雲博產業

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

2014/2015

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This 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 24 which comprises the condensed consolidated statement of financial position of Yunbo Digital Synergy Group Limited as of 30 September 2014 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" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 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 HKICPA. 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 HKAS 34.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

14 November 2014

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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2014

	Note	**Three months ended 30 September 2014 HK$'000 (unaudited)**	Three months ended 30 September 2013 HK$'000 (unaudited)	**Six months ended 30 September 2014 HK$'000 (unaudited)**	Six months ended 30 September 2013 HK$'000 (unaudited)
Revenue	4	**3,772**	2,558	**8,991**	11,937
Cost of sales		**(3,119)**	(1,551)	**(7,484)**	(10,162)
Gross profit		**653**	1,007	**1,507**	1,775
Other income		**407**	22	**772**	162
Net realised and unrealised loss on financial assets at fair value through profit or loss		**(394)**	–	**(357)**	–
Distribution costs		**(4)**	(10)	**(11)**	(20)
Administrative expenses		**(7,392)**	(4,932)	**(12,467)**	(8,805)
Finance costs		**–**	–	**–**	(13)
Loss before income tax	5	**(6,730)**	(3,913)	**(10,556)**	(6,901)
Income tax expense	6	**–**	–	**–**	(6)
Loss for the period		**(6,730)**	(3,913)	**(10,556)**	(6,907)
Other comprehensive income					
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		**55**	133	**65**	424
Other comprehensive income for the period, net of tax		**55**	133	**65**	424
Total comprehensive expense for the period, net of tax		**(6,675)**	(3,780)	**(10,491)**	(6,483)

	Note	Three months ended 30 September		Six months ended 30 September	
		2014	2013	**2014**	2013
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Loss for the period attributable to:					
Owners of the Company		**(6,694)**	(3,854)	**(10,537)**	(6,921)
Non-controlling interests		**(36)**	(59)	**(19)**	14
		(6,730)	(3,913)	**(10,556)**	(6,907)
Total comprehensive expense for the period attributable to:					
Owners of the Company		**(6,639)**	(3,721)	**(10,472)**	(6,497)
Non-controlling interests		**(36)**	(59)	**(19)**	14
		(6,675)	(3,780)	**(10,491)**	(6,483)
Loss per share attributable to the owners of the Company					
– Basic (in HK cents)	7	**(0.49)**	(0.33)	**(0.78)**	(0.66)
– Diluted (in HK cents)	7	**(0.49)**	(0.33)	**(0.78)**	(0.66)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Note	**30 September 2014 HK$'000 (unaudited)**	31 March 2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**1,098**	1,234
Intangible assets		**1,035**	1,025
		2,133	2,259
Current assets			
Trade and other receivables	9	**38,495**	17,134
Financial assets at fair value through profit or loss	10	**12,309**	–
Cash and cash equivalents		**107,758**	112,112
		158,562	129,246
Current liabilities			
Trade and other payables	11	**48,551**	8,870
Net current assets		**110,011**	120,376
Total assets less current liabilities		**112,144**	122,635
Net assets		**112,144**	122,635

	Note	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Equity			
Equity attributable to the owners of the Company			
Share capital	12	**135,625**	135,625
Reserves		**(23,649)**	(13,177)
		111,976	122,448
Non-controlling interests		**168**	187
Total equity		**112,144**	122,635

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(4,335)**	(6,674)
Net cash used in investing activities	**(84)**	(1,361)
Net cash generated from financing activities	**–**	91,237
Net (decrease)/increase in cash and cash equivalents	**(4,419)**	83,202
Cash and cash equivalents at the beginning of the period	**112,112**	28,158
Effect on foreign exchange rate changes, on cash held	**65**	424
Cash and cash equivalents at the end of the period, represented by cash at banks and in hand	**107,758**	111,784

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to the owners of the Company							
	Share capital HK$'000 (unaudited)	Share premium HK$'000 (unaudited)	Warrant reserve HK$'000 (unaudited)	Translation reserve HK$'000 (unaudited)	Accumulated losses HK$'000 (unaudited)	Total HK$'000 (unaudited)	Non-controlling interests HK$'000 (unaudited)	Total equity HK$'000 (unaudited)
As at 1 April 2013	90,625	43,685	900	34	(103,901)	31,343	133	31,476
(Loss)/Profit for the period	–	–	–	–	(6,921)	(6,921)	14	(6,907)
Other comprehensive income								
Exchange differences arising on translation of foreign operations	–	–	–	424	–	424	–	424
Total comprehensive income/ (expense)	–	–	–	424	(6,921)	(6,497)	14	(6,483)
Issue of shares (Note 12)	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
As at 1 April 2014	**135,625**	**99,935**	**900**	**370**	**(114,382)**	**122,448**	**187**	**122,635**
Loss for the period	**-**	**-**	**-**	**-**	**(10,537)**	**(10,537)**	**(19)**	**(10,556)**
Other comprehensive income								
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**65**	**-**	**65**	**-**	**65**
Total comprehensive income/ (expense)	**-**	**-**	**-**	**65**	**(10,537)**	**(10,472)**	**(19)**	**(10,491)**
As at 30 September 2014	**135,625**	**99,935**	**900**	**435**	**(124,919)**	**111,976**	**168**	**112,144**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014 (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 2014 (the "**2014 Annual Financial Statements**"). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2014 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 2014. Details of these changes in accounting policies are set out in note 3.

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – Int 21	Levies

The adoption of these new and amended HKFRSs had no material effect on the financial position or performance of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of 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 consolidated 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue:				
Hardware	**3,383**	2,148	**8,062**	11,033
Software	**266**	168	**636**	415
Services	**123**	242	**293**	489
	3,772	2,558	**8,991**	11,937

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 Six months ended 30 September		Software Six months ended 30 September		Services Six months ended 30 September		Total Six months ended 30 September	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Reportable segment revenue:								
From external customers	**8,062**	11,033	**636**	415	**293**	489	**8,991**	11,937
Reportable segment (loss)/profit	**(2,898)**	(1,569)	**285**	303	**136**	381	**(2,477)**	(885)

	Hardware Three months ended 30 September		Software Three months ended 30 September		Services Three months ended 30 September		Total Three months ended 30 September	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Reportable segment revenue:								
From external customers	**3,383**	2,148	**266**	168	**123**	242	**3,772**	2,558
Reportable segment (loss)/profit	**(2,081)**	(780)	**45**	112	**22**	366	**(2,014)**	(302)

	Hardware		Software		Services		Total	
	30 September 2014	31 March 2014	**30 September 2014**	31 March 2014	**30 September 2014**	31 March 2014	**30 September 2014**	31 March 2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Reportable segment assets	**34,098**	13,537	**201**	238	**1,106**	1,193	**35,405**	14,968
Reportable segment liabilities	**44,841**	5,208	**50**	50	**393**	378	**45,284**	5,636

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

	Three months ended 30 September		**Six months ended 30 September**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Reportable segment loss	**(2,014)**	(302)	**(2,477)**	(885)
Depreciation	**(109)**	(86)	**(210)**	(158)
Unallocated corporate expenses*	**(4,620)**	(3,547)	**(8,284)**	(6,007)
Unallocated corporate income	**13**	22	**415**	149
Loss before income tax	**(6,730)**	(3,913)	**(10,556)**	(6,901)

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

	30 September 2014	31 March 2014
	HK$'000	HK$'000
	(unaudited)	(audited)
Total segment assets	**35,405**	14,968
Unallocated assets*	**125,290**	116,537
Total assets per condensed consolidated statement of financial position	**160,695**	131,505
Total segment liabilities	**45,284**	5,636
Unallocated liabilities	**3,267**	3,234
Total liabilities per condensed consolidated statement of financial position	**48,551**	8,870

* Unallocated assets mainly include cash and cash equivalents, and financial assets at fair value through profit or loss as at 30 September 2014 and cash and cash equivalents as at 31 March 2014.

5. LOSS BEFORE INCOME TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cost of inventories sold	**2,698**	1,551	**6,659**	10,162
Depreciation of property, plant and equipment	**109**	86	**210**	158
Employee benefit expense	**3,005**	2,465	**5,845**	4,810
Net unrealised loss on financial assets at fair value through profit or loss	**506**	–	**469**	–
Net realised gain on financial assets at fair value through profit or loss	**(112)**	–	**(112)**	–
Net foreign exchange loss	**9**	3	**6**	3
Operating lease charges in respect of rented premises	**506**	153	**1,015**	319
Operating lease charges in respect of rented equipment	**4**	4	**8**	9

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months and three months ended 30 September 2014 and 2013 as the Group had incurred losses for taxation purpose. No provision for PRC enterprise income tax has been made for the six months and three months ended 30 September 2014 and three months ended 30 September 2013 as the Group had incurred losses for taxation purpose. The PRC enterprise income tax has been provided at the rate of 25% on the estimated assessable profit for the six months ended 30 September 2013.

	Three months ended 30 September		**Six months ended 30 September**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
PRC enterprise income tax				
Current period	**–**	–	**–**	6
Income tax expense	**–**	–	**–**	6

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2013: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 September 2014 is calculated by dividing the loss attributable to owners of the Company for the period of HK$6,694,000 and HK$10,537,000 respectively (three months and six months ended 30 September 2013: loss of HK$3,854,000 and HK$6,921,000 respectively) by the weighted average number of 1,356,250,000 (three months and six months ended 30 September 2013: weighted average number of 1,185,054,348 and 1,046,413,934) ordinary shares in issue during the periods.

Diluted loss per share for the three months and six months ended 30 September 2014 and 2013 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**	
	2014 (unaudited)	2013 (unaudited)	**2014 (unaudited)**	2013 (unaudited)
Loss attributable to owners of the Company (HK$'000)	**(6,694)**	(3,854)	**(10,537)**	(6,921)
Weighted average number of ordinary shares in issue during the period (in thousands)	**1,356,250**	1,185,054	**1,356,250**	1,046,414
	HK cents	HK cents	**HK cents**	HK cents
Basic loss per share	**(0.49)**	(0.33)	**(0.78)**	(0.66)
Diluted loss per share	**(0.49)**	(0.33)	**(0.78)**	(0.66)

8. DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

9. TRADE AND OTHER RECEIVABLES

	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Trade receivables (Note a)	**4,012**	13,943
Prepayments, deposits and other receivables (Note b)	**34,483**	3,191
	38,495	17,134

Note a: The credit period granted by the Group to its customers generally ranged from 30 to 90 days. As at 30 September 2014 and 31 March 2014, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice dates were as follows:

	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
0–30 days	**671**	847
31–60 days	**102**	384
61–90 days	**42**	135
91–180 days	**689**	4
181–365 days	**2,486**	12,566
Over 365 days	**22**	7
	4,012	13,943

Note b: At 30 September 2014, a prepayment of HK$30.4 million (equivalent to RMB24.1 million) (At 31 March 2014: Nil) was paid to a supplier. The transaction has not yet completed.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Unlisted investment:		
– Paper gold held for trading	**12,309**	–

The fair value of the Company's unlisted investment has been measured as described in note 13.1.

11. TRADE AND OTHER PAYABLES

	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Trade payables (Note a)	**2,407**	4,818
Other payables and accruals	**3,267**	3,234
Sales deposits received (Note b)	**42,877**	818
	48,551	8,870

Note a: The ageing analysis of trade payables based on invoice dates were as follows:

	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
0–30 days	**860**	918
31–60 days	**541**	3,761
61–90 days	**389**	30
91–180 days	**520**	49
181–365 days	**–**	–
Over 365 days	**97**	60
	2,407	4,818

Note b: At 30 September 2014, sales deposits of HK$42.9 million (equivalent to RMB33.7 million) (At 31 March 2014: Nil) was received from a customer. The transaction has not yet completed.

12. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.10 each	
	Number of shares (in thousands)	HK$'000 (unaudited)
As at 31 March 2014 and 30 September 2014	**2,000,000**	**200,000**

	Issued and fully paid Ordinary shares of HK$0.10 each	
	Number of shares (in thousands)	HK$'000 (unaudited)
As at 1 April 2013	906,250	90,625
Issue of shares	450,000	45,000
As at 31 March 2014 and 30 September 2014	**1,356,250**	**135,625**

Note: 30,000,000 warrants issued on 4 June 2012 and 60,000,000 warrants issued on 26 July 2012 have initial subscription prices of HK$0.185 per share and HK$0.141 per share respectively for one ordinary share of the Company exercisable for a period of five years. As at 30 September 2014 and 31 March 2014, 90,000,000 warrants remained unexercised.

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

13.1 Financial assets and liabilities measured at fair value

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

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

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

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

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

	Level 1	
	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Assets		
Financial assets at fair value through profit or loss:		
– Paper gold held for trading	**12,309**	–

The fair value of the paper gold held for trading is based on a quoted market price, which is its current bid price in an active market.

13.2 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 2014 and 31 March 2014.

14. COMMITMENTS

Operating lease commitments

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

	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Within one year	**1,915**	25,692
In the second to fifth year inclusive	**1,141**	14,024
	3,056	39,716

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

15. MATERIAL RELATED PARTY TRANSACTION

The Group had no significant transactions with related parties during the reporting period (six months ended 30 September 2013: Nil).

The remuneration of key management personnel for the six months ended 30 September 2014 amounted to HK$2,576,000 (six months ended 30 September 2013: HK$2,501,000).

16. EVENT AFTER THE REPORTING PERIOD

On 20 August 2014, Able Bloom Technology Limited (the "**Purchaser**"), an indirectly wholly-owned subsidiary of the Company, and Mr. Chan Foo Wing (the "**Vendor**"), the sole shareholder of Magic Hour Holdings Ltd. ("**Target Company**"), entered into a conditional sales and purchase agreement (the "**Acquisition Agreement**") to acquire all the equity interest in the Target Company. The Vendor is also a controlling shareholder of the Company. Details of the acquisition are set out in the Company's circular dated 10 November 2014. The acquisition is still subject to the shareholders' approval.

Pursuant to the Acquisition Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase all of the equity interest of 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 Company 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 customers being telecommunications operators in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 September 2014, the Company and its subsidiaries (collectively the "**Group**") recorded revenue of approximately HK$8,991,000, representing a decrease of approximately 25% when compared with the corresponding period last year of approximately HK$11,937,000. The significant decrease in revenue was principally due to a drop in the trading volume of gigabit-passive optical network ("**G-PON**") equipment during the reporting period.

Loss before income tax of the Group for the six months ended 30 September 2014 was approximately HK$10,556,000, compared with loss before income tax of approximately HK$6,901,000 for the corresponding period last year. Loss attributable to owners of the Company for the six months ended 30 September 2014 was approximately HK$10,537,000 compared with loss attributable to owners of the Company of approximately HK$6,921,000 for the corresponding period last year.

Business Review

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

The continued global development of internet technologies and their related applications have evolved into an effectual period of "aggregation and fission". Emerging production elements such as big data, cloud computing, unified communications, 4G mobile new media, network security SDN and e-finance are quickly becoming the "production tools" for the "new economic generation" since traditional businesses at all levels undergo different scale of transformations to redefine how they should operate in view of the market changes.

"雲" the Chinese character standing for "cloud", represents the forms of development in respect of the "cloud network" of the internet cloud computing and its various patterns, namely, the inter-connection of cyberspace and whole terminals. Forms of development include interconnected applications such as cloud space, cloud service, cloud search, cloud community, cloud browsing, among others.

Cloud services realize the interconnection between the various end devices. Operating terminals such as personal computers ("**PCs**"), mobile phones, televisions and tablets no longer require strong processing capabilities. All resources used by end users are provided for by an integrated cloud back-office infrastructure equipped with storage facilities and powerful processing capabilities.

"博" the Chinese character having the meaning of "rich and extensive", represents the convergence of big data, unified communication, cloud computing, 4G based new media, network security SDN, e-finance, and other new technology.

"雲博" or the Group is quickly being transformed from a traditional company engaged in the provision of system integration services, other value-added technical consultation services and hardware-related business into a company which manufactures ancillary high-tech software and hardware products, develops and establishes integrated online platforms for distribution of mobile products and provision of value-added services and sets up joint ventures with multinational companies to introduce and procure mobile application services, with a core business focus in the areas of big data, unified communications, cloud computing, network security SDN, 4G new media, e-finance, software and hardware maintenance and operation for back end network support systems, as well as the design, development, production and manufacture of network front end products and operations of online and offline payment systems.

廣州韻博信息科技有限公司 (Guangzhou YBDS IT Co., Ltd.*) ("**Guangzhou YBDS**") and 北京韻博港信息科技有限公司 (Beijing YBDS IT Co., Ltd.*) ("**Beijing YBDS**"), are wholly foreign owned enterprises both established in 2012, to facilitate the Group's business endeavors and potential joint co-operations in the PRC.

Guangzhou YBDS

Guangzhou YBDS was approved for establishment on 13 August 2012 with the entire equity interest of Guangzhou YBDS held by Pacific Honour Development Limited, an indirectly wholly owned subsidiary of the Company. Guangzhou YBDS presently has a total investment of RMB80 million and registered capital of RMB40 million. As at the date of this report, approximately 60.84% of its registered capital (equivalent to approximately RMB24.33 million) has been paid up with the remaining 39.16% (equivalent to approximately RMB15.67 million) being due and payable on or before 13 November 2014.

Guangzhou YBDS's 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 YBDS

Beijing YBDS was approved for establishment on 21 November 2012 with the entire equity interest of Beijing YBDS held by Able Bloom Technology Limited ("**Able Bloom**"), an indirectly wholly owned subsidiary of the Company. Beijing YBDS presently has a total investment of RMB40 million and registered capital of 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 YBDS'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 proprietary products, technical services and technical consultancy.

In spite of the ever challenging operating environment in the PRC, the Group has made great strides over the past two and a half years in its business development after having entered into the telecommunications industry in the PRC market in early 2012.

In the area of software deployment, the Company had teamed up with Chinasoft International Limited (中軟國際有限公司) (stock code: 354) ("**ChinaSoft**"). In our first venture together, the two parties entered into a non-legally binding letter of intent on 2 August 2012 whereby both parties agreed to collaborate with each other to submit a tender bid for specific parts of a wireless infrastructure project in the PRC (無線城市) ("**Wireless City**"). Wireless City is a project sponsored and undertaken by China Mobile Group Guangdong Company Limited ("**Guangdong Mobile**"), a subsidiary of China Mobile Limited (stock code: 941) ("**China Mobile**"). China Mobile had embarked on the Wireless City project in 2012 as it aspires to develop and construct a wireless infrastructure network for PRC cities such that everyone in these cities will be able to have free Wi-Fi access.

On 7 May 2013, MMIM Info. Technology Co., Ltd.* (北京掌中無限信息技術有限公司) ("**MMIM**"), a wholly-owned subsidiary of ChinaSoft, had submitted open tender documents for specific parts of the Wireless City project to Guangdong Mobile. 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 bid is successful (in which case, MMIM and Guangdong Mobile will enter into a formal project agreement).

The close relationship between the Company and ChinaSoft will continue to be strengthened with further collaborations in 2014 as the two parties worked together hand in hand to bid for other projects sponsored by the PRC's leading telecommunications operators.

In March 2014, the Company and ChinaSoft entered into a non-legally binding letter of intent to submit a tender for the construction of phase I of the unified payment system (統一支付系統一期工程), a project to be implemented by China Mobile for the establishment of a national unified payment platform in the PRC. The Company and Chinasoft have also worked together to submit a bid for contracted work relating to the repair and maintenance and operations of China Mobile's Fetion (飛信) ("**Fetion**") platform and its related social products and services offering.

Based on the principles of "centralization, standardization, unification", China Mobile is cooperating with commercial banks in the PRC to establish a national unified payment system platform, offering unified access and uniformed rules and regulations to all payment services at a flat rate. Phase I of the national unified payment system will connect China Mobile with electronic payment channels at all levels onto a platform that offers payment services and bill settlement functions. All mobile phone users will concurrently be able to store monetary value onto their mobile phone accounts for the purchase of goods and services. The national unified payment system platform will be one of China Mobile's strategic projects to transform itself from a mobile phone services operator into an internet based services enterprise.

Fetion currently estimated to have over 320 million registered users, and is a critical part of China Mobile's mobile internet business strategy. It is already a major mobile internet platform connecting a large number of users between PCs and mobile phones in the PRC.

On 7 April 2014, the Company and ChinaSoft entered into a project implementation agreement with respect to the contracted work for Fetion. As the consideration for due performance of its obligations under the formal agreement, ChinaSoft has agreed to pay the Company a total sum of RMB15 million (equivalent to about HK$18.75 million) in three instalments. The first instalment in the amount of RMB5 million has already been received by the Company.

When collaborating with ChinaSoft, typically if our tender is successful, ChinaSoft would first enter into a formal project agreement with the relevant company of telecommunications operator, and the Company (or its nominee) will then enter into a project agreement with ChinaSoft to determine the implementation costs as well as setting out the detailed terms of each party's participation in the relevant project. In general, ChinaSoft shall, at its own costs (but in any event such costs shall not exceed the amount to be stipulated under the project agreement), be responsible for all the technical and construction works of the relevant project (including but not limited to the development, manufacture, testing, construction of the hardware, middleware and software systems necessary for completion, technical services and support etc.); whereas the Company shall, at its own costs, provide business analysis and integrated works in connection with the relevant project.

In the area of trading ancillary high-tech software and hardware equipment, the Company had commenced the trading of G-PON equipment in the 4th quarter of 2012. Additionally, Guangzhou YBDS is an appointed sale and marketing agent for point of sales ("**POS**") terminals manufactured by Fujian Newland Computer Co., Ltd. (福建新大陸電腦股份有限公司). The 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 short, it is a computer which is supported by application specific programs and I/O devices for the particular environment in which it serves.

During the reporting period, the Group had further supplied 天翼電子商務有限公司 (China Telecom Bestpay E-commerce Ltd.*) ("**CT E-commerce**") with an additional 2,000 sets of POS terminals for a total contract sum of RMB1,945,000 (equivalent to approximately HK$2,446,000). The Group's system integration services and other value-added technical consultation services and hardware-related business in Hong Kong continue to be principally facilitated by Norray Professional Computer Limited, a subsidiary of the Company.

Prospects

Guangzhou YBDS entered into an agency framework agreement with Aspire Information Technologies (Beijing) Co., Ltd. (卓望信息技術（北京）有限公司) ("**Aspire**") on 21 March 2014, pursuant to which Aspire has agreed to appoint Guangzhou YBDS as its non-exclusive agent to promote and distribute their unified communications business, irrespective of whether such businesses are operated by Aspire or not, and provide relevant customer service and support thereunder in each province of the PRC.

Aspire, an indirect wholly-owned subsidiary of Aspire Holdings Limited ("**Aspire Holdings**"), was established in 2004 to provide operation and support services for the value added data businesses of China Mobile and is responsible for the operation and support of the central portal of Monternet.

Aspire Holdings, a direct non wholly-owned subsidiary of China Mobile, is the pioneer developer of data products and services for China Mobile. Aspire Holdings actively assists China Mobile in exploring, expanding, and facilitating businesses in areas such as information and communication technology and the internet. It has developed various super-large business platforms such as Mobile Information Service Centre and Service Information Management System providing services nationwide. Aspire also assists China Mobile in the operation and support of mobile data businesses such as mobile newspaper and mobile reading. Through Personal Information Management, Aspire facilitates the development of China Mobile's Internet businesses such as 139 community, mobile micro-blog, and i-Contact under which its social network brand Fetion has a subscriber base of over 320 million users. In addition, it helped China Mobile to establish the first mobile market for carriers and the Center of Mobile Certificate Authority in the PRC.

The link-up with Aspire marks a milestone in the Company's history. Cooperation with large-scale state-owned telecommunications operators and upstream/downstream partners in the industry enables the Company to develop and provide new products and services, re-define and enhance our business model.

The premise of our cooperation with Aspire together with Fetion's estimated over 320 million registered users creates a solid foundation for the Company and Aspire to jointly develop front end module businesses.

On 31 March 2014, Guangzhou YBDS entered into a strategic cooperation agreement with BesTV New Media Co., Ltd. ("**BesTV**") to collaborate on exploring and developing new media technology and contents on Internet protocol television ("**IPTV**"), mobile television, internet television, mobile internet, multimedia stage design and production, and digital media platform research and development, offering such products and services through smart phones, PCs, televisions and tablets (collectively, the "**4 Screens**").

BesTV is a new media corporation controlled by Radio and Television Shanghai and Shanghai Media Group, and its shares are listed on The Shanghai Stock Exchange (stock code: 600637). Its business scope includes research, exploration, design, construction, management, maintaining entire network systems, interactive media application platform, and provision of network-related software and hardware in the field of technology development, technical consulting, technology transfer, technical services, network video production and operations, messaging, network equipment design, leasing, and sales and service. As at the year ended 2013, BesTV had over 20 million IPTV subscribers.

On 13 May 2014, Guangzhou YBDS entered into a letter of intent with 中國石油天然氣股份有限公司銷售分公司 (PetroChina Trading Company Limited*) ("**PetroChina Trading**") and CT E-commerce, pursuant to which, the parties agreed to fully cooperate with each other to jointly market the business of payment clearance and recharge of prepaid petrol cards, and promote its development to enhance products competitiveness and enrich their services to customers. CT E-commerce, through their Bestpay (翼支付) ("**Bestpay**") platform, will provide clearance services for non-cash payments enabling PetroChina Company Limited's ("**PetroChina**") customers to pay for the purchase of petroleum through prepaid cards at the PetroChina's sales network.

Additionally, CT E-commerce will install compatible POS terminals at PetroChina's sales network to allow Bestpay users to settle payment through their mobile phones. Guangzhou YBDS will be responsible for the provision of POS terminals and relevant support services. As for the recharging of prepaid petrol card business, the parties will work together to establish online, offline and vocal channels to accept recharging requests from customers and provide the relevant support services. The parties will also cooperate together to unravel the market's potential to expand its customer base by launching multimedia marketing campaigns and publicity events.

On 26 August 2014, the Company, China National Travel Service (HK) Group Corporation (中國港中旅集團公司) (the "**HKCTS Group**") and China Telecommunications Corporation (中國電信集團公司) ("**China Telecommunications**") entered into a strategic cooperation agreement, pursuant to which, the parties agreed to cooperate in tourism, hotels, ticketing, mobile payment and other areas within the business scope of the HKCTS Group. China Telecommunications will, through its status as one of the leading mobile communications operators in the PRC, its tremendous users base and CT E-commerce, which has obtained the licence for payment businesses issued by the People's Bank of China, provide online and offline payment and acceptance. The Company will make use of its capability in software development to build a payment platform, providing the HKCTS Group with an overall online and offline solution. The Company will at the same time collaborate with China Telecommunications to, among others, broaden payment channels for tourism, hotels, ticketing and other areas within the business scope of the HKCTS Group, install POS terminals, develop mobile software, and mobile two-dimensional code ticket certification. The parties will, in respect of the sales business within the business scope of the HKCTS Group, jointly establish acceptance channels and customer services channels for, among others, online, offline and vocal business, and provide support and services for the related marketing operation. The parties will also hold joint marketing and promotional activities to explore the potential of their common customers, activate dormant users and expand common user groups.

The HKCTS Group is a key large-scale state-owned enterprise ("**SOE**") directly managed by the Central People's Government of the PRC and regulated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It is also the largest SOE in the tourism industry and one of the four largest Chinese-funded enterprises in Hong Kong. It is now a diversified enterprise with core businesses in tourism and supporting businesses in industrial and commercial investments (iron and steel), real estate, logistics and trading. The HKCTS Group is the only large-scale tourism enterprise in the PRC providing the most comprehensive services throughout the whole value chain in the tourism industry. Moreover, it is the only organisation commissioned by the Ministry of Public Security of the PRC to administer the "Mainland Travel Permit for Hong Kong and Macao Residents" (港澳居民來往內地通行證) and "Mainland Travel Permit for Taiwan Residents" (台灣居民來往大陸通行證). China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company controlled by the HKCTS Group, is one of the Hang Seng China-Affiliated Corporations Index constituent stocks listed on the Stock Exchange (stock code: 308).

China Telecommunications is one of the three largest and leading telecommunications operators in the PRC. China Telecommunications provides its customers with integrated information solutions including products such as mobile communications, broadband Internet access, information technology applications and fixed line phones. China Telecommunications has branch companies in 31 provinces (including autonomous regions and municipalities) of the PRC and major countries in Europe, America, Asia Pacific and other regions. China Telecommunications has the world's largest broadband network and technologically leading mobile communications network, making it capable of providing its customers with cross-border and comprehensive integrated information services and client service channels globally. China Telecom Corporation Limited (中國電信股份有限公司) ("**China Telecom**") is a subsidiary of China Telecommunications, with its H shares listed on the Stock Exchange (stock code: 728). CT E-commerce, as an indirect subsidiary of China Telecommunications, has various channels for payment services such as mobile phones, fixed line telephones and POS terminals to provide safe and convenient financial information services such as "communication plus payment" (通信+支付), "payment plus financial management" (支付+理財) for individual and corporate users.

On 31 August 2014, the Company, through Guangzhou YBDS, and China Vanguard Group Limited ("**CVG**"), a company incorporated in the Cayman Islands, the shares of which are listed on GEM of the Stock Exchange (stock code: 8156), through China Vanguard Corporate Management Limited ("**CVCM**"), a company incorporated in the Hong Kong Special Administrative Region of the PRC and a direct wholly-owned subsidiary of CVG, have entered into a strategic cooperative agreement, pursuant to which, subject to CVG having obtained the required approvals from the relevant authorities, Guangzhou YBDS and CVCM will make use of their capability in software and hardware development to connect and integrate POS terminals so that all CVG's lottery distribution points will be equipped with the Group' non-cash online and offline payment system, including those on CT E-commerce's Bestpay platform and other non-cash payment methods, such as mobile payment, contactless payment, the debit cards issued by China Unionpay (中國銀聯) and other financial institutions.

The Group and CVG will utilize their respective advantages in each of their specialized areas to enhance the competitiveness of their businesses. The general public will therefore be able to benefit from the easiness and consumer friendliness of non-cash payment clearance for lottery purchases and for full coverage of online and offline applications in the consumer sectors including those through CVG's lottery distribution points.

CVG is a comprehensive solutions and related consolidated services provider for both welfare and sports lottery in the PRC. Its core business consists of development of lottery-related hardware and software, provision of self-service lottery solutions and launching self-operated and franchise stores. The lottery business currently covers 18 provinces and regions. CVG is a member of the World Lottery Association.

The Directors believe that with the dawning of 4G networks, a new economy driven by new visual media is about to commence. The onset of unified communications will alter how traditional Internet OTT businesses operate. Moreover, mobile users will be able to access more convenient and colorful content benefited from the high bandwidth and low latency characteristics of 4G networks. The cooperation with BesTV to develop and operate 4G new media businesses enables the Company to preempt the mainstream of 4G new media businesses onto the 4 Screens' users.

The Directors also believe that the exponential growth in mobile Internet has brought forward intense competition across all market segments of the telecommunications industry into an era driven largely by the volume of data throughput. In hindsight, the Group re-defined its core business. Key businesses of the Group have been expanded to include big data, unified communications, cloud computing, network security SDN, 4G new media, top-level network designs for e-finance platform, the software and hardware maintenance and operation in respect of the back end network support systems, design, development, production and manufacturing of the network front end products as well as the business operation of the online and offline payment. In hindsight, the Group is therefore accelerating its efforts in strategic transformation and capacity enhancement to maintain and create its competitive advantages.

Given our ambitions in the telecommunications industry in the PRC, Mr. Ni Guang Nan, the former chief science and technology officer of the Lenovo Group, was appointed as the chief science and technology advisor of the Company on 7 April 2014. He will advise the Company on its business activities in information and telecommunications technology.

Hence, the entering into of the agency framework agreement with Aspire and strategic cooperation agreement with BesTV are in line with the Group's strategy enabling it to expand its existing services and revenue base and enhance its growth potential. Accordingly, the Directors consider that the entering into of the agency framework agreement and strategic cooperation agreement are in the interest of the Company and its shareholders as a whole.

Moreover, the Directors believe that the mobile phone has become the ultimate terminal for consumer mobile applications globally. The entering into of (i) the letter of intent among the Group, PetroChina Trading and CT E-commerce, (ii) strategic cooperation agreement among the Group, the HKCTS Group and China Telecommunications, and (iii) strategic cooperative agreement between the Group and CVCM will create synergy and enhance cooperation amongst the parties concerned to provide consumer-friendly payment services using the mobile phone as a terminal for mobile applications in business, entertainment, work and in daily life. Irrespective of the transaction amounts involved, the cooperation serves as a stepping stone to expand our coverage for online and offline payment services, which is in line with the Group's strategy of designing, developing, manufacturing and operating leading products for mobile networks as well as online and offline payment services, and is expected to generate further revenue for the Group.

On 20 August 2014, Able Bloom, an indirectly wholly-owned subsidiary of the Company, and Mr. Chan Foo Wing ("**Mr. Chan**"), a controlling shareholder of the Company, entered into a conditional sale and purchase agreement (the "**Acquisition Agreement**"), pursuant to which, Mr. Chan conditionally agreed to sell and Able Bloom conditionally agreed to purchase all of the equity interest of Magic Hour Holdings Ltd. ("**Magic Hour**") at a consideration of HK$3 million (subject to adjustment) (the "**Acquisition**"). The consideration will be settled by way of cash funded by the internal resources of the Company upon completion. Magic Hour and its major operating subsidiaries 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. Their major customer is China Telecom. Completion of the Acquisition is subject to the fulfillment of certain conditions set out in the Acquisition Agreement.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

To ensure that the Company is financially stable with sufficient financial resources to continue the development of its proposed projects, the Company had on 5 August 2013, allotted and issued 450,000,000 new shares of the Company with a par value of HK$0.10 each in the capital of the Company at a subscription price of HK$0.225 each to Happy On Holdings Limited ("**Happy On**"), the Group's single largest shareholder, raising net proceeds of about HK$100 million (the "**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 stipulated in the circular of the Company dated 11 July 2013, such proceeds were to be applied in the following manner:

(i) approximately HK$30,000,000 to pay up the remaining registered capital of Guangzhou YBDS and Beijing YBDS;

(ii) approximately HK$50,000,000 as further investment for contribution towards the total investment amounts of Guangzhou YBDS and Beijing YBDS; and

(iii) the remaining balance as general working capital of the Company.

As at the date of this report, approximately HK$9,400,000 (or about RMB7,350,000) of the proceeds has been used to pay up the initial registered capital of RMB20,000,000 of Guangzhou YBDS. Such initial registered capital of RMB20,000,000 has been fully paid up. A further HK$5,500,000 (or approximately RMB4,330,000) of the proceeds has been applied towards paying up the increased registered capital of Guangzhou YBDS of RMB20,000,000. Of the remaining unpaid increased registered capital of RMB15,670,000, the Company has already earmarked approximately HK$20,000,000 to fulfill its obligation by no later than 13 November 2014.

As for initial registered capital of Beijing YBDS, the Company has until 18 December 2014 to pay up the remaining 80%, or approximately RMB16,000,000 (or approximately HK$20,500,000) of the registered capital. The Company has for the time being decided to wait for the outcome of the Acquisition.

At the time of the Subscription, the Company had the intention to apply to the Bureau of Foreign Trade and Economic Cooperation of Beijing Municipality (北京市對外貿易經濟合作局) to increase the registered capital of Beijing YBDS from RMB20 million to RMB40 million and its total investment from RMB40 million to RMB80 million. A sum of approximately HK$45.5 million from the proceeds of the Subscription was earmarked for paying up the initial registered capital and increased registered capital of Beijing YBDS (the "**Capital Increase**"). The intent of the Capital Increase was to enable the Group's subsidiaries to meet the minimum capital threshold requirement when submitting bids for proposed projects offered by the relevant telecommunications service providers in the PRC.

However, taking into account the fact that the Company is in the process of acquiring Magic Hour which has a subsidiary with the aforesaid minimum capital threshold requirement, in the event that completion of the Acquisition takes place, the Company will not need to proceed with applying the aforesaid earmarked proceeds from the Subscription to pay up the remaining initial registered capital of Beijing YBDS and the Capital Increase.

Once completion of the Acquisition has taken place, the Company will make a further announcement in relation to the change in the use of proceeds in accordance with the GEM Listing Rules. However, in the event that completion of the Acquisition does not take place, the Company will proceed with the paying up of the remaining initial registered capital of Beijing YBDS on or before 18 December 2014 and the Capital Increase.

As at 30 September 2014, the shareholders' funds of the Group amounted to approximately HK$112,144,000. Current assets of approximately HK$158,562,000 were mainly comprised of cash and cash equivalents of approximately HK$107,758,000, and trade and other receivables of approximately HK$38,495,000. Current liabilities of approximately HK$48,551,000 were mainly comprised of trade and other payables of approximately HK$48,551,000. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2014, 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 3.27:1 (As at 31 March 2014: 14.57: 1), reflecting the adequacy of financial resources.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the period for the six months ended 30 September 2014, 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 2014, the Group had operating lease commitments of approximately HK$3,056,000.

CAPITAL COMMITMENTS

As at 30 September 2014, the contracted capital commitments of the Group were nil.

CONTINGENT LIABILITIES

As at 30 September 2014, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2014, 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 2014, the Group had 40 employees (2013: 40). The total remuneration to employees, including that to the Directors, for the six months ended 30 September 2014 amounted to approximately HK$5,584,000 (2013: HK$4,644,000). 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 2014, 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 2014, 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 2014** (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771(L)	72.83%
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 of the Company held by Happy On.

2. "L" means long positions in the shares of the Company.

3. Based on 1,356,250,000 shares of the Company in issue as at 30 September 2014.

Save as disclosed above, as at 30 September 2014, 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 2014, at no time during the six months ended 30 September 2014 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 2014.

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 2014.

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 2014.

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 2014 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. Wang Chaoyong, 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 specific terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee currently comprises four members, namely, Mr. Ngan Yu Loong, Dr. Chow Ka Ming, Jimmy, Dr. Wong Wing Lit and Mr. Tse Yee Hin, Tony, all of whom are independent non-executive Directors. Mr. Ngan Yu Loong is the 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 2014 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 2014

As at the date of this report, 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.

* *For identification purpose only*