



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2012

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 Yunbo Digital Synergy Group Limited (the “Company”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2012 together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 31 December 2012

		Three months ended 31 December		Nine months ended 31 December	
		2012	2011	2012	2011
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	25,385	2,833	35,106	12,409
Cost of sales		(23,949)	(2,229)	(31,968)	(7,806)
Gross profit		1,436	604	3,138	4,603
Other income		98	15	431	49
Gain on disposal of subsidiaries		–	–	–	10,822
Distribution costs		(9)	(13)	(32)	(131)
Administrative expenses		(4,582)	(1,081)	(11,032)	(6,548)
Finance costs		(14)	–	(87)	–
(Loss)/Profit before income tax		(3,071)	(475)	(7,582)	8,795
Income tax expense	4	–	–	–	–
(Loss)/Profit for the period		(3,071)	(475)	(7,582)	8,795
Other comprehensive expense					
Exchange differences arising on translation of foreign operations		(58)	–	(58)	–
Reclassification adjustments for translation reserve released upon disposal of subsidiaries		–	–	–	(1,495)
Other comprehensive expense for the period, net of tax		(58)	–	(58)	(1,495)
Total comprehensive (expense)/income for the period, net of tax		(3,129)	(475)	(7,640)	7,300

		Three months ended 31 December		Nine months ended 31 December	
		2012	2011	2012	2011
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<hr/>					
(Loss)/Profit for the period attributable to:					
Owners of the Company		(3,098)	(427)	(7,641)	8,790
Non-controlling interests		27	(48)	59	5
		<hr/>		<hr/>	
		(3,071)	(475)	(7,582)	8,795
		<hr/>		<hr/>	
Total comprehensive (expense)/income for the period attributable to:					
Owners of the Company		(3,156)	(427)	(7,699)	7,295
Non-controlling interests		27	(48)	59	5
		<hr/>		<hr/>	
		(3,129)	(475)	(7,640)	7,300
		<hr/>		<hr/>	
(Loss)/Earnings per share attributable to the owners of the Company					
– Basic (in HK cents)	5	(0.47)	(0.07)	(1.22)	1.46
		<hr/>		<hr/>	
– Diluted (in HK cents)	5	(0.47)	(0.07)	(1.22)	1.46

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the nine months ended 31 December 2012 (the “Condensed Financial Report”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

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

The preparation of the Condensed Financial Report in conformity with HKFRSs 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 are 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 are as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	25,124	2,484	33,968	8,568
Software	137	115	625	1,760
Services	124	234	513	2,081
	25,385	2,833	35,106	12,409

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax or overseas income tax has been made for the nine months ended 31 December 2012 as the Group had incurred losses for taxation purpose (nine months ended 31 December 2011: Nil as the Group had no assessable profit arising in or derived from Hong Kong or overseas).

Deferred tax had not been provided for the Group because the Group had no material temporary differences at the reporting date (31 December 2011: Nil).

5. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the three months and nine months ended 31 December 2012 is calculated by dividing the loss or profit attributable to owners of the Company for the period of loss of HK\$3,098,000 and loss of HK\$7,641,000 respectively (three months and nine months ended 31 December 2011: loss of HK\$427,000 and profit of HK\$8,790,000 respectively) by the weighted average number of 657,269,022 and 628,086,364 (three months and nine months ended 31 December 2011: weighted average number of 600,000,000) ordinary shares respectively in issue during the periods.

Diluted (loss)/earnings per share for the three months and nine months ended 31 December 2012 equals to the basic (loss)/earnings per share as the potential ordinary shares on exercise of warrants were not included in the calculation of diluted (loss)/earnings per share because they are anti-dilutive (three months and nine months ended 31 December 2011: no dilutive potential ordinary shares in existence for the periods).

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

	Three months ended 31 December		Nine months ended 31 December	
	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/Profit attributable to owners of the Company (HK\$'000)	(3,098)	(427)	(7,641)	8,790
Weighted average number of ordinary shares in issue during the period (in thousands)	657,269	600,000	628,086	600,000
	HK cents	HK cents	HK cents	HK cents
Basic (loss)/earnings per share	(0.47)	(0.07)	(1.22)	1.46
Diluted (loss)/earnings per share	(0.47)	(0.07)	(1.22)	1.46

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2012 (nine months ended 31 December 2011: Nil).

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

7. RESERVES

For the nine months ended 31 December 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 1 April 2011	77,955	–	(47,430)	1,495	(50,844)	(18,824)
Comprehensive income						
Profit for the period	–	–	–	–	8,790	8,790
Other comprehensive expense						
Reclassification adjustments for translation reserve released upon disposal of subsidiaries	–	–	–	(1,495)	–	(1,495)
Total comprehensive (expense)/income	–	–	–	(1,495)	8,790	7,295
Special distribution	(41,580)	–	–	–	–	(41,580)
Disposal of subsidiaries	–	–	47,430	–	(47,430)	–
As at 31 December 2011	36,375	–	–	–	(89,484)	(53,109)
As at 1 April 2012	36,375	–	–	–	(92,041)	(55,666)
Comprehensive expense						
Loss for the period	–	–	–	–	(7,641)	(7,641)
Other comprehensive expense						
Exchange differences arising on translation of foreign operations	–	–	–	(58)	–	(58)
Total comprehensive expense	–	–	–	(58)	(7,641)	(7,699)
Issue of shares	1,686	–	–	–	–	1,686
Issue of warrants	–	900	–	–	–	900
Dividends	–	–	–	–	–	–
As at 31 December 2012	38,061	900	–	(58)	(99,682)	(60,779)

REVIEW AND PROSPECTS

Financial review

During the nine months ended 31 December 2012, the Group recorded revenue of approximately HK\$35,106,000, representing an increase of approximately 182.91% compared with the corresponding period last year of approximately HK\$12,409,000. The increase in revenue was mainly attributed to addition of new customers in the hardware division and commencement of operation of Guangzhou YBDS IT Co., Ltd. (廣州韻博信息科技有限公司) (“Guangzhou YBDS”) in October 2012.

Loss before income tax of the Group for the nine months ended 31 December 2012 was approximately HK\$7,582,000, compared with a profit before income tax of approximately HK\$8,795,000 for the corresponding period last year. Loss attributable to owners of the Company for the nine months ended 31 December 2012 was approximately HK\$7,641,000 compared with profit attributable to owners of the Company of approximately HK\$8,790,000 for the corresponding period last year.

Business review and prospects

Due to the macro economic conditions, the challenging business environment in Hong Kong prevailed throughout the period under review. The overall environment has moderately improved as business activities gradually pick up. The proposed larger scale IT projects had increased the number of business opportunities in the market. To capitalize these opportunities, the Group reinforced its sales efforts and deployed additional resources to enhance our product offerings. However, intense competition and inflationary pressure constituted unforeseen difficulties which inhibited the Group’s ability to continue to grow and improve profits. As a result, the Group disposed the business of development and sale of enterprise software and provision of maintenance services and re-directed its resources towards the business of provision of system integration services and other value-added technical consultation services and hardware-related business during the period for the nine months ended 31 December 2011.

The Company experienced a change in senior management in the first quarter of 2012. The new senior management of the Company has conducted a detailed review of the operations of the Group with a view to developing a corporate strategy to broaden its income base and enhance the growth potential of the Group. To achieve this target, they believed the Company should expand 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.

As a result, the Company established two wholly foreign owned enterprises (“WFOEs”) in the People’s Republic of China (“PRC”), namely, Guangzhou YBDS and Beijing Yunbo Gang Information Technology Company Ltd.* (北京韻博港信息科技有限公司) (“Beijing Yunbo”).

Guangzhou YBDS

Guangzhou YBDS was approved for establishment on 13 August 2012. The entire equity interests of Guangzhou YBDS are held by Pacific Honour Development Limited, an indirect wholly-owned subsidiary of the Company. The business licence of Guangzhou YBDS was issued on 18 September 2012. The total investment and registered capital of Guangzhou YBDS are RMB40 million and RMB20 million, respectively. More than 55% of the registered capital (or equivalent to approximately RMB11 million) of Guangzhou YBDS has been paid up with the remaining 45% (or equivalent to approximately RMB9 million) due to be paid on or before 18 September 2013. The scope of business of Guangzhou Yunbo 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.

Beijing Yunbo

Beijing Yunbo was approved for establishment on 21 November 2012. The entire equity interests of Beijing Yunbo are held by Able Bloom Technology Limited, an indirect wholly-owned subsidiary of the Company. The Company is in the process of applying for the business licence of Beijing Yunbo. The total investment and registered capital of Beijing Yunbo are RMB40 million and RMB20 million, respectively. 20% and the remaining 80% of the amount of the registered capital of Beijing Yunbo will be required to be paid up within 90 days and 1 year from the date on which the business licence of Beijing Yunbo is to be issued, respectively. 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.

On 4 June 2012, the Company completed a placing for an aggregate of 15,000,000 new shares of HK\$0.10 each in the capital of the Company at a share placing price of HK\$0.185 each to independent third parties, and 30,000,000 warrants at a warrant issue price of HK\$0.01 each and subscription price of HK\$0.185 per warrant share to independent third parties ("May 2012 Placing").

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

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

On 13 December 2012, 156,250,000 offer shares of par value of HK\$0.10 each of the Company were issued under an open offer at a subscription price of HK\$0.10 each ("Open Offer"). The gross proceeds raised from the Open Offer were approximately HK\$15,625,000 which has been used for paying up the registered capital of Guangzhou YBDS, settling the payment for purchase of certain wireless internet network equipment and for general working capital purpose.

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

As at 31 December 2012, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2012, so far as the Directors are aware of and having made due enquires, the following persons had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital as at 31 December 2012 (Note 3)
Happy On (Note 1)	Beneficial Interest	537,888,771(L)	68.85%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Corporate Interest	537,888,771(L)	68.85%

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 537,888,771 shares held by Happy On.
2. "L" means long positions in the shares.
3. Based on 781,250,000 shares of the Company in issue as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, so far as the Directors are aware of and having made due enquiries, there was no person (other than the Directors) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

CHANGE OF COMPANY NAME

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 31 December 2012, at no time during the nine months ended 31 December 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 nine months ended 31 December 2012.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the date of this announcement, none of the Directors, or the initial management shareholders or 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 the 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 nine months ended 31 December 2012.

AUDIT COMMITTEE

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

The unaudited consolidated results of the Group for the nine months ended 31 December 2012 have been reviewed by the Audit Committee.

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

Hong Kong, 8 February 2013

As at the date of this announcement, 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.

* *For identification purpose only*