



Yunbo Digital Synergy Group Limited

雲博產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher 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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*This announcement, for which the directors (the "**Directors**") of Yunbo Digital Synergy Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM ("**GEM Listing Rules**") of the Stock Exchange 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 September 2016		Six months ended 30 September 2016	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	11,923	125,295	20,657	195,626
Cost of sales and services		(7,581)	(105,077)	(14,856)	(164,195)
Gross profit		4,342	20,218	5,801	31,431
Other income		543	412	1,012	1,191
Distribution costs		(3,265)	(3,072)	(5,959)	(8,385)
Administrative expenses		(6,455)	(11,085)	(15,157)	(19,401)
(Loss)/Profit before income tax	5	(4,835)	6,473	(14,303)	4,836
Income tax expense	6	(623)	(681)	(1,259)	(933)
(Loss)/Profit for the period		(5,458)	5,792	(15,562)	3,903
Other comprehensive expense					
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		(333)	(2,940)	(2,577)	(3,309)
Other comprehensive expense for the period, net of tax		(333)	(2,940)	(2,577)	(3,309)
Total comprehensive (expense)/income for the period, net of tax		(5,791)	2,852	(18,139)	594

		Three months ended		Six months ended	
		30 September		30 September	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/Profit for the period attributable to:					
Owners of the Company		(3,044)	4,807	(10,770)	2,120
Non-controlling interests		(2,414)	985	(4,792)	1,783
		(5,458)	5,792	(15,562)	3,903
Total comprehensive (expense)/income for the period attributable to:					
Owners of the Company		(3,323)	1,257	(12,868)	(1,969)
Non-controlling interests		(2,468)	1,595	(5,271)	2,563
		(5,791)	2,852	(18,139)	594
(Loss)/Earnings per share attributable to owners of the Company					
– Basic (in HK cents)	7	(0.22)	0.35	(0.79)	0.16
– Diluted (in HK cents)	7	(0.22)	0.33	(0.79)	0.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
	Note		
Non-current assets			
Property, plant and equipment		2,417	2,594
Intangible assets		1,110	1,134
Goodwill		3,552	3,552
		7,079	7,280
Current assets			
Inventories		28,096	32,617
Trade and other receivables	9	76,138	161,812
Financial assets designated at fair value through profit or loss	10	71,496	46,882
Cash and cash equivalents		127,029	149,754
		302,759	391,065
Current liabilities			
Trade and other payables	11	195,808	266,386
Tax payable		1,380	1,170
		197,188	267,556
Net current assets		105,571	123,509
Total assets less current liabilities		112,650	130,789
Net assets		112,650	130,789
Equity			
Equity attributable to the owners of the Company			
Share capital	12	135,625	135,625
Reserves		(35,864)	(22,996)
		99,761	112,629
Non-controlling interests		12,889	18,160
Total equity		112,650	130,789

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	7,150	(445)
Investing activities		
Cash paid for acquisition of financial assets designated at fair value through profit or loss	(291,216)	(207,516)
Cash received from redemption of financial assets designated at fair value through profit or loss	266,602	195,015
Interest received from structured deposits	951	853
Purchase of property, plant and equipment	(380)	–
Others	–	(59)
Net cash used in investing activities	(24,043)	(11,707)
<i>Net decrease in cash and cash equivalents</i>	(16,893)	(12,152)
Cash and cash equivalents at the beginning of the period	149,754	133,046
Effect on foreign exchange rate changes, on cash held	(5,832)	(3,266)
Cash and cash equivalents at the end of the period, represented by cash at banks and in hand	127,029	117,628

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Warrant reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
As at 1 April 2015	135,625	99,935	900	605	(117,201)	119,864	20,801	140,665
Profit for the period	-	-	-	-	2,120	2,120	1,783	3,903
Other comprehensive income/ (expense)								
Exchange differences arising on translation of foreign operations	-	-	-	(4,089)	-	(4,089)	780	(3,309)
Total comprehensive income/ (expense)	-	-	-	(4,089)	2,120	(1,969)	2,563	594
As at 30 September 2015	135,625	99,935	900	(3,484)	(115,081)	117,895	23,364	141,259
As at 1 April 2016	135,625	99,935	900	(2,377)	(121,454)	112,629	18,160	130,789
Loss for the period	-	-	-	-	(10,770)	(10,770)	(4,792)	(15,562)
Other comprehensive expense								
Exchange differences arising on translation of foreign operations	-	-	-	(2,098)	-	(2,098)	(479)	(2,577)
Total comprehensive expense	-	-	-	(2,098)	(10,770)	(12,868)	(5,271)	(18,139)
As at 30 September 2016	135,625	99,935	900	(4,475)	(132,224)	99,761	12,889	112,650

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. GENERAL INFORMATION

Yunbo Digital Synergy Group Limited (the “**Company**”) (together its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Room 1602, 16/F., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

The Company’s shares are listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group is principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business. The Group has also expanded into the People’s Republic of China (the “**PRC**”) market in the areas of manufacturing of ancillary high-tech software and hardware products; developing and establishing integrated online platforms for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among others.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 (the “**Condensed Financial Report**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2016 (the “**2016 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2016 Annual Financial Statements, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2016. Details of these changes in accounting policies are set out in note 3.

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

The Condensed Financial Report has been prepared under the historical cost convention, except for financial instruments classified as financial assets designated at fair value through profit or loss which are stated at fair values. The Condensed Financial Report is presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company and all values are rounded to the nearest thousands (“**HK\$’000**”) unless otherwise stated.

3. ADOPTION OF NEW OR AMENDED HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 Cycle
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Amendments to HKAS 1	Disclosure Initiative
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The adoption of the amendments to HKFRSs has no material effect on the financial position or performance of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

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

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

Maintenance and consultancy service income is recognised over the life of the agreement on a straight-line basis. The unearned portion of the maintenance service income received is accounted for as deferred income included under other payables in the condensed consolidated statement of financial position.

Interest income is recognised on an accrual basis using the effective interest method.

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

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	9,177	122,172	16,052	191,445
Software	283	376	830	1,025
Services	2,463	2,747	3,775	3,156
	11,923	125,295	20,657	195,626

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make operating decisions. Executive directors are considered as the chief operating decision maker (“**CODM**”).

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

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

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

	Hardware		Software		Services		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue:								
From external customers	16,052	191,445	830	1,025	3,775	3,156	20,657	195,626
Reportable segment (loss)/profit	(9,005)	7,855	(113)	(7)	1,343	2,956	(7,775)	10,804

	Hardware		Software		Services		Total	
	Three months ended 30 September		Three months ended 30 September		Three months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue:								
From external customers	9,177	122,172	283	376	2,463	2,747	11,923	125,295
Reportable segment (loss)/profit	(2,965)	7,422	(403)	(493)	1,915	2,582	(1,453)	9,511

	Hardware		Software		Services		Total	
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2016	2016	2016	2016	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Reportable segment assets	93,694	185,274	391	246	1,124	1,164	95,209	186,684
Reportable segment liabilities	166,267	230,425	50	39	497	252	166,814	230,716

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Condensed Financial Report as follows:

	Three months ended 30 September 2016		Six months ended 30 September 2016	
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Reportable segment (loss)/profit	(1,453)	9,511	(7,775)	10,804
Depreciation	(240)	(231)	(497)	(474)
Unallocated corporate expenses*	(3,685)	(3,219)	(7,043)	(6,685)
Unallocated corporate income	543	412	1,012	1,191
(Loss)/Profit before income tax	(4,835)	6,473	(14,303)	4,836

* Unallocated expenses mainly include operating lease charges in respect of rented premises and headquarter expenses.

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Total segment assets	95,209	186,684
Unallocated assets*	214,629	211,661
Total assets per condensed consolidated statement of financial position	309,838	398,345
Total segment liabilities	166,814	230,716
Unallocated liabilities*	30,374	36,840
Total liabilities per condensed consolidated statement of financial position	197,188	267,556

* Unallocated assets mainly include, certain other receivables, financial assets designated at fair value through profit or loss, and cash and cash equivalents. Unallocated liabilities mainly include certain other payables and accruals.

5. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting):

	Three months ended 30 September 2016		Six months ended 30 September 2016	
	HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Cost of inventories sold	6,921	104,739	14,330	163,856
Depreciation of property, plant and equipment	240	231	497	474
Employee benefit expense	5,344	5,283	10,907	10,477
Net foreign exchange (gain)/loss	(770)	1	(321)	11
Operating lease charges in respect of rented premises	1,156	909	2,138	1,862
Operating lease charges in respect of rented equipment	3	3	5	5

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months and three months ended 30 September 2016 and 2015 as the Group had incurred losses for taxation purpose. The PRC enterprise income tax has been provided at the rate of 25% (six months and three months ended 30 September 2015: 25%) on the estimated assessable profit for the six months and three months ended 30 September 2016.

	Three months ended 30 September 2016		Six months ended 30 September 2016	
	HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
PRC enterprise income tax				
Current period	623	681	1,259	933
Income tax expense	623	681	1,259	933

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2015: Nil).

7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the three months and six months ended 30 September 2016 is calculated by dividing the loss attributable to owners of the Company for the period of HK\$3,044,000 and HK\$10,770,000 respectively (three months and six months ended 30 September 2015: profit of HK\$4,807,000 and HK\$2,120,000, respectively) by the weighted average number of 1,356,250,000 (three months and six months ended 30 September 2015: weighted average number of 1,356,250,000) ordinary shares in issue during the periods.

Diluted loss per share for the three months and six months ended 30 September 2016 equals to the basic loss per share as the potential ordinary shares on exercise of warrants were not included in the calculation of diluted loss per share because they are anti-dilutive.

Diluted earnings per share for the three months and six months ended 30 September 2015 is calculated by dividing the profit attributable to owners of the Company for the period of HK\$4,807,000 and HK\$2,120,000 respectively by the weighted average number of 1,356,250,000 ordinary shares in issue during the period and adjusting for the potential ordinary shares on exercise of 90,000,000 warrants for converting into ordinary shares.

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

	Three months ended 30 September 2016		Six months ended 30 September 2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/Profit attributable to owners of the Company (HK\$'000)	(3,044)	4,807	(10,770)	2,120
Weighted average number of ordinary shares in issue during the period for the purpose of basic (loss)/earnings per share (in thousands)	1,356,250	1,356,250	1,356,250	1,356,250
Effect of dilutive potential ordinary shares on exercise of warrants	–	85,986	–	86,480
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share (in thousands)	1,356,250	1,442,236	1,356,250	1,442,730
	HK cents	HK cents	HK cents	HK cents
Basic (loss)/earnings per share	(0.22)	0.35	(0.79)	0.16
Diluted (loss)/earnings per share	(0.22)	0.33	(0.79)	0.15

8. DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

9. TRADE AND OTHER RECEIVABLES

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Bill receivables	–	2,143
Trade receivables	62,451	147,237
Total bill and trade receivables (Note a)	62,451	149,380
Prepayments, deposits and other receivables	13,687	12,432
	76,138	161,812

Note a: The credit period granted by the Group to its customers generally ranged from 0 to 120 days. As at 30 September 2016 and 31 March 2016, the ageing analysis of the Group's bill and trade receivables (net of provision for impaired receivables) based on invoice date is as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
0–30 days	17,102	114,183
31–60 days	2,020	80
61–90 days	5,204	258
91–180 days	13,833	21,544
181–365 days	16,820	9,059
Over 365 days	7,472	4,256
	62,451	149,380

All amounts are short term and hence the carrying values of the Group's bill, trade and other receivables are considered to be a reasonable approximation of fair values.

10. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Structured deposits	46,502	36,063
Unlisted investment funds	24,994	10,819
	71,496	46,882

As at 30 September 2016, the Group had short term investments linked structured deposits that were denominated in RMB40,000,000 (equivalent to HK\$46,502,000) (At 31 March 2016: RMB30,000,000 (equivalent to HK\$36,063,000)) with a bank with maturity periods of 66 days (At 31 March 2016: 39 days) and unlisted investment funds that were denominated in RMB21,500,000 (equivalent to HK\$24,994,000) with a bank (At 31 March 2016: RMB9,000,000 (equivalent to HK\$10,819,000)).

Interest rates of the structured deposits vary depending on the return rate of the relevant short term bonds, money market investment fund and bank deposits.

Structured deposits are carried at fair value determined according to the inputs other than quoted market prices (Note 13.1).

Unlisted investment funds are carried at fair value and their dealing price is derived from net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets (note 13.1).

11. TRADE AND OTHER PAYABLES

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Trade payables (Note a)	159,864	227,006
Other payables and accruals (Note c)	28,994	35,670
Sales deposits received (Note b)	6,950	3,710
	195,808	266,386

Note a: The ageing analysis of the Group's trade payables based on invoice date is as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
0–30 days	987	38,990
31–60 days	6,257	203
61–90 days	–	16,444
91–180 days	9,623	32,408
181–365 days	40,853	85,516
Over 365 days	102,144	53,445
	159,864	227,006

Note b: As at 30 September 2016, sales deposits of HK\$7.0 million (At 31 March 2016: HK\$3.7 million) was received from customers of which the transaction had not yet completed.

Note c: As at 30 September 2016 and 31 March 2016, other payables were mainly the cash advances which were are unsecured, interest free and repayable within one year.

The carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair values.

12. SHARE CAPITAL

	Authorised Ordinary shares of HK\$0.10 each	
	Number of shares (in thousands)	HK\$'000 (unaudited)
As at 31 March 2016 and 30 September 2016	2,000,000	200,000

	Issued and fully paid Ordinary shares of HK\$0.10 each	
	Number of shares (in thousands)	HK\$'000 (unaudited)
As at 1 April 2015, 31 March 2016 and 30 September 2016	1,356,250	135,625

Note: 30,000,000 warrants issued on 4 June 2012 and 60,000,000 warrants issued on 26 July 2012 have initial subscription prices of HK\$0.185 per share and HK\$0.141 per share respectively for one ordinary share of the Company exercisable for a period of five years. As at 30 September 2016 and 31 March 2016, 90,000,000 warrants remained unexercised.

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

13.1 Financial assets and liabilities measured at fair value

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 2	
	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Assets		
Financial assets designated at fair value through profit or loss:		
– Structured deposits	46,502	36,063
– Unlisted investment funds	24,994	10,819
	71,496	46,882

The structured deposits are not publicly traded, the fair values presented are determined by calculating the present value of the estimated cash flows upon maturity of these financial assets. Future cash flows are estimated based on the contracted interest rates, discounted at a rate that reflects the credit risk of the Group or the counterparties, as appropriate. Interest rates of the structured deposits vary depending on the return rate of the relevant short term bonds, money market investment fund and bank deposits.

13.2 Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2016 and 31 March 2016.

14. OPERATING LEASE COMMITMENTS

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

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within one year	2,573	1,778
In the second to fifth year inclusive	725	989
	3,298	2,767

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

15. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the reporting period (six months ended 30 September 2015: Nil).

The remuneration of key management personnel for the six months ended 30 September 2016 amounted to HK\$3,019,000 (six months ended 30 September 2015: HK\$2,144,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the six months ended 30 September 2016, the Company and its subsidiaries (collectively the “**Group**”) recorded revenue of approximately HK\$20,657,000, representing a decrease of approximately 89% when compared with the corresponding period last year of approximately HK\$195,626,000.

Loss before income tax of the Group for the six months ended 30 September 2016 was approximately HK\$14,303,000, compared with profit before income tax of approximately HK\$4,836,000 for the corresponding period last year. Loss attributable to owners of the Company for the six months ended 30 September 2016 was approximately HK\$10,770,000 when compared with profit attributable to owners of the Company of approximately HK\$2,120,000 for the corresponding period last year.

Business review

During the period in review, the significant decrease in revenue was principally due to the market being overcrowded with an overwhelming number of Ethernet-Passive Optical Network (“**E-PON**”) equipment and Gigabit-Passive Optical Network (“**G-PON**”) equipment suppliers which had greatly increased the level of competition. The number of E-PON equipment being traded by China Mobile Payment Technology Group Company Limited (中國支付科技集團有限公司) (“**China Mobile Payment**”) had fallen dramatically by more than 85.93% when compared with the corresponding period last year. As such, the total sales volume had proportionately fallen by more than 88.30% with the average price of each E-PON equipment unit having fallen by approximately 16.84%. China Mobile Payment had underestimated the level of market competition and were unsuccessful in all of their bids to supply G-PON equipment. As such, it did not record any trading of G-PON equipment. In view, the Company will monitor the changes in market conditions more closely in hopes of regaining lost market share without having to sacrifice pricing.

The Group’s system integration services and other value-added technical consultation services and hardware-related business in Hong Kong is facilitated by Norray Professional Computer Limited (“**Norray**”), an indirect non wholly-owned subsidiary of the Company. Given the size of their operations and the non-core nature of their business, the Company has been considering disposal of the Group’s entire shareholding interest in Norray at an appropriate time.

Prospects

The Company continues to work directly with 中國移動(深圳)有限公司 (China Mobile (Shenzhen) Company Limited*) ("**China Mobile Shenzhen**"), assisting them with the development and construction of their unified payment system platform as well as the monitoring and management system. Thus far, the initial phase of the unified payment system platform as well as phases I & II of the monitoring and management system have been completed, we are still holding ongoing discussions with China Mobile Shenzhen on how to further this project and its eventual implementation.

Once the unified payment system platform is completed and successfully implemented, the management believes it is possible to replicate this model and sell it to other units and/or subsidiaries of China Mobile Limited (stock code: 941). Moreover, we will have the opportunity to induce large enterprises and multinational companies within the PRC, such as China Telecommunications Corporation (中國電信集團公司), or the now developing points of sale ("**POS**") terminal payment network, to participate in promoting the widespread use of this platform.

The Company and Aspire Information Technologies (Beijing) Co., Ltd. (卓望信息技術(北京)有限公司) ("**Aspire**") remain highly committed to work together in a manner that is mutually beneficial to both parties under the agency framework agreement. We continue to be in close contact with Aspire with ongoing dialogues on developing a proposed form of joint cooperation. Management is confident that these discussions will come to fruition in the near term.

The Company started working with 天翼電子商務有限公司上海分公司 (Shanghai China Telecom Bestpay E-commerce Ltd.*) ("**Shanghai CT E-commerce**") from 2015 on the development and construction of the e-commerce network platform of payment and settlement function and POS installation and its promotion to enhance products competitiveness and enrichment of services to customers. As of 30 September 2016, the Company has already completed the installation of 300 POS terminals in certain retail locations under one network.

Shanghai CT E-commerce, through their Bestpay (翼支付) platform, has committed to provide clearing services for non-cash payments under the new platform currently under development. Over the course of time as the project develops and matures, we strongly believe that this project will bring in other business opportunities for the Group to participate in, such as additional installation of POS terminals in other retail locations within the network in the PRC, revenue sharing arrangement, and technical advisory services, among others. From management's perspective, the opportunity at hand is quite promising and has great potential.

The Directors believe that mobile phone has become the ultimate terminal for consumer mobile applications globally. Our continuing, ongoing and existing business development on the unified payment system platform in various projects and our excellent business relationships with key players within the telecommunications industry will create synergy and enhance cooperation amongst the parties concerned to provide consumer-friendly payment services using the mobile phone as a terminal for mobile applications in business, entertainment, work and in daily life. Irrespective of the transaction amounts involved, the cooperation serves as a stepping stone to expand our coverage for online and offline payment services, which is in line with the Group's strategy of designing, developing, manufacturing and operating leading products for mobile networks as well as online and offline payment services, and is expected to generate further revenue for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

To ensure that the Company is financially stable with sufficient financial resources to continue the development of its proposed projects, the Company had on 5 August 2013, raised net proceeds of approximately HK\$100 million through a subscription (the "**Subscription**"). Immediately after the completion of the Subscription, Happy On held 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company.

As stipulated in the circular of the Company dated 11 July 2013, such proceeds were to be applied in the following manner:

- (i) approximately HK\$30,000,000 will be used to pay up the remaining registered capital of 廣州韻博信息科技有限公司 (Guangzhou YBDS IT Co., Ltd.*) ("**Guangzhou YBDS**") and 北京韻博港信息科技有限公司 (Beijing YBDS IT Co., Ltd.*) ("**Beijing YBDS**");
- (ii) approximately HK\$50,000,000 will be used as further investment for contribution towards the total investment amounts of Guangzhou YBDS and Beijing YBDS; and
- (iii) the remaining balance as general working capital of the Company.

The Company had previously applied approximately HK\$9,400,000 (or approximately RMB7,350,000) and approximately HK\$5,500,000 (or approximately RMB4,330,000) of the proceeds to pay up the remaining initial registered capital of RMB20,000,000 and increased registered capital of RMB20,000,000 of Guangzhou YBDS, respectively. During the year ended 31 March 2015, the Company had applied approximately HK\$19,785,000 (or approximately RMB15,670,000) of the proceeds to pay up the outstanding remaining increased registered capital of Guangzhou YBDS.

At the time of the Subscription, only 20% of the registered capital or RMB4 million of Beijing YBDS has been paid up with the remaining 80% or RMB16 million due to be paid on or before 18 December 2014. The Company had intended to apply to the Bureau of Foreign Trade and Economic Cooperation of Beijing Municipality (北京市對外貿易經濟合作局) to increase the registered capital of Beijing YBDS from RMB20 million to RMB40 million and its total investment from RMB40 million to RMB80 million. A sum of approximately HK\$45.5 million from the proceeds of the Subscription was earmarked for paying up the initial registered capital and increased registered capital of Beijing YBDS (the **"Capital Increase"**). The intent of the Capital Increase was to enable the Group's subsidiaries to meet the minimum capital threshold requirement when submitting bids for proposed projects offered by the relevant telecommunications service providers in the PRC.

Given the Company has acquired China Mobile Payment on 23 December 2014, a holding company that owns a subsidiary with the aforesaid threshold requirement for bids submission, this corporate action is no longer deemed to be necessary. The Company has already commenced the process of deregistration of Beijing YBDS. Deregistration has entered into the final stage and is pending for the approval of PRC authority.

Moreover, the Company intends to apply the aforesaid earmarked proceeds of approximately HK\$45.5 million for new potential projects and for general working capital purposes. As at the date of this announcement, the Company has not identified any potential projects.

As at 30 September 2016, the shareholders' funds of the Group amounted to approximately HK\$99,761,000. Current assets of approximately HK\$302,759,000 were mainly comprised of cash and cash equivalents of approximately HK\$127,029,000, and trade and other receivables of approximately HK\$76,138,000. Current liabilities of approximately HK\$197,188,000 were mainly comprised of trade and other payables of approximately HK\$195,808,000. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2016, the Group did not have any borrowings or long-term debt. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 1.54 (As at 31 March 2016: 1.46), reflecting the adequacy of financial resources.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2016.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

Most of the transactions of the Group are denominated in Hong Kong Dollar (“HKD”) and Renminbi (“RMB”). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 September 2016, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

OPERATING LEASE COMMITMENTS

As at 30 September 2016, the Group had operating lease commitments of approximately HK\$3,298,000.

CAPITAL COMMITMENTS

As at 30 September 2016, the contracted capital commitments of the Group were nil.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2016, the Group had no charges on the Group's assets.

SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group is set out in note 4 to the Condensed Financial Report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group had 105 employees (2015: 119 employees). The total remuneration paid to employees, including Directors, for the six months ended 30 September 2016 was approximately HK\$9,226,000 (2015: HK\$8,883,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of each individual employee. Annual year-end double pay is paid based on each individual employee's performance as recognition of and reward for their contributions. Other benefits accruing to the employees include contributions made to statutory mandatory provident fund scheme and a group medical scheme. We also subsidize our employees for pursuing further studies in related fields.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September 2016, Mr. Wang Xiaoqi is interested in 382,000 ordinary shares of the Company, representing approximately 0.028% of the total number of ordinary shares of the Company. Saved as disclosed above, none of the Directors and chief executives of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the listed issuer and the Stock Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to in Rules 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 30 September 2016, so far as the Directors are aware of and having made due enquires, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital as at 30 September 2016 (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing (" Mr. Chan ") (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

1. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares held by Happy On.
2. "L" means long positions in the shares.
3. Based on 1,356,250,000 shares of the Company in issue as at 30 September 2016.

Saved as disclosed above, as at 30 September 2016, so far as the Directors are aware of and having made due enquiries, there were no other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 September 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue as at the date of approval of the share option scheme. The purpose of the share option scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

No options were granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the six months ended 30 September 2016.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2016.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 September 2016.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 15 to the GEM Listing Rules. The Company has complied with the code provisions set out in the Code throughout the six months ended 30 September 2016 except for the deviations from code provisions A.1.8 and A.2.1 of the Code as explained as follows:

Code provision A.1.8

Code provision A.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its directors.

During the reporting period, the Board considered that under the current situations of close management of the Group and business scale, the possibility of actual litigation against the Directors is very low. The Company will consider reviewing various insurance cover proposals and will make such an arrangement as appropriate.

Code provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated.

The executive Directors, namely, Mr. Yau Hoi Kin and Mr. Wang Xiaoqi are focused on evaluating new potential business and investment opportunities and formulating and implementing business strategies to enhance the revenue and growth potential of the Company. Hence, a new chairman and chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

AUDIT COMMITTEE

The Audit Committee (the “**Audit Committee**”) was established in May 2000, and the Company had adopted a revised specific terms of reference as of November 2016 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprised four members, namely, Mr. Ngan Yu Loong, Dr. Chow Ka Ming, Jimmy, Dr. Wong Wing Lit and Mr. Tse Yee Hin, Tony, all of whom were independent non-executive Directors. Mr. Ngan Yu Loong is the current chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Group’s audit findings, accounting policies and standards, changes of accounting rules (if any), compliance with the GEM Listing Rules, internal and audit control, and cash flow forecast.

The unaudited consolidated results of the Group for the six months ended 30 September 2016 have been reviewed by the Audit Committee.

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

Hong Kong, 11 November 2016

As at the date of this announcement, the executive Directors are Mr. Yau Hoi Kin and Mr. Wang Xiaoqi, the independent non-executive Directors are Dr. Chow Ka Ming, Jimmy, Dr. Wong Wing Lit, Mr. Ngan Yu Loong and Mr. Tse Yee Hin, Tony.

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

* *For identification purpose only*