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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Financial adviser to Yunbo Digital Synergy Group Limited

THE ACQUISITION

On 20 August 2014 (after trading hours), the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase all of the equity interest of the Target Company at a consideration of HK$3 million (subject to adjustment). The consideration will be settled by way of cash upon Completion.

The Target Group is principally engaged in the trading of residential gateway products, namely, routers, G-PON equipment and E-PON equipment, as well as providing IT network consultation service, major customer being telecommunications service provider in the PRC.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company. Mr. Chan, the sole shareholder of the Target Company is also a controlling shareholder of the Company as at the date of this announcement. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition is subject to the requirements of reporting, announcement and Independent Shareholders' approval by way of poll at the EGM.

The EGM will be convened and held to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder. Mr. Chan, being the sole shareholder of the Target Company and also a controlling shareholder of the Company as at the date of this announcement, should be regarded as having a material interest in the Acquisition. Mr. Chan and his associate(s) will be required to abstain from voting on the resolutions approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

An Independent Board Committee will be established by the Company to advise the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder. China Galaxy is appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular containing, among others, (i) further details of the Acquisition; (ii) financial and other information of the Target Group; (iii) unaudited pro forma financial information of the Group upon Completion; (iv) a letter of recommendations from the Independent Board Committee to Independent Shareholders; (v) a letter of advice from China Galaxy to the Independent Board Committee and the Independent Shareholders; and (vi) a notice of EGM, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 30 September 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is subject to the fulfillment or waiver (as the case may be) of a number of conditions precedent as set out in the Acquisition Agreement, the Acquisition and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE ACQUISITION AGREEMENT

On 20 August 2014 (after trading hours), the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase all of the equity interest of the Target Company at a consideration of HK$3 million (subject to adjustment).

The principal terms of the Acquisition Agreement are as follows:

Date 20 August 2014 (after trading hours)

Parties

(A) Vendor: Mr. Chan

(B) Purchaser: Able Bloom Technology Limited, an indirectly wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the terms of the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, all of the equity interest of the Target Company, being two ordinary shares of US$1.00 each, representing the existing entire number of shares of the Target Company in issue as at the date of this announcement.

Consideration

The consideration of HK$3 million (subject to adjustment) will be settled upon Completion by way of cash by the Company to the Vendor (or to such other party as he may direct). The cash consideration payable will be funded by the internal resources of the Company.

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement with reference to (i) the historical operating and financial performance of the Target Group including but not limited to the unaudited net asset value and net loss of the Target Group of approximately HK$1.3 million and HK$0.8 million as at 31 March 2014 and for the year ended 31 March 2014, respectively; and (ii) the growth potential of the business of the Target Group together with the synergies that may be derived with the businesses of the Group in the telecommunications industry in the PRC.

Based on the above and having considered the benefits of the Acquisition to the Group as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below, the Directors (excluding the independent non-executive Directors whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of an independent financial adviser) consider that the Consideration is determined on a fair and reasonable basis.

Adjustment to the Consideration

The Vendor has undertaken to the Purchaser that the consolidated net profit (after taxation and excluding any profit (loss) deriving from the discontinued operation(s) of the Target Group and activities not within the ordinary and usual course of business of the Target Group as shown in the audited accounts which shall be prepared in accordance with Hong Kong Financial Reporting Standard for the year ending 31 March 2015 (the "**2015 Audited Accounts**")) of the Target Group for the financial year ending 31 March 2015 shall not be less than HK$3 million (the "**Guaranteed Profit**").

The Guaranteed Profit is determined with reference to:

1) Bid winning ability of the Target Group

   According to the management of the Target Group, they are in a tendering process with China Telecom Corporation Limited ("**China Telecom**") in 2014 in relation to a purchase order of approximately 6.37 million residential gateways products, which included E-PON equipment, G-PON equipment and other residential gateway products. If the Target Group wins this bid, the maximum contract sum would be RMB1,226.6 million (equivalent to approximately HK$1,545.5 million) for the year ending 31 March 2015. Further, the Target Group participated in the tendering process of China Telecom in 2011, 2012 and 2013, and was able to win the bid every time.

2) Historical performance of the Target Group

   Considering the improving operating performance of the Target Group in the past three financial years as set out in the paragraph headed "Financial Information of the Target Group" below, the management of the Company is confident that the Target Group is able to turn over an operating profit in the next 12 months, as the Company will be able to more closely and efficiently supervise the operations of the trading business and effectively reduce unnecessary costs and expenses to produce the desired positive financial results.

3) Synergetic effect with the Company

   The Directors (excluding the independent non-executive Directors whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of an independent financial adviser) are of the view that the Acquisition may offer an invaluable entry point for the Group's proposed and ongoing value added projects with the telecommunications service providers in the PRC and if the Group needs a joint cooperation, the Group will be in a stronger position when negotiating the general and specific terms and conditions of the written agreement(s). Such potential value added projects with the telecommunications service providers in the PRC are expected to have a positive effect on the financial results of the Target Group.

   Moreover, the Acquisition will provide a window of opportunity for the Group as a whole to strengthen its existing relationship with subsidiaries and sub-groups of China Telecom.

In the event that the actual consolidated net profit of the Target Group for the financial year ending 31 March 2015 (the "**Actual Profit**") shall be less than the Guaranteed Profit, subject to the terms and conditions set out in the Acquisition Agreement, the Vendor and the Purchaser agree that the Consideration shall be adjusted in the manner as set out below:–

(i) In the event that the Actual Profit exceeds HK$3 million, no adjustment shall be made to the Consideration.

(ii) In the event that the Actual Profit falls short of the Guaranteed Profit, the Vendor shall pay the Purchaser an amount equivalent to the difference between the Guaranteed Profit and the Actual Profit (the "**Consideration Adjustment**") in full within 30 days after the issue of the 2015 Audited Accounts, provided that the Consideration Adjustment shall be no more than HK$3 million. In the event that the Actual Profit is equal to or less than zero, the Consideration Adjustment shall be HK$3 million.

Conditions precedent

Completion shall be subject to and conditional upon the satisfaction in full or (at the sole and absolute discretion of the Purchaser) the waiver of any one or more of the following conditions (other than (i), (ii), (v) and (vi)):

(i) the Independent Shareholders should have approved the Acquisition Agreement and all the transactions contemplated thereunder in a general meeting of the Company in accordance with the GEM Listing Rules;

(ii) completion of the Reorganisation;

(iii) PRC legal opinions shall have been delivered to the Purchaser to its absolute satisfaction;

(iv) the Purchaser being satisfied with the results of the due diligence review, including but not limited to the satisfaction of the Reorganisation, affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure of the Target Group and there is no matter appearing to the Purchaser from the due diligence review which in the opinion of the Purchaser may adversely affect the value of the equity interest of the Target Company;

(v) if applicable, obtaining all necessary consent, registration and approval from or by the relevant third parties (including but not limited to any government, government organization or regulatory authority) in relation to the transfer of the equity interest of the Target Company and there having been no statute, regulation, law or decision proposed, enacted or adopted by the aforesaid third parties to prohibit or restrict the transfer of the equity interest of the Target Company;

(vi) the transactions contemplated thereunder will not be treated as a reverse takeover or an extreme very substantial acquisition under the GEM Listing Rules;

(vii) the audited consolidated accounts of the Target Group for the three financial year ended 31 March 2012, 2013 and 2014 having been issued in a form and substance acceptable to the Purchaser; and

(viii) it has not come to the attention of the Purchaser that any material adverse changes or effect has occurred prior to the Completion Date or is likely to occur whether on or before the Completion Date.

Each of the Vendor and the Purchaser shall use his/its reasonable endeavours to ensure that the conditions precedent set out above shall be fulfilled by the Long Stop Date.

The Purchaser may in its absolute discretion at any time waive in writing any one or more of the conditions precedent (other than conditions referred to in sub-paragraphs (i), (ii), (v) and (vi) above which cannot be waived) and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser.

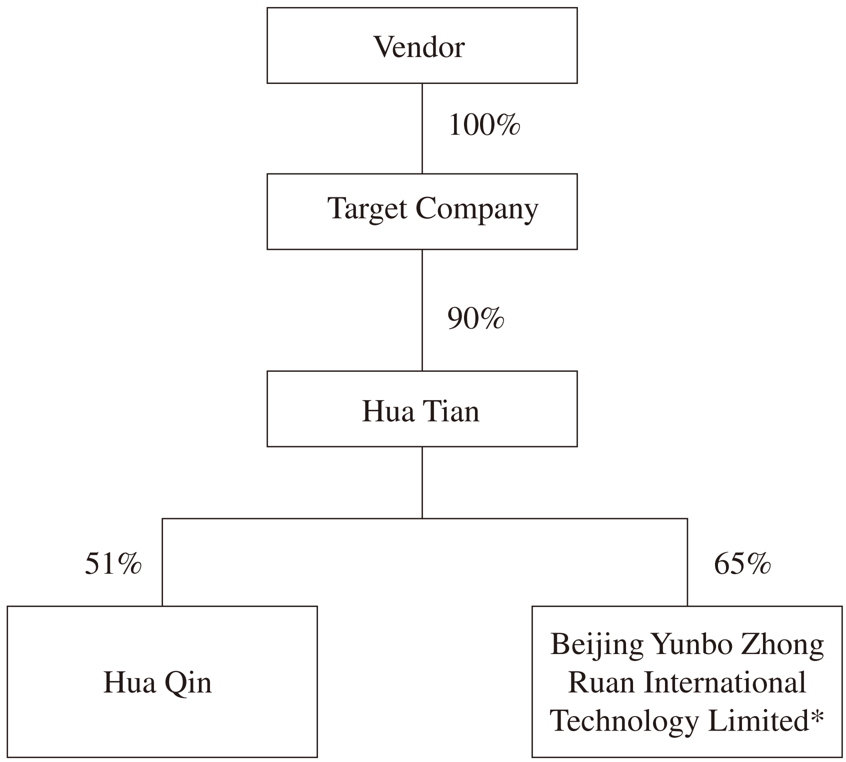
In the event that any of the conditions precedent stated above are deemed not to have been fulfilled or are not fulfilled or otherwise waived by the Purchaser, in each case, on or before the Long Stop Date or such later date as the Vendor and the Purchaser may from time to time agree in writing, the Acquisition Agreement and the transactions contemplated thereunder shall terminate and be null and void and of no further effect and no party to the Acquisition Agreement shall have any liability to any other party, save in respect of any prior breaches of and subject to the continuing obligations set out in the Acquisition Agreement.

Completion

Completion shall take place at the offices of the Purchaser in Hong Kong on or before 3:00 p.m on the Completion Date, or such other place and time as shall be mutually agreed in writing by the Vendor and the Purchaser.

INFORMATION ON THE TARGET GROUP

The following chart illustrates the Target Group's shareholding and corporate structure as at the date of this announcement:



The Target Company is a company incorporated in the BVI on 1 July 2009 as an investment holding company. As at the date of this announcement, the Target Company is wholly-owned by the Vendor.

Hua Tian is a company incorporated in the PRC on 29 December 1995 as an advertising company. Subsequently in January 2007, Hua Tian has changed its business scope to the engagement of research and development of computer software auxiliary equipment, broadband network equipment, communications transmission equipment, multimedia communications systems; production of computer software, system integration, sale of the self-manufactured products and provision of technical consulting services.

Hua Qin, a company incorporated in the PRC on 19 July 2010, is approved to conduct licensed business activities of manufacturing communications equipment (only branches), and general business activities of provision of technical advice and transfer, research and development of computer software and auxiliary equipment; sales of communications equipment, computer auxiliary equipment (excluding retail sales); production of computer software; provision of computer systems services and sales of the self-manufactured products.

In June 2010, given that Mr. Chan was interested in developing the telecommunications business in the PRC, the Target Company acquired 90% of the equity interest in Hua Tian at a consideration of RMB90,000 (equivalent to approximately HK$113,400) with reference to the then financial position of the Target Company with net liability and significant loss before the acquisition, in which the Target Company had to bear all the liabilities of Hua Tian in an amount of approximately RMB15 million (equivalent to approximately HK$18.9 million) and a loss of approximately RMB17 million (equivalent to approximately HK$21.4 million) at the time of acquisition. The consideration of RMB90,000 (equivalent to approximately HK$113,400) was arrived at after arm's length negotiations between the parties.

During the three years ended 31 March 2014, the Target Company had interests in certain indirectly-owned subsidiaries, namely, 51% equity interest in Beijing Yun Tai Tian Cheng Investment Limited* (北京雲泰天成投資有限公司) ("**Yun Tai**"), 65% equity interest in Beijing Yunbo Zhong Ruan International Technology Limited* (北京雲博中軟國際科技有限公司) ("**Yunbo Zhong Ruan**"), 100% equity interest in Fu Song Hua Tian Property Development Limited* (撫松華天房地產開發有限公司) (formerly known as Fu Song Hua Tian Investment Limited* (撫松華天投資有限公司)) ("**Fu Song**"), 100% equity interest in Beijing Hua Tong Tian Bo Network Technology Limited* (北京華通天博網絡技術有限公司) ("**Hua Tong**") and 100% equity interest in Beijing Hua Xin Tian Rui Technology Limited* (北京華信天瑞科技有限公司) ("**Hua Xin**") (collectively, the "**Disposed Companies**"). The disposals of Fu Song, Hua Tong, Hua Xin and Yun Tai had been completed on 9 May 2014, 23 September 2013, 16 September 2011 and 29 July 2014 respectively, while Yunbo Zhong Ruan is expected to be disposed on or before Completion. Upon the completion of the aforesaid disposals, the Disposed Companies have ceased or will cease to be subsidiaries of the Target Company. The Disposed Companies were all incorporated in the PRC and were dormant before the disposals.

Given that Yunbo Zhong Ruan is currently dormant, the management of the Target Company does not foresee any impact on the Target Company in the event Yunbo Zhong Ruan is not disposed before Completion. Also, the completion of the Reorganisation is one of the conditions precedent for Completion. In the event Yunbo Zhong Ruan is not disposed before Completion, completion of the Acquisition will not take place.

The Target Company indirectly holds 51% equity interest in Hua Qin through its 90% owned subsidiary, Hua Tian. Hua Tian and Hua Qin are currently the major operating subsidiaries of the Target Company and are principally engaged in the trading of residential gateway products, namely, routers, G-PON equipment and E-PON equipment, as well as providing IT network consultation service. Details of its major customer are set out below.

Major customer

China Telecom is the Target Group's major customer which contributed approximately 70.5%, 91.1% and 95.7% of the total revenue of the Target Group for the three years ended 31 March 2012, 2013 and 2014, respectively.

China Telecom is a company listed on the Main Board of the Stock Exchange (stock code:728), and is principally engaged in the provision of wireline and mobile telecommunications services including wireline voice, mobile voice, internet, managed data and leased line, value-added services, integrated information application services and other related services.

The cooperation between the Target Group and China Telecom commenced in 2011. The Target Group won bids for China Telecom's 2011 purchase orders in relation to supplying China Telecom's branch companies with G-PON equipment and E-PON equipment. The Target Group also won bids for China Telecom's 2012 and 2013 purchase orders in relation to the provision of G-PON equipment and E-PON equipment. According to the management of the Target Group, they are in a tendering process with China Telecom in 2014 in relation to a purchase order of approximately 6.37 million residential gateway products, which include E-PON equipment, G-PON equipment and other residential gateway. The Target Group has not submitted/won bids to/from PRC telecommunications service providers other than China Telecom.

For telecommunications projects in the PRC, as advised by the management of the Company and noticed in the relevant purchase and tendering websites of the three largest telecommunications service providers in the PRC, it is the industry norm that only companies possess the prerequisite industry experience and proven track records ("**Qualified Companies**" or each a "**Qualified Company**") are qualified to submit bids for telecommunications projects in the PRC. The prerequisites needed to be deemed as one of the Qualified Companies are determined by each telecommunications service provider. In most cases, the general qualifications which telecommunications service providers in the PRC would take into consideration include but not limited to competency, capability, level of quality, and financial assurance, among others. For each specific project and/or annual bulk purchase of equipment, they are typically subject, by law or regulation, to a tendering process. Over the years, this procedure has become a standard practice in the telecommunications industry in the PRC especially for equipment purchases.

For China Telecom, the Company is aware that internally they have compiled their own list of approved vendors from their own previous working relationships and operating experience who they wish to invite when it comes to equipment purchase. As such, the purported qualifications are therefore not subject to any approval/renewal by governmental or regulatory authorities in the PRC.

As advised by the management of the Company, large telecommunications service providers such as China Telecom normally place all of their annual purchase of equipment under a tendering process to ensure all purchases are facilitated in an open, fair and orderly manner, and that China Telecom is able to purchase the relevant equipment of the highest quality and at the lowest price. As in all tenders, the most competitive bid(s) is/are selected and a formal contract is subsequently entered into between the winning part(ies), China Telecom, and/or China Telecom's related company(ies). The contract relating to supply of equipment for a specific number of units at a specific ceiling price is for a period starting from the date of the relevant contracts until (i) the date on which the buyer and the seller enter into another framework contract; or (ii) the date of the release of the next tendering result; or (iii) the date of termination notification sent by the buyer to the seller. China Telecom's bulk purchase of equipment for the following year will go through the same tendering process and therefore there is no right of renewal offered to the successful bidders.

According to the management of the Target Group, for any company interested in submitting a bid or for companies that were invited to submit a bid for any telecommunications project in the PRC, the general industry qualifications guidelines are as follows: the bidder (i) should be established in the PRC (excluding Hong Kong, Macau and Taiwan); (ii) should have a registered capital of not less than RMB20 million (equivalent to approximately HK$25.2 million) and total assets of not less than RMB50 (equivalent to approximately HK$63.0 million) million as at the latest financial year; and (iii) should submit, including but not limited to, the following:

1. Quality Management System Certification (ISO9000 series);

2. List of after-sales service outlets showing that the bidder has after-sales services outlets in not less than 10 provinces in the PRC (excluding Hong Kong, Macau and Taiwan), and has service coverage over all 31 provinces in the PRC;

3. Telecommunications Equipment Network License (電信設備進網許可證)for the products to be supplied;

4. China Compulsory Certification (中國國家強制性產品認證證書) for the products to be supplied; and

5. Radio Transmission Equipment Type Approval Certification (無線電發射設備型號核准證) and the relevant testing report for certain specific products to be supplied.

The operating subsidiary of the Target Group, Hua Qin was established in the PRC, with a registered capital of RMB50 million (equivalent to approximately HK$63.0 million) and the Target Group has a total assets of approximately HK$132.8 million, HK$295.3 million and HK$366.9 million as at 31 March 2012, 2013 and 2014 respectively, which is not less than the requirement of RMB50 million (equivalent to approximately HK$63.0 million) as mentioned above.

The Target Group has also obtained an ISO9001:2008 standard registration which is valid until 4 January 2016 and the Target Group further advised that they have outlets in 10 provinces in the PRC including Guangdong, Shanxi, Zhejiang, Chongqing, Fujian, Jiangsu, Shanghai, Guizhou, Beijing and Anhui and a service coverage over all 31 provinces in the PRC.

Hua Qin has obtained the Telecommunications Equipment Network Licenses, China Compulsory Certifications and Radio Transmission Equipment Type Approval Certifications for certain specific products with expiry dates ranging from June 2015 to March 2019. As confirmed by the management of the Target Company, Hua Qin is a Qualified Company.

In view of the fact that the major operating subsidiary of the Target Group, Hua Qin, is a Qualified Company and the improving financial performance of the Target Group attributable to the consistently winning of bids, the Board does not foresee any obstacle for the Target Group to remain capable in meeting the above requirements in the near term.

Major terms of the customer contracts

The Target Group has entered into numerous sales contracts with China Telecom in relation to the sales of G-PON equipment and E-PON equipment with contract sum ranging from RMB19,278 to RMB138 million (equivalent to approximately HK$24,290.3 to HK$173.9 million) mainly for a period starting from the date of the relevant contracts until (i) the date which the buyer and the seller enter into another framework contract; or (ii) the date of the release of the next tendering result; or (iii) the date of termination notification sent by the buyer to the seller. As the entering into of sales contracts is subject to tendering process, once the Target Group wins the bid, the sales contract will only be entered into between the Target Group and China Telecom or its related company for a fixed term with no right of renewal. The Target Group would submit bids at the target selling price of the relevant product determined with reference to the prevailing market price.

Major supplier

The major supplier of the Target Group is Shanghai Monetics Telecommunications Corporation ("**SMTC**"). The contracted amount of business between the Target Group and SMTC represented approximately 98.8%, 84.6% and 70.4% of the total purchase by the Target Group for the three years ended 31 March 2012, 2013 and 2014, respectively.

SMTC, a company established in the PRC, is principally engaged in the manufacturing of telecommunications hardware which includes G-PON equipment and E-PON equipment. SMTC is indirectly wholly-owned by Unizyx Holding Corporation ("**Unizyx**"), a company listed on the Taiwan Stock Exchange (stock code: 3704). Unizyx is a Taiwan-based company principally engaged in the provision of network communication products, broadband access solution and its products are mainly used in computer network communications. Unizyx also indirectly wholly-owns Wuxi Yanqin Information Technology Limited* (無錫研勤信息科技有限公司) ("**Wuxi Yanqin**") which has a 49% equity interest in Hua Qin. Wuxi Yanqin is principally engaged in the research and development of telecommunications and network products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SMTC and Wuxi Yanqin are Independent Third Parties that do not meet the requirement of Qualified Companies for China Telecom's tendering process as mentioned herein above.

Major terms of the supplier contract

Hua Qin entered into a supplier contract with SMTC on 1 December 2010 in relation to G-PON equipment and E-PON equipment with an initial term of three years and if no termination notification was served by either party six months prior to the expiry date (including any and all expiry date(s) after any relevant auto-renewal(s)), the supplier contract would be automatically renewed for another twelve month period. Pursuant to the supplier contract, Hua Qin is obligated to pay SMTC 20% of the total purchase amount within 10 days upon delivery. The remaining amount would be settled upon receipt by Hua Qin of the invoiced amount relating to the subsequent sale of the same to telecommunications service providers in the PRC. The price of products supplied by SMTC to the Target Group is mainly determined with reference to the prevailing market price of similar G-PON equipment or E-PON equipment available in the market. The terms of delivery and contract sum would be determined upon each purchase order submitted. As a second supplier contract was entered into between Hua Qin and SMTC, the aforesaid supplier contract was terminated on 3 June 2014.

Hua Qin further entered into a second supplier contract with SMTC on 3 June 2014 for a term of three years with no right of renewal for the supply of, including but not limited to hardware such as G-PON equipment and E-PON equipment and licensed software. It is stated in the second supplier contract that the supply of certain ODM equipment with the name and logo of Hua Qin is exclusive for Hua Qin. The payment terms and pricing basis of the second supplier contract is the same as the previous supplier contract as disclosed above. The terms of delivery and contract sum would be determined upon each purchase order submitted.

As advised by the management of the Target Group, the expansion of the scope of the product nature in the second supplier contract is to provide flexibilities for future cooperation between the Target Group and SMTC. In substance, the Target Group only made purchase orders from SMTC regarding G-PON equipment and E-PON equipment, which the Target Group has obtained the relevant Telecommunications Equipment Network License and China Compulsory Certification, from the date of the second supplier contract until the date of this announcement, and the management of the Target Group currently has no discussion with SMTC regarding purchase order of products other than G-PON equipment and E-PON equipment as at the date of this announcement.

The price of products supplied from SMTC to the Target Group is mainly determined with reference to the prevailing market price of similar G-PON equipment or E-PON equipment typically available in the market. In addition, Hua Qin would only be required to pay the remaining purchase amount, i.e. 80% of the total purchase amount, upon receipt of the settlement of its subsequent sale of the same to the telecommunications companies in the PRC, which, as advised by the management of the Target Company, is longer than the normal settlement terms in the industry of approximately 120 days to 180 days. Given the above and as advised by the management of the Company that the terms will remain unchanged after the Acquisition, the Board considers that the transaction between SMTC and the Target Group was and will be on commercial terms better than those provided by third party suppliers, and in the interests of the Company and the Shareholders as a whole upon Completion.

As (i) the Board has approved the Acquisition Agreement and the transactions contemplated thereunder; and (ii) the Board considers the transaction between SMTC and the Target Group was on commercial terms better than those provided by third party suppliers, and in the interests of the Company and the Shareholders as a whole upon Completion, the continuing connected transaction between SMTC and the Target Group is exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 20.99 of the GEM Listing Rules.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the consolidated financial information of the Target Group extracted from the unaudited consolidated financial statements of the Target Group for each of the years ended 31 March 2012, 2013 and 2014 prepared in accordance with the Hong Kong Financial Reporting Standards (subject to audit):

	For the year ended 31 March		
	2014	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**282,695**	223,388	56,342
Loss before taxation from continuing operations	**(731)**	(16,022)	(25,115)
Loss for the year from continuing operation	**(731)**	(16,022)	(25,115)
Loss for the year from discountinued operations	**(50)**	(50)	(5)
Loss for the year	**(781)**	(16,072)	(25,120)

As at 31 March 2014, the unaudited net asset of the Target Group amounted to approximately HK$1.3 million.

The revenue of the Target Group was mainly generated by Hua Tian and Hua Qin, which are principally engaged in the trading of residential gateway products, namely, routers, G-PON equipment and E-PON equipment with, as well as providing IT network consultation service to, major customers being telecommunications service providers in the PRC.

Set out below is the breakdown of the Target Group's revenue and purchase for each of the years ended 31 March 2012, 2013 and 2014:

Breakdown of revenue

By customers

	For the year ended 31 March		
	2014	2013	2012
	HK'000	*HK'000*	*HK'000*
China Telecom	**270,600**	203,500	39,700
Others	**12,100**	19,900	16,600

By products

	For the year ended 31 March		
	2014	2013	2012
	HK'000	*HK'000*	*HK'000*
G-PON equipment	**49,800**	27,400	–
E-PON equipment	**219,000**	145,200	700
Others	**13,900**	50,800	55,600

Breakdown of purchase

By suppliers

	For the year ended 31 March		
	2014	2013	2012
	HK'000	*HK'000*	*HK'000*
SMTC	**143,800**	259,500	89,500
Others	**60,600**	47,300	1,100

By products

	For the year ended 31 March		
	2014	2013	2012
	HK'000	*HK'000*	*HK'000*
G-PON equipment	**54,800**	43,300	–
E-PON equipment	**144,400**	232,000	25,300
Others	**5,200**	31,500	65,300

For the year ended 31 March 2012, approximately HK$12.5 million was accounted for the provision of impairment of other receivables in relation to the consideration for the disposal of Hua Xin on 16 September 2011. Pursuant to the sale and purchase agreement for the disposal of Hua Xin, the consideration paid by the buyer who is an Independent Third Party was subject to certain events, including but not limited to the obtaining of certain licenses to participate in certain telecommunications services in the PRC. As advised by the management of the Target Company, Hua Xin has not obtained all the relevant licenses as at the date of this announcement, and they concluded that the consideration for the disposal of Hua Xin was unlikely to be received.

In addition, the Target Group assesses the carrying amount(s) of inventory of residential gateway products with reference to the latest market values and current market conditions for these inventories at each reporting date, and accounted for impairment on these inventories. Provision for impairment amounted to approximately HK$3.3 million for the year ended 31 March 2012.

Apart from the provision of impairment on other receivables and inventory, employee benefit expenses amounted to approximately HK$3.7 million while rental expenses amounted to approximately HK$1.3 million, both being the major operating costs for the Target Group. All these major expenses contributed to the loss of the Target Group even though there was a positive gross profit for the operations.

For the year ended 31 March 2013, the Target Group assesses the carrying amount(s) of inventory of residential gateway products with reference to the latest market values and current market conditions for these inventories at each reporting date, and accounted for impairment on these inventories. Provision for impairment amounted to approximately HK$11.7 million was made to the inventories of the Target Group.

In addition, employee benefit expenses amounted to approximately HK$5.0 million increased by 35.1% comparing with 2012 as a result of an increase in number of staff to meet the demand of the Target Group's operation while rental expenses amounted to approximately HK$4.7 million. All these major expenses contributed to the loss of the Target Group even though there was a positive gross profit for the operations.

For the year ended 31 March 2014, no provision for impairment loss on inventory was recognised as the management of the Target Group considered the book value of the inventories was recoverable with reference to the prevailing market price. Employee benefit expenses amounted to approximately HK$7.4 million, representing an increase of approximately 48.0% as a result of an increase in the number of employees to meet the demand of the Target Group's operation. The rental expenses amounted to approximately HK$2.3 million as a result of a decrease of rental payments of Beijing branch. All these major expenses contributed to the loss of the Target Group even though there was a positive gross profit for the operations.

As advised by the management of the Target Group, internal control measures on inventory cost system and other receivables were implemented in the year ended 31 March 2014. In view of the absence of impairment loss for the year ended 31 March 2014 which demonstrated the effectiveness of the relevant internal control measures, the management of the Target Group estimated that there is unlikely to have further provision of impairment on inventory and other receivables.

Upon Completion, the Company will manage the Target Group's business and operations by adopting the same internal control measures as adopted by the Group. The Company intends to fully merge and integrate the Target Group's day-to-day operation as well as their management and financial reporting line into the Group's system of management and financial control in Hong Kong. Although the management of the Company anticipates that there will be minimal change to the daily physical operation of the business of the Target Group, the Target Group's existing senior and middle management will nonetheless be required to report to their counterparts in Hong Kong. All new commercial contracts, irrespective of nature or dollar amount, will be required to be approved and signed off by at least one person from the Company's senior management. Monthly financial reporting prepared by and payment or reimbursement of any expenses incurred by the Target Group must go through proper channels and procedures in the PRC and Hong Kong and be approved by at least one person from the Company's senior management. As at the date of this announcement, with better cost control measures and the bid winning ability of the Target Group with regard to China Telecom projects, the management of the Company considers a net profit of HK$3 million over the next 12 months is not unachievable by the Target Group.

INFORMATION OF THE VENDOR

Mr. Chan, the sole shareholder of the Target Company and is also a controlling shareholder of the Company as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The core businesses of the Group include big data, unified communications, cloud computing, network security SDN, 4G new media, top-level network designs for e-finance platforms, and designs, maintains and operates back end support systems. The Group also designs, develops, manufactures and operates leading products for mobile networks as well as online and offline payment services. Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company and the Target Group's results will be consolidated into the Group's accounts.

As mentioned in the Company's 2014 annual report, with respect to the segment of trading ancillary high-tech software and hardware equipment, the Company has commenced the trading of G-PON equipment in the 4th quarter of 2012. Similarly, the major operating subsidiaries of the Target Company are also engaged in the telecommunications business including trading of residential gateway products, namely, routers, G-PON equipment and E-PON equipment with, as well as providing IT network consultation service to, China Telecom, being its major customer.

The management of the Company believes one of China Telecom's internal requirements of its "approved" equipment suppliers is that such equipment supplier must be able to provide after-sales services for all of China Telecom's branch companies. This is because equipment purchases by China Telecom are made in bulk on behalf of all its branch companies. Hence, in order for the Company to build such an after-sales service network and obtain all the necessary and relevant approvals, certifications and other requirements, the process is not only capital intensive but also very time consuming. Moreover, there is no assurance that after having built such a network, the Group will be able to be included in the internal approved equipment suppliers list of China Telecom. From the management's perspective, even with the Company's current relationship with China Telecom or winning bids with business volumes which may justify the Group making an investment of capital and resources of this magnitude, it is considered that it is much more prudent, efficient, cost effective, and justifiable for the Company to simply acquire the Target Group.

Through the Acquisition, the Group envisages that it will not only be able to expand its business in the trading of telecommunications products (with the qualification that the operating subsidiaries of the Target Company currently have to submit bids for telecommunications projects in the PRC in the future) but also enhance the Group's overall market position as well as its competitiveness within the PRC telecommunications industry.

In addition, considering the improving operating performance of the Target Group in the past three financial years, the management of the Company is confident that the Target Group is able to turn over an operating profit in the next 12 months, as the Company would be able to more closely and efficiently supervise the operations of the trading business and effectively reduce unnecessary costs and expenses to produce the desired positive results.

While operating performance is certainly an important factor when determining the value of the Target Group, from the management's perspective, the inherited intangible goodwill of the Acquisition in terms of the Target Group's registered capital, track record, and relevant licences are equally important. Having acquired the Target Group may offer an invaluable entry point for many of the Group's proposed and ongoing value added projects with the telecommunications service providers in the PRC, and if the Group needs a joint cooperation, it will be in a stronger position when negotiating the general and specific terms and conditions of the written agreement(s).

Futhermore, given the Guaranteed Profit to be provided by the Vendor, the inherited intangible goodwill, and the Target Group's improving operating performance, the management of the Company considers that the acquisition cost of the Target Group is minimal.

Having considered the above, the Directors (excluding the independent non-executive Directors whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of an independent financial adviser) are of the view that the Acquisition is in line with the Group's long term strategic development and will create synergetic effects with its existing businesses, and believe that the Acquisition will not only broaden the income source and customer base of the Group but will also enhance the turnover and profit of the Group as well as bringing long-term strategic benefits to the Group. The Directors (excluding the independent non-executive Directors whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of an independent financial adviser) are of the opinion that the terms of the Acquisition Agreement are fair and reasonable and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, save as disclosed above, the Group has no present intention to (i) scale down or terminate its existing business subject to the Board's review of the business strategy from time to time; (ii) appoint director/representative to the board of directors/management team of the Target Group; (iii) change the board composition of the Company as a result of the Acquisition; and (iv) acquire further interests in any member of the Target Group. As at the date of this announcement, the Board has no intention/negotiation/agreement for any potential acquisition or investment.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company. Mr. Chan, the sole shareholder of the Target Company, is also a controlling shareholder of the Company as at the date of this announcement. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition is subject to the requirements of reporting, announcement and Independent Shareholders' approval by way of poll at the EGM.

The EGM will be convened and held to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder. Mr. Chan, being the sole shareholder of the Target Company and also a controlling shareholder of the Company, should be regarded as having a material interest in the Acquisition. Mr. Chan and his associate(s) will be required to abstain from voting on the resolutions approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

An Independent Board Committee will be established by the Company to advise the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder. China Galaxy is appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular containing, among others, (i) further details of the Acquisition; (ii) financial and other information of the Target Group; (iii) unaudited pro forma financial information of the Group upon Completion; (iv) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from China Galaxy to the Independent Board Committee and the Independent Shareholders; and (vi) a notice of EGM, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 30 September 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is subject to the fulfillment or waiver (as the case may be) of a number of conditions precedent as set out in the Acquisition Agreement, the Acquisition and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

"Acquisition"	the proposed acquisition of all of the equity interest in the Target Company by the Purchaser in accordance with the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 20 August 2014 and entered into between the Purchaser and the Vendor in relation to the Acquisition
"associate(s)"	has the meaning as ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than Saturday or Sunday or public holiday or any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks in Hong Kong are open for business
"BVI"	the British Virgin Islands
"China Galaxy"	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Company"	Yunbo Digital Synergy Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
"Completion"	completion of the sale and purchase of the Target Company in accordance with the Acquisition Agreement

"Completion Date"	being a date falling within five Business Days after the date on which satisfaction of all terms and conditions pursuant to the Acquisition Agreement or otherwise waived and the date on which Completion takes place (or such other date as the Purchaser and the Vendor may mutually agree in writing before Completion)
"connected person"	has the meaning ascribed to it in the GEM Listing Rules
"controlling shareholder"	has the meaning ascribed to it in the GEM Listing Rules
"Consideration"	the total consideration for the Acquisition
"Director(s)"	the director(s) of the Company
"E-PON equipment"	Ethernet Passive Optical Network equipment
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder
"G-PON equipment"	Gigabit-Passive Optical Network equipment
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hua Qin"	Beijing Huaqin World Technology Limited Company* (北京華勤天地科技有限公司), a company established in the PRC, which is owned as to 51% by Hua Tian and as to 49% by Wuxi Yanqin Information Technology Limited* (無錫研勤信息科技有限公司), an Independent Third Party as at the date of this announcement
"Hua Tian"	Hua Strong Network Science and Technology Limited Company* (華天網絡科技有限公司), a company established in the PRC, which is owned as to 90% by the Target Company and as to 10% by Beijing Hua Rong Zhengtong Trading Limited* (北京華融正通商貿有限公司), an Independent Third Party as at the date of this announcement

"Independent Board Committee"	the independent board committee of the Company comprising Dr. Chow Ka Ming, Jimmy, Dr. Wong Wing Lit, Mr. Ngan Yu Loong and Mr. Tse Yee Hin, Tony, being all the independent non-executive Directors, to be established to give recommendations to the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Mr. Chan and his associate(s) for the purpose of approving the Acquisition Agreement and the transactions contemplated thereunder
"Independent Third Party(ies)"	third party(ies) who is/are independent of the Company and connected person(s) (as such term is defined under Chapter 20 of the GEM Listing Rules) of the Company
"Long Stop Date"	31 December 2014 or such other date as the Vendor and the Purchaser may agree in writing
"PRC"	the People's Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Purchaser"	Able Bloom Technology Limited, a company incorporated in Hong Kong with limited liability indirectly wholly owned by the Company, and the purchaser to the Acquisition Agreement
"Reorganisation"	reorganisation in relation to the disposal of the Disposed Companies as stated in paragraph headed "Information on the Target Group" herein
"Share(s)"	the existing ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Magic Hour Holdings Ltd. (麥基浩爾控股有限公司), a company incorporated in the BVI, which is wholly owned by the Vendor
"Target Group"	collectively, the Target Company and its subsidiaries

"Vendor" or "Mr. Chan"	as at the date of this announcement, Mr. Chan Foo Wing, the sole shareholder of the Target Company and also a controlling shareholder of the Company, together with his associate(s), holding 987,888,771 Shares, representing approximately 72.84% shareholding interest in the issued share capital of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	the lawful currency of the United States of America
"%"	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rates of RMB1.00 to HK$1.26.

On behalf of the Board
Yunbo Digital Synergy Group Limited
Yau Hoi Kin
Director

Hong Kong, 20 August 2014

As at the date of this announcement, the executive Directors are Mr. Wang Chaoyong, 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, Dr. Wong Wing Lit, Mr. Ngan Yu Loong and Mr. Tse Yee Hin, Tony.

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

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

* *For identification purposes only*