000,000 warrants at the price of HK\$0.01 per warrant, entitling the holders to subscribe for a maximum of 30,000,000 warrant shares at the initial subscription price of HK\$0.185 per warrant share (subject to adjustments) on a best effort basis;
- (v) a share placing agreement dated 6 July 2012 entered into between the Company as issuer and KGI as placing agent, in relation to the placing of up to a maximum of 10,000,000 placing shares at the price of HK\$0.141 per placing share on a best effort basis;
- (vi) a warrant placing agreement dated 6 July 2012 entered into between the Company as issuer and KGI as placing agent, in relation to the placing of up to a maximum of 60,000,000 warrants at the price of HK\$0.01 per warrant, entitling the holders to subscribe for a maximum of 60,000,000 warrant shares at the initial subscription price of HK\$0.141 per warrant share (subject to adjustments) on a best effort basis;
- (vii) a non-legally binding letter of intent dated 2 August 2012 entered into between the Company and Chinasoft, pursuant to which the Company and Chinasoft will collaborate with each other on the bidding for specific parts of the Wireless City Project;
- (viii) an underwriting agreement dated 31 October 2012 entered into between the Company and the Subscriber in relation to the underwriting and the relevant arrangements in respect of the open offer of 156,250,000 Shares at the subscription price of HK\$0.10 per offer share;
- (ix) a share placing agreement dated 12 March 2013 entered into between the Company as issuer and KGI as placing agent, in relation to the placing of up to a maximum of 125,000,000 placing shares at the price of HK\$0.145 per placing share on a best effort basis;

- (x) the non-legally binding memorandum of understanding dated 12 April 2013 entered into between YBDS Multimedia Company Limited, a wholly owned subsidiary of the Company, and New5TV (Cayman) CO., LTD. in relation to establishing, developing, and creating a variety of online platforms using various marketing concepts and adopting the “narrowcasting” television channel operating mode;
- (xi) the cooperation agreement dated 18 April 2013 entered into between Guangzhou YBDS and South China Normal University in relation to the research, design, development and production of 100 units of 10-minute micro lectures in physics, using the cognitive learning technique, for secondary school students in the PRC at the cost of RMB605,000 (equivalent to approximately HK\$756,250);
- (xii) the collaboration agreement dated 22 April 2013 entered into between the Company and the Guangdong branch of China Telecom (“**China Telecom Guangdong**”) in relation to the Guangdong Online Education Platform Project, pursuant to which the Group will invest RMB700,000,000 (equivalent to approximately HK\$875,000,000) for the construction of an online education platform and will pay to China Telecom Guangdong a fee of RMB30,000,000 (equivalent to approximately HK\$37,500,000) for using and accessing the China Telecom Guangdong’s existing IPTV network and platform;
- (xiii) the project implementation agreement dated 7 May 2013, entered into between Excellent Master Investments Limited, a wholly-owned subsidiary of the Company, Chinasoft International (Hong Kong) Limited, a wholly-owned subsidiary of Chinasoft, the Company and Chinasoft with respect to the Wireless City Project; and
- (xiv) the Subscription Agreement.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Room 2, 27/F, Golden Centre, 188 Des Voeux Road Central, Central, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Tung Tat Chiu, Michael, a practicing solicitor in Hong Kong.
- (d) The Company’s compliance officer is Mr. Kwong Wai Ho, Richard, an executive Director.
- (e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 2, 27/F, Golden Centre, 188 Des Voeux Road Central, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2012 and 2013 and the interim report of the Company for the six months ended 30 September 2012;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (e) the letter from Octal Capital, the text of which is set out on pages 19 to 41 of this circular;
- (f) the written consent of Octal Capital as referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Yunbo Digital Synergy Group Limited (the “**Company**”) will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 29 July 2013 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments:

ORDINARY RESOLUTION

1. “**THAT**

- (i) the subscription agreement (the “**Subscription Agreement**”) dated 2 June 2013 entered into between the Company as issuer and Happy On Holdings Limited as subscriber (the “**Subscriber**”) in relation to the proposed subscription (the “**Subscription**”) of 450,000,000 new shares of HK\$0.10 each in the share capital of the Company (each a “**Subscription Share**”, collectively, the “**Subscription Shares**”) at the price of HK\$0.225 (the “**Subscription Price**”) per Subscription Share (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) conditional upon the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares, the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Subscription Agreement (the “**Specific Mandate**”) be and is hereby approved and the Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the directors of the Company (each a “**Director**”, collectively, the “**Directors**”) by the shareholders of the Company in the annual general meeting of the Company held on 8 July 2013 or such other general or specific mandate(s) that may have been granted to the Directors prior to the passing of this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iii) any one Director be and is hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his absolute discretion consider necessary or desirable or expedient for the purpose of or in connection with the Subscription Agreement and to make and agree to such variations of a non-material nature in or to the terms of the Subscription Agreement as he may in his absolute discretion consider desirable or necessary.”

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

Hong Kong, 11 July 2013

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*
Room 2, 27/F
Golden Centre
188 Des Voeux Road Central
Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company (“**Share(s)**”) may appoint one or more proxies to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company.
2. The form of proxy must be signed by a member or the attorney of the member duly authorised in writing or, in the case of a corporation, must be signed either under its common seal or under the hand of an officer or attorney so authorised.
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting (as the case may be).
4. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Meeting or at any adjourned meeting (as the case may be) should they so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.
5. Where there are joint registered holders of any share(s), any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share(s) as if he was solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share(s) shall be accepted to the exclusion of the votes of the other joint holders.

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, 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.

This notice 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://www.ybds.com.hk>.