



# **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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2012**

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

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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 of Yunbo Digital Synergy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company (the "Directors"), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*

The board of Directors (the “Board”) of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2012 together with the unaudited comparative figures for the corresponding period in 2011 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2012

		<b>Three months ended 30 June</b>	
	Note	<b>2012 HK\$'000 (unaudited)</b>	<b>2011 HK\$'000 (unaudited)</b>
<b>Revenue</b>	3	<b>3,817</b>	5,977
<b>Cost of sales</b>		<b>(2,973)</b>	(2,444)
<b>Gross profit</b>		<b>844</b>	3,533
<b>Other income</b>		<b>56</b>	32
<b>Gain on disposal of subsidiaries</b>		<b>–</b>	10,822
<b>Distribution costs</b>		<b>(12)</b>	(111)
<b>Administrative expenses</b>		<b>(2,925)</b>	(4,345)
<b>Other operating expenses</b>		<b>(74)</b>	–
<b>(Loss)/Profit before income tax</b>		<b>(2,111)</b>	9,931
<b>Income tax expense</b>	4	<b>–</b>	–
<b>(Loss)/Profit for the period</b>		<b>(2,111)</b>	9,931
<b>Other comprehensive expense</b>			
Reclassification adjustments for translation reserve released upon disposal of subsidiaries		–	(1,496)
<b>Other comprehensive expense for the period, net of tax</b>		<b>–</b>	(1,496)
<b>Total comprehensive (expense)/income for the period, net of tax</b>		<b>(2,111)</b>	8,435

		Three months ended 30 June	
	Note	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
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<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the Company		<b>(2,130)</b>	9,791
Non-controlling interests		<b>19</b>	140
		<hr/>	
		<b>(2,111)</b>	9,931
		<hr/>	
<b>Total comprehensive (expense)/income for the period attributable to:</b>			
Owners of the Company		<b>(2,130)</b>	8,295
Non-controlling interests		<b>19</b>	140
		<hr/>	
		<b>(2,111)</b>	8,435
		<hr/>	
<b>(Loss)/Earnings per share attributable to owners of the Company</b>			
– Basic (in HK cents)	5	<b>(0.35)</b>	1.63
		<hr/>	
– Diluted (in HK cents)	5	<b>(0.35)</b>	1.63
		<hr/>	

Notes:

**1. General information**

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

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

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

**2. Basis of preparation**

The unaudited condensed consolidated interim financial information of the Group for the three months ended 30 June 2012 (the “Condensed Financial Report”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

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

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

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

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

### 3. Revenue

Revenue represents the net invoiced value of goods sold and net value of services rendered, after allowances for returns and trade discounts.

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

	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue:</b>		
Hardware	<b>3,255</b>	2,751
Software	<b>357</b>	1,628
Services	<b>205</b>	1,598
	<b>3,817</b>	5,977

#### 4. **Income tax expense**

No provision for Hong Kong profits tax or overseas income tax has been made for the period ended 30 June 2012 since the assessable profit of the Group is wholly absorbed by tax losses brought forward (three months ended 30 June 2011: Nil as the Group had no assessable profit arising in or derived from Hong Kong).

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

#### 5. **(Loss)/Earnings per share**

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company for the period of approximately HK\$2,130,000 (three months ended 30 June 2011: profit of HK\$9,791,000) by the weighted average number of 604,450,549 (30 June 2011: 600,000,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company for the period of approximately HK\$2,130,000 (three months ended 30 June 2011: profit of HK\$9,791,000) by the weighted average number of 613,351,648 (30 June 2011: 600,000,000) ordinary shares in issue during the period, adjusted for the effects of 30,000,000 dilutive potential shares on exercise of warrants (30 June 2011: no dilutive potential ordinary shares in existence for the period).

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

	<b>Three months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	<b>2011 HK\$'000 (unaudited)</b>
(Loss)/Profit attributable to owners of the Company	<b>(2,130)</b>	9,791
Weighted average number of ordinary shares in issue during the period (in thousands)	<b>604,451</b>	600,000
Effect of dilutive potential shares on exercise of warrants (in thousands)	<b>8,901</b>	—
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share (in thousands)	<b>613,352</b>	600,000
	<b>HK cents</b>	HK cents
Basic (loss)/earnings per share	<b>(0.35)</b>	1.63
Diluted (loss)/earnings per share	<b>(0.35)</b>	1.63

## 6. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2012 (three months ended 30 June 2011: Nil).

## 7. Reserves

For the three months ended 30 June 2012:

	Share premium (unaudited) HK\$'000	Warrant reserve (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
As at 31 March 2011 and 1 April 2011	77,955	-	(47,430)	1,495	(50,844)	(18,824)
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	9,791	9,791
<b>Other comprehensive expense</b>						
Reclassification adjustments for translation reserve released upon disposal of subsidiaries	-	-	-	(1,495)	-	(1,495)
Total comprehensive income	-	-	-	(1,495)	9,791	8,296
Special distribution	(41,580)	-	-	-	-	(41,580)
Disposal of subsidiaries	-	-	47,430	-	(47,430)	-
As at 30 June 2011	36,375	-	-	-	(88,483)	(52,108)
As at 31 March 2012 and 1 April 2012	<b>36,375</b>	-	-	-	<b>(92,041)</b>	<b>(55,666)</b>
<b>Comprehensive expense</b>						
Loss for the period	-	-	-	-	(2,130)	(2,130)
<b>Other comprehensive expense</b>						
	-	-	-	-	-	-
Total comprehensive expense	-	-	-	-	(2,130)	(2,130)
Issue of shares	<b>1,276</b>	-	-	-	-	<b>1,276</b>
Issue of warrants	-	<b>300</b>	-	-	-	<b>300</b>
Dividends	-	-	-	-	-	-
As at 30 June 2012	<b>37,651</b>	<b>300</b>	-	-	<b>(94,171)</b>	<b>(56,220)</b>

## **REVIEW AND PROSPECTS**

### **Financial Review**

During the three months ended 30 June 2012, the Group recorded a revenue of approximately HK\$3,817,000, representing a decrease of approximately 36% when compared with the corresponding period last year of approximately HK\$5,977,000. The decrease in revenue was mainly attributed to the disposal of the Company's business in the development and sale of enterprise software and provision of maintenance services. The disposal was completed on 13 April 2011.

Loss before income tax of the Group for the three months ended 30 June 2012 was approximately HK\$2,111,000, compared with profit before income tax of approximately HK\$9,931,000 for the corresponding period last year. Loss attributable to owners of the Company for the period was increased to approximately HK\$2,130,000 compared with profit attributable to owners of the Company of approximately HK\$9,791,000 for the corresponding period last year.

### **Business Review and Prospects**

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

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



In this connection, the Company is in the process of applying with the relevant government authority in the People's Republic of China for the relevant licenses to operate the two wholly foreign owned enterprises ("WFOEs"). The business scope of these two WFOEs would include computer software or hardware system integration, external equipment, financial and electronic equipment, automated control systems and related equipment, smart modems, research and development of educational software and hardware; sale of computer software, hardware and ancillary equipment, electronic products, general machinery, specialized equipment, and procurement of technical services and support.

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

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

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

#### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES**

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

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

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital as at 30 June 2012 (Note 2)
Happy On (Note 1)	Beneficial Interest	420,002,000	68.29%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Corporate Interest	420,002,000	68.29%

Notes:

- Pursuant to the Sale and Purchase Agreement entered into on 29 December 2011, Happy On, a company beneficially and wholly-owned by Mr. Chan, has conditionally agreed to purchase and Excel Score Limited, a company beneficially and wholly-owned by Mr. Pong Wai San Wilson, has conditionally agreed to sell 420,000,000 shares of the Company. The transaction was completed on 29 December 2011. Reference is made to an announcement of the Company dated 17 February 2012 in relation to, among others, results of the offer that Happy On, being the offeror, received valid acceptances in respect of a total of 2,000 Offer Shares under the Offer so that Happy On in aggregate holds 420,002,000 shares of the Company. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 420,002,000 shares held by Happy On.
- Based on 615,000,000 shares of the Company in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, other than the interests of certain directors and chief executive of the Company as disclosed under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares or Underlying Shares” above, there was no person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

### **CHANGE OF COMPANY NAME**

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

### **DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES**

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

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed shares during the three months ended 30 June 2012.

### **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 three months ended 30 June 2012.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Committee") since May 2000 with a revised specific terms of reference as of 21 March 2012 in accordance with Rule 5.28 to 5.33 of the GEM Listing Rules. The Committee currently comprises three members, namely, Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy and Dr. Wong Wing Lit, all of whom are independent non-executive directors. Mr. Liu Zhiquan is the current chairman of the Committee. The primary duties of the 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 three months ended 30 June 2012 have been reviewed by the Committee, who was of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 13 August 2012

*As at the date of this announcement, the Company's executive Directors are Mr. Yau Hoi Kin, Mr. Kwong Wai Ho Richard and Dr. Huang Youmin, and the Company's independent non-executive Directors are Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan, and Dr. Wong Wing Lit.*