



**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 REPORT

**2013/2014**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, 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 (“**GEM Listing Rules**”) 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 report 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 report misleading.*

# INDEPENDENT REVIEW REPORT

**To the Board of Directors of Yunbo Digital Synergy Group Limited  
(incorporated in the Cayman Islands with limited liability)**

## **INTRODUCTION**

We have reviewed the interim financial report set out on pages 4 to 21 which comprises the condensed consolidated statement of financial position of Yunbo Digital Synergy Group Limited as of 30 September 2013 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

14 November 2013

### **Shaw Chi Kit**

Practising Certificate No.: P04834

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 six months ended 30 September 2013 together with the comparative figures for the corresponding period in 2012 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2013

	Note	Three months ended 30 September		Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>2,558</b>	5,904	<b>11,937</b>	9,721
Cost of sales		<b>(1,551)</b>	(5,045)	<b>(10,162)</b>	(8,018)
<b>Gross profit</b>		<b>1,007</b>	859	<b>1,775</b>	1,703
Other income		<b>22</b>	277	<b>162</b>	333
Distribution costs		<b>(10)</b>	(11)	<b>(20)</b>	(23)
Administrative expenses		<b>(4,932)</b>	(3,525)	<b>(8,805)</b>	(6,450)
Other operating expenses		-	-	-	(74)
Finance costs		-	-	<b>(13)</b>	-
<b>Loss before income tax</b>		<b>(3,913)</b>	(2,400)	<b>(6,901)</b>	(4,511)
Income tax expense	5	-	-	<b>(6)</b>	-
<b>Loss for the period</b>		<b>(3,913)</b>	(2,400)	<b>(6,907)</b>	(4,511)
<b>Other comprehensive income</b>					
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		<b>133</b>	-	<b>424</b>	-
<b>Other comprehensive income for the period, net of tax</b>		<b>133</b>	-	<b>424</b>	-
<b>Total comprehensive expense for the period, net of tax</b>		<b>(3,780)</b>	(2,400)	<b>(6,483)</b>	(4,511)

Note	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Loss for the period attributable to:</b>				
Owners of the Company	<b>(3,854)</b>	(2,412)	<b>(6,921)</b>	(4,543)
Non-controlling interests	<b>(59)</b>	12	<b>14</b>	32
	<b>(3,913)</b>	(2,400)	<b>(6,907)</b>	(4,511)
<b>Total comprehensive expense for the period attributable to:</b>				
Owners of the Company	<b>(3,721)</b>	(2,412)	<b>(6,497)</b>	(4,543)
Non-controlling interests	<b>(59)</b>	12	<b>14</b>	32
	<b>(3,780)</b>	(2,400)	<b>(6,483)</b>	(4,511)
<b>Loss per share attributable to the owners of the Company</b>				
– Basic (in HK cents)	6	<b>(0.33)</b>	(0.39)	<b>(0.66)</b>
– Diluted (in HK cents)	6	<b>(0.33)</b>	(0.39)	<b>(0.66)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Note	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		1,155	613
Intangible assets		661	–
		<b>1,816</b>	613
<b>Current assets</b>			
Trade and other receivables	8	15,405	32,435
Cash and cash equivalents		111,784	28,158
		<b>127,189</b>	60,593
<b>Current liabilities</b>			
Trade and other payables	9	2,755	19,699
Bank borrowings	10	–	10,000
Taxation payable		7	31
		<b>2,762</b>	29,730
<b>Net current assets</b>		<b>124,427</b>	30,863
<b>Total assets less current liabilities</b>		<b>126,243</b>	31,476
<b>Net assets</b>		<b>126,243</b>	31,476

		<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
	Note		
<hr/>			
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	11	<b>135,625</b>	90,625
Reserves		<b>(9,529)</b>	(59,282)
		<hr/> <b>126,096</b>	31,343
<b>Non-controlling interests</b>		<b>147</b>	133
		<hr/> <b>126,243</b>	31,476
<b>Total equity</b>		<hr/> <b>126,243</b>	31,476
		<hr/>	

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Net cash used in operating activities</b>	<b>(6,674)</b>	(3,619)
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,361)</b>	4,999
<b>Net cash generated from/(used in) financing activities</b>	<b>91,237</b>	(60,000)
<i>Net increase/(decrease) in cash and cash equivalents</i>	<b>83,202</b>	(58,620)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>28,158</b>	65,795
Effect on foreign exchange rate changes, on cash held	<b>424</b>	-
<b>Cash and cash equivalents at the end of the period, represented by cash at banks and in hand</b>	<b>111,784</b>	7,175

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to the owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Warrant reserve	Translation reserve	Accumulated losses			
	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 2012	60,000	36,375	-	-	(92,041)	4,334	169	4,503
<b>Comprehensive income</b>								
(Loss)/Profit for the period	-	-	-	-	(4,543)	(4,543)	32	(4,511)
<b>Total comprehensive income/ (expense)</b>	-	-	-	-	(4,543)	(4,543)	32	(4,511)
Issue of shares	2,500	1,685	-	-	-	4,185	-	4,185
Issue of warrants	-	-	900	-	-	900	-	900
As at 30 September 2012	62,500	38,060	900	-	(96,584)	4,876	201	5,077
As at 1 April 2013	90,625	43,685	900	34	(103,901)	31,343	133	31,476
<b>Comprehensive income</b>								
(Loss)/Profit for the period	-	-	-	-	(6,921)	(6,921)	14	(6,907)
<b>Other comprehensive income</b>								
Exchange differences arising on translation of foreign operations	-	-	-	424	-	424	-	424
<b>Total comprehensive income/ (expense)</b>	-	-	-	424	(6,921)	(6,497)	14	(6,483)
Issue of shares	45,000	56,250	-	-	-	101,250	-	101,250
As at 30 September 2013	135,625	99,935	900	458	(110,822)	126,096	147	126,243

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 1. GENERAL INFORMATION

Yunbo Digital Synergy Group Limited (the “**Company**”) 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 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. 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 2013 (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 2013 (the “**2013 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2013 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 2013. 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. 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. CHANGES IN ACCOUNTING POLICIES**

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 HKAS 1	Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Annual improvements to HKFRSs 2009–2011 cycle	

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### ***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this Condensed Financial Report has been modified accordingly.

### ***HKFRS 10 Consolidated financial statements***

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12, Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

### ***HKFRS 12 Disclosure of interests in other entities***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this Condensed Financial Report as a result of adopting HKFRS 12.

### ***HKFRS 13 Fair value measurement***

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 12.

### ***Amendments to HKFRS 7 Disclosure – Offsetting financial assets and financial liabilities***

The amendments introduce new disclosures in respect of offsetting financial assets and liabilities. Those new disclosures are required for all recognised financial instruments that are set off under HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's Condensed Financial Report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

### ***Annual improvements to HKFRSs 2009–2011 cycle***

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities in note 4.

## **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 rebates 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 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 stated as deferred income grouped in other payables in the statement of financial position.

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	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Revenue:</b>				
Hardware	<b>2,148</b>	5,589	<b>11,033</b>	8,844
Software	<b>168</b>	131	<b>415</b>	488
Services	<b>242</b>	184	<b>489</b>	389
	<b>2,558</b>	5,904	<b>11,937</b>	9,721

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		Six months		Six months		Six months	
	ended 30 September		ended 30 September		ended 30 September		ended 30 September	
	2013	2012	2013	2012	2013	2012	2013	2012
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:								
<b>From external customers</b>	<b>11,033</b>	8,844	<b>415</b>	488	<b>489</b>	389	<b>11,937</b>	9,721
<b>Reportable segment profit/(loss)</b>	<b>(1,569)</b>	(775)	<b>303</b>	376	<b>381</b>	319	<b>(885)</b>	(80)

	Hardware		Software		Services		Total	
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2013	2013	2013	2013	2013	2013	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	
<b>Reportable segment assets</b>	<b>13,629</b>	31,652	<b>106</b>	181	<b>2,421</b>	150	<b>16,156</b>	31,983
<b>Reportable segment liabilities</b>	<b>1,494</b>	17,852	-	88	<b>431</b>	213	<b>1,925</b>	18,153

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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Reportable segment loss	<b>(885)</b>	(80)
Depreciation	<b>(158)</b>	(3)
Unallocated corporate expense	<b>(6,007)</b>	(4,687)
Unallocated corporate income	<b>149</b>	259
<b>Loss before income tax</b>	<b>(6,901)</b>	(4,511)

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Total segment assets	<b>16,156</b>	31,983
Unallocated assets	<b>112,849</b>	29,223
Total assets per condensed consolidated statement of financial position	<b>129,005</b>	61,206
Total segment liabilities	<b>1,925</b>	18,153
Unallocated liabilities	<b>837</b>	11,577
Total liabilities per condensed consolidated statement of financial position	<b>2,762</b>	29,730

## 5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2013 as the Group had incurred losses for taxation purpose (six months ended 30 September 2012: Nil as the Group had incurred losses for taxation purpose). The PRC enterprise income tax has been provided at the rate of 25% (six months ended 30 September 2012: Nil) on the estimated assessable profit for the period.

	<b>Six months ended 30 September 2013 HK\$'000 (unaudited)</b>	2012 HK\$'000 (unaudited)
<b>PRC enterprise income tax</b>		
Current period	<b>6</b>	-
Income tax expense	<b>6</b>	-

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2012: Nil).

## 6. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2013 is calculated by dividing the loss attributable to owners of the Company for the period of HK\$3,854,000 and HK\$6,921,000 respectively (three months and six months ended 30 September 2012: loss of HK\$2,412,000 and HK\$4,543,000 respectively) by the weighted average number of 1,185,054,348 and 1,046,413,934 (three months and six months ended 30 September 2012: weighted average number of 622,282,609 and 613,415,301) ordinary shares respectively in issue during the periods.

Diluted loss per share for the three months and six months ended 30 September 2013 and 2012 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.

Details of calculation of loss per share:

	Three months ended 30 September		Six months ended 30 September	
	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss attributable to owners of the Company (HK\$'000)	<b>(3,854)</b>	(2,412)	<b>(6,921)</b>	(4,543)
Weighted average number of ordinary shares in issue during the period (in thousands)	<b>1,185,054</b>	622,283	<b>1,046,414</b>	613,415
	<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
Basic loss per share	<b>(0.33)</b>	(0.39)	<b>(0.66)</b>	(0.74)
Diluted loss per share	<b>(0.33)</b>	(0.39)	<b>(0.66)</b>	(0.74)

## 7. DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

## 8. TRADE AND OTHER RECEIVABLES

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Trade receivables (Note)	<b>13,739</b>	31,983
Prepayments, deposits and other receivables	<b>1,666</b>	452
	<b>15,405</b>	32,435

Note: The credit period granted by the Group to its customers generally ranged from 30 to 90 days. As at 30 September 2013 and 31 March 2013, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date was as follows:

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
0–30 days	<b>184</b>	7,959
31–60 days	<b>152</b>	6,582
61–90 days	<b>205</b>	16,111
91–180 days	<b>10,840</b>	1,264
181–365 days	<b>2,346</b>	55
Over 365 days	<b>12</b>	12
	<b>13,739</b>	31,983

## 9. TRADE AND OTHER PAYABLES

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Trade payables (Note)	<b>1,495</b>	17,852
Other payables and accruals	<b>829</b>	1,546
Sales deposits received	<b>431</b>	301
	<b>2,755</b>	19,699

Note: The ageing analysis of trade payables based on invoice date was as follows:

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
0–30 days	<b>938</b>	7,496
31–60 days	<b>430</b>	384
61–90 days	<b>7</b>	9,826
91–180 days	<b>51</b>	77
181–365 days	<b>9</b>	9
Over 365 days	<b>60</b>	60
	<b>1,495</b>	17,852

## 10. BANK BORROWINGS

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Bank loans-secured	–	10,000
Carrying amount repayable: Amounts due on demand or within one year shown under current liabilities	–	10,000

As at 30 September 2013, the Group had banking facilities amounting to HK\$100,000,000 (31 March 2013: HK\$100,000,000) secured by the ultimate holding company's bank deposits and carried interest at 1.3% (31 March 2013: 1.3%) per annum over HIBOR. As at 30 September 2013, the unutilised banking facilities amounted to HK\$100,000,000 (31 March 2013: HK\$90,000,000).

All bank loans were denominated in Hong Kong dollars and the effective interest rate at the reporting date was Nil (31 March 2013: 1.5% per annum).

The carrying amounts of bank loans approximate their fair values, as the impact of discounting is not significant due to their short-term maturity.

## 11. SHARE CAPITAL

	<b>Authorised Ordinary shares of HK\$0.10 each</b>	
	<b>Number of shares (in thousands)</b>	<b>HK\$'000 (unaudited)</b>
As at 31 March 2013 and 30 September 2013	<b>2,000,000</b>	<b>200,000</b>
	<b>Issued and fully paid Ordinary shares of HK\$0.10 each</b>	
	<b>Number of shares (in thousands)</b>	<b>HK\$'000 (unaudited)</b>
As at 1 April 2012	600,000	60,000
Issue of shares	306,250	30,625
As at 31 March 2013 and 1 April 2013	906,250	90,625
Issue of shares (Note)	<b>450,000</b>	<b>45,000</b>
As at 30 September 2013	<b>1,356,250</b>	<b>135,625</b>

Note: On 5 August 2013, the Company had completed an issuance for 450,000,000 new shares of HK\$0.1 each in the capital of the Company at a subscription price of HK\$0.225 each to Happy On Holdings Limited pursuant to a subscription agreement dated on 2 June 2013.

## 12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### 12.1 Financial assets and liabilities measured at fair value

As at 30 September 2013 and 31 March 2013, the Group did not have any financial assets and liabilities measured at fair value.

### 12.2 Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2013 and 31 March 2013.

### 13. COMMITMENTS

#### 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 online platform as follows:

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Within one year	<b>11,802</b>	574
In the second to fifth year inclusive	<b>25,042</b>	309
	<b>36,844</b>	883

The Group leases a number of properties and online platform under operating leases. The leases run for an initial period of two years and eleven years respectively, with an option to renew the leases and renegotiate the terms at the expiry date.

#### Capital commitments

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Contracted for	<b>458</b>	–
	<b>458</b>	–

### 14. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the reporting period (six months ended 30 September 2012: Nil).

The remuneration of key management personnel for the six months ended 30 September 2013 amounted to HK\$2,501,000 (six months ended 30 September 2012: HK\$2,462,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

During the six months ended 30 September 2013, the Group recorded revenue of approximately HK\$11,937,000, representing an increase of approximately 23% compared with the corresponding period last year of approximately HK\$9,721,000. The significant increase in revenue was principally contributed by the amount of approximately HK\$5,495,000 generated in the trading of gigabit-passive optical network (“**G-PON**”) equipment by the Group during the reporting period.

Loss before income tax of the Group for the six months ended 30 September 2013 was approximately HK\$6,901,000, compared with a loss before income tax of approximately HK\$4,511,000 for the corresponding period last year. Loss attributable to owners of the Company for the period was approximately HK\$6,921,000 compared with a loss attributable to owners of the Company of approximately HK\$4,543,000 for the corresponding period last year.

### Business Review and Prospects

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

Similar to last year, the general business and operating environment during the reporting period continues to be affected by the spillover effects of global economic conditions even for those markets which historically have recorded high rates of growth such as the market in the People’s Republic of China (“**PRC**”). Although the overall momentum for the PRC market remains positive, slower macro-economic growth, and greater and more complex competition have made the telecommunications industry in China more challenging.

The Company adopted a new corporate strategy to broaden its income base and strengthen the Group’s growth potential subsequent to a change in senior management in early 2012. As such, the Company entered into the telecommunications industry in the PRC market focusing its business and product development strengths in the areas of trading of ancillary high-tech software and hardware equipment; developing and establishing integrated online platforms for the distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application products and services, among others.

The Company established two wholly foreign owned enterprises (“WFOEs”) in the PRC, namely, 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 Yunbo**”) to facilitate the Group’s business endeavors and potential joint ventures in the PRC market.

#### *Guangzhou YBDS*

Guangzhou YBDS was approved for establishment on 13 August 2012. The entire equity interest of Guangzhou YBDS is held by Pacific Honour Development Limited, a wholly-owned subsidiary of the Company. The business license 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. As at the date of this report, the registered capital has been fully paid up. Guangzhou YBDS’ business scope 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 equipment, specialized equipment, and provision of technical services and support.

#### *Beijing Yunbo*

Beijing Yunbo was approved for establishment on 21 November 2012. The entire equity interest of Beijing Yunbo is held by Able Bloom Technology Limited, a wholly-owned subsidiary of the Company. The business license of Beijing Yunbo was issued on 19 December 2012. According to its business license, the total investment and registered capital of Beijing Yunbo are RMB40 million and RMB20 million, respectively. As at the date of this report, 20% of the registered capital or RMB4 million has been paid up with the remaining 80% or RMB16 million due to be paid on or before 18 December 2014. Beijing Yunbo’s business scope includes technology development and system integration of computer hardware and software, communication system, network system and automatic control system, educational software development, sale of self-developed products, technical services and technical consultancy.

The Company has made some initial success. Shortly after having decided to focus our business and product development strengths on competing in the telecommunications industry in the PRC market, the Company entered into a non-legally binding letter of intent with Chinasoft International Limited (中軟國際有限公司) (Stock code: 354) ("**Chinasoft**"). Pursuant to the terms of the letter of intent, the Company and Chinasoft agreed to collaborate with each other to bid for specific parts of a wireless infrastructure project in the PRC which is sponsored and undertaken by China Mobile Group Guangdong Company Limited ("**China Mobile Guangdong**"), a subsidiary of China Mobile Limited (stock code: 941). In 2012, China Mobile Limited embarked on their "**Wireless City Project**" whereby they aspire to develop and construct a wireless infrastructure network for PRC cities such that everyone in the city will be able to have free Wi-Fi access.

As disclosed in the announcement of the Company dated 7 May 2013, 北京掌中無限信息技術有限公司 (MMIM Info. Technology Co., Ltd.\*) ("**MMIM**"), a wholly-owned subsidiary of Chinasoft, submitted open tender documents for specific parts of the Wireless City Project ("**Bidding**") to China Mobile Guangdong. On 7 May 2013, Excellent Master Investments Limited, a wholly-owned subsidiary of the Company, Chinasoft International (Hong Kong) Limited, a wholly-owned subsidiary of Chinasoft, the Company and Chinasoft concurrently entered into a project implementation agreement to implement the specific parts of the Wireless City Project in the event that the Bidding is successful (in which case, MMIM and China Mobile Guangdong will enter into a formal project agreement).

In the 4th quarter of 2012, the Company commenced the business activity of trading ancillary high-tech software and hardware equipment. For the year ended 31 March 2013, the Group generated revenue of approximately HK\$35,045,000 in the trading of G-PON equipment. The Group has also generated revenue of approximately HK\$5,495,000 in the trading of G-PON equipment during the reporting period.

In order to qualify to submit a tender to supply Points of Sales ("**POS**") terminals, a type of electronic transaction terminal, Guangzhou YBDS entered into an agreement with 福建新大陸電腦股份有限公司 (Fujian Newland Computer Co., Ltd.\*) ("**Newland**") whereby Newland agreed to appoint, and Guangzhou YBDS agreed to act as an agent of Newland for the sales and marketing of POS terminals manufactured by Newland. A POS terminal is the modern replacement of the cash register that, when connected to a POS system, can record and track customer orders, process credit and debit cards, connect to other systems in a network, and manage inventory. In summary, a POS terminal is a computer which is provided with application-specific programs and I/O devices for the particular environment in which it serves.

During the reporting period, Guangzhou YBDS was notified by the tender agent of 天翼電子商務有限公司 (China Telecom Bestpay E-Commerce Ltd.\*) (“**China Telecom Bestpay**”) that its tender had been successful. Guangzhou YBDS and China Telecom Bestpay have subsequently executed a formal supply agreement to supply China Telecom Bestpay with 1,600 sets of POS terminals for a total contract sum of RMB1,888,000.

In line with the medium to long term strategic planning for the development of education in the PRC, the Department of Education of Guangdong Province of the PRC, on 30 August 2012, issued “The Development of Informationization in Education in Guangdong Province “12th 5-Year” Plan”\* (廣東省教育信息化發展「十二五」規劃) to promulgate its intention to expedite current movements in raising the standard of education levels in Guangdong Province through the advancements of technology. The Department of Education of Guangdong Province of the PRC intends to standardize the education programmes taught in primary and secondary schools such that students in rural areas will be able to enjoy the same quality of education as those enjoyed by students in the urban areas. To achieve this objective, the Department of Education of Guangdong Province of the PRC decided to establish an online education platform.

It was under this premise that Guangzhou YBDS and the Guangdong Branch of China Telecom Corporation Limited (中國電信股份有限公司) (stock code: 728) (“**China Telecom Guangdong**”) entered into a collaboration agreement to combine their resources by collaborating with each other to develop, establish, and operate an integrated online education platform (the “**Online Education Platform**”) to support the policy of the Department of Education of Guangdong Province of the PRC. Once completed, it is expected that the Online Education Platform will be able to serve all education administration and research institutions, more than 20,000 primary and secondary schools, 890,000 teachers, and over 18,000,000 students in Guangdong Province.

Under the collaboration agreement, China Telecom Guangdong is responsible for the construction of a specific network dedicated to the Online Education Platform to facilitate the stable transmission of educational information and content covering all education administration and research institutions as well as primary and secondary schools within Guangdong Province. China Telecom Guangdong will operate and maintain this dedicated network, which include upgrading and testing of the access terminals and access terminal equipment, installation services, as well as provision of

technical support. Whereas Guangzhou YBDS is responsible for the investment of an amount up to RMB700 million to construct the Online Education Platform, provision of the Online Education Platform with overall management and operation services which include technical services, software and hardware, studios and work space for video recording as well as project implementation, market demand analysis, system integration, computing technology, technical support, network testing and liaising with the various education administration departments in Guangdong Province.

During the reporting period, the Company has already designed and constructed a prototype of the network system for the Online Education Platform.

Moreover, the Group entered into a non-legally binding memorandum of understanding with New5TV (Cayman) CO., LTD. to establish, develop, and create a variety of online platforms that employ a “narrowcasting” operating mode during the reporting period.

During the reporting period, the Group also entered into a cooperation agreement with South China Normal University to work on a project to research, develop, design and produce micro lectures in physics with the intention of distributing the programs made under the project to targeted audiences in the PRC through the aforesaid online platforms. Filming and production is currently underway.

To ensure the Company is financially stable with sufficient financial resources to continue the development of the aforesaid projects, the Company, on 27 March 2013, completed a placing for an aggregate of 125,000,000 new shares of the Company at a share placing price of HK\$0.145 each to independent third parties, raising net proceeds of approximately HK\$17,672,000.

Additionally, the Company on 5 August 2013 allotted and issued 450,000,000 new shares of the Company of par value of HK\$0.10 each in the capital of the Company at a subscription price of HK\$0.225 each (“**Subscription Shares**”) to Happy On Holdings Limited (“**Happy On**”) raising net proceeds of about HK\$100,000,000 pursuant to a subscription agreement dated 2 June 2013 entered into between the Company and Happy On (“**Subscription**”). Immediately after the completion of the Subscription, Happy On holds 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company as enlarged by the Subscription Shares.

The Directors believe that the entering into of the aforesaid agreements is part and parcel to the Group’s existing corporate strategy to broaden its income base and enhance its growth potential.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2013, the shareholders' funds of the Group amounted to approximately HK\$126,243,000. Current assets of approximately HK\$127,189,000 were mainly comprised of cash and cash equivalents of approximately HK\$111,784,000, and trade and other receivables of approximately HK\$15,405,000. Current liabilities of approximately HK\$2,762,000 were mainly comprised of trade and other payables of approximately HK\$2,755,000. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2013, 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 46.05:1 (As at 31 March 2013: 2.04:1), reflecting the adequacy of financial resources.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATIONS**

During the period for the six months ended 30 September 2013, the Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group are considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

## **OPERATING LEASE COMMITMENTS**

As at 30 September 2013, the Group had operating lease commitments of approximately HK\$36,844,000.

## **CAPITAL COMMITMENTS**

As at 30 September 2013, the contracted capital commitments of the Group were approximately HK\$458,000.

## **CONTINGENT LIABILITIES**

As at 30 September 2013, the Group had no material contingent liabilities.

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 September 2013, 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 2013, the Group had 40 employees (2012: 26). The total remuneration to employees, including that to the Directors, for the six months ended 30 September 2013 amounted to approximately HK\$4,644,000 (2012: HK\$3,924,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong.

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

As at 30 September 2013, none of the Directors or their respective associates 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 required standards of dealing by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2013, 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 30 September 2013 (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 2013.

Save as disclosed above, as at 30 September 2013, 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.

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

Save as disclosed above, as at 30 September 2013, at no time during the six months ended 30 September 2013 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 2013.

## **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 2013.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the date of this report, 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 2013.

## **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 2013 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, Mr. Kwong Wai Ho, Richard and Dr. Huang Youmin, 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 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 six months ended 30 September 2013 have been reviewed by the Audit Committee.

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

Hong Kong, 14 November 2013

*As at the date of this report, 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*