



YUNBO

DIGITAL SYNERGY GROUP LIMITED

雲博產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8050



THIRD QUARTERLY REPORT
2014/2015

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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.*

The board of Directors (the “**Board**”) of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 2014 together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 31 December 2014

	Note	Three months ended 31 December		Nine months ended 31 December	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	3	14,187	8,256	23,179	20,193
Cost of sales		(11,969)	(6,708)	(19,453)	(16,870)
Gross profit		2,218	1,548	3,726	3,323
Other income		169	96	941	258
Net realised and unrealised loss on financial assets at fair value through profit or loss		(187)	–	(544)	–
Distribution costs		(6)	(7)	(18)	(27)
Administrative expenses		(9,209)	(4,911)	(21,676)	(13,716)
Finance costs		41	–	41	(13)
Loss before income tax		(6,974)	(3,274)	(17,530)	(10,175)
Income tax expense	4	–	(2)	–	(8)
Loss for the period		(6,974)	(3,276)	(17,530)	(10,183)
Other comprehensive (expense)/income					
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		(42)	189	23	612
Other comprehensive (expense)/ income for the period, net of tax		(42)	189	23	612
Total comprehensive expense for the period, net of tax		(7,016)	(3,087)	(17,507)	(9,571)

	Note	Three months ended 31 December		Nine months ended 31 December	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Loss for the period attributable to:					
Owners of the Company		(6,924)	(3,381)	(17,461)	(10,302)
Non-controlling interests		(50)	105	(69)	119
		(6,974)	(3,276)	(17,530)	(10,183)
Total comprehensive expense for the period attributable to:					
Owners of the Company		(6,966)	(3,192)	(17,438)	(9,690)
Non-controlling interests		(50)	105	(69)	119
		(7,016)	(3,087)	(17,507)	(9,571)
Loss per share attributable to the owners of the Company					
– Basic (in HK cents)	5	(0.51)	(0.25)	(1.29)	(0.90)
– Diluted (in HK cents)	5	(0.51)	(0.25)	(1.29)	(0.90)

Notes:

1. GENERAL INFORMATION

Yunbo Digital Synergy Group Limited (the “**Company**”) (together with 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 (“**Directors**”), the parent and ultimate holding company of the Company is Happy On Holdings Limited (“**Happy On**”), which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group for the nine months ended 31 December 2014 (the “**Condensed Financial Report**”) has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 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. HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 April 2014, the adoption has no material effect on how the results and the financial position of the Group for the current or prior accounting periods have been prepared and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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 are also the functional currency of the Company and all values are rounded to the nearest thousands (“**HK\$’000**”) unless otherwise stated.

3. REVENUE

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

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Hardware	13,573	7,962	21,636	18,995
Software	292	70	928	485
Services	322	224	615	713
	14,187	8,256	23,179	20,193

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the three months and nine months ended 31 December 2014 and 2013 as the Group had incurred losses for taxation purpose. No provision for PRC enterprise income tax has been made for the nine months and three months ended 31 December 2014 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 nine months and three months ended 31 December 2013.

	Three months ended 31 December		Nine months ended 31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC enterprise income tax				
Current period	-	(2)	-	(8)
Income tax expense	-	(2)	-	(8)

Deferred tax has not been provided for the Group because the Group had no material temporary differences at the reporting date (31 December 2013: Nil).

5. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 31 December 2014 is calculated by dividing the loss attributable to owners of the Company for the period of HK\$6,924,000 and HK\$17,461,000 respectively (three months and nine months ended 31 December 2013: loss of HK\$3,381,000 and HK\$10,302,000 respectively) by the weighted average number of 1,356,250,000 (three months and nine months ended 31 December 2013: weighted average number of 1,356,250,000 and 1,150,068,182) ordinary shares in issue during the periods.

Diluted loss per share for the three months and nine months ended 31 December 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 31 December		Nine months ended 31 December	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Loss attributable to owners of the Company	(6,924)	(3,381)	(17,461)	(10,302)
Weighted average number of ordinary shares in issue during the period (in thousands)	1,356,250	1,356,250	1,356,250	1,150,068
	HK cents	HK cents	HK cents	HK cents
Basic loss per share	(0.51)	(0.25)	(1.29)	(0.90)
Diluted loss per share	(0.51)	(0.25)	(1.29)	(0.90)

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2014 (nine months ended 31 December 2013: Nil).

7. RESERVES

For the nine months ended 31 December 2014

	Share premium	Warrant reserve	Translation reserve	Capital reserve	Accumulated losses	Non- controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 April 2013	43,685	900	34	-	(103,901)	133	(59,149)
(Loss)/Profit for the period	-	-	-	-	(10,302)	119	(10,183)
Other comprehensive income							
Exchange differences arising on translation of foreign operations	-	-	612	-	-	-	612
Total comprehensive income/(expense)	-	-	612	-	(10,302)	119	(9,571)
Issue of shares	56,250	-	-	-	-	-	56,250
As at 31 December 2013	99,935	900	646	-	(114,203)	252	(12,470)
As at 1 April 2014	99,935	900	370	-	(114,382)	187	(12,990)
Loss for the period	-	-	-	-	(17,461)	(69)	(17,530)
Other comprehensive income							
Exchange differences arising on translation of foreign operations	-	-	23	-	-	-	23
Total comprehensive income/(expense)	-	-	23	-	(17,461)	(69)	(17,507)
Transactions with owners							
Capital injection	-	-	-	5	-	-	5
Acquisition of subsidiaries	-	-	-	-	-	16,093	16,093
Total transactions with owners	-	-	-	5	-	16,093	16,098
As at 31 December 2014	99,935	900	393	5	(131,843)	16,211	(14,399)

REVIEW AND PROSPECTS

Financial review

During the nine months ended 31 December 2014, the Group recorded revenue of approximately HK\$23,179,000, representing an increase of approximately 14.78% when compared with the corresponding period last year of approximately HK\$20,193,000. The increase in revenue was principally due to an increase in the trading volume of gigabit-passive optical network (“**G-PON**”) equipment and ethernet passive optical network (“**E-PON**”) equipment during the reporting period.

Loss before income tax of the Group for the nine months ended 31 December 2014 was approximately HK\$17,530,000, compared with loss before income tax of approximately HK\$10,175,000 for the corresponding period last year. Loss attributable to owners of the Company for the nine months ended 31 December 2014 was approximately HK\$17,461,000 compared with loss attributable to owners of the Company of approximately HK\$10,302,000 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 services, 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 indirect wholly-owned subsidiary of the Company. Guangzhou YBDS presently has a total investment of RMB80 million and fully paid-up registered capital of RMB40 million.

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, a company having a business scope that 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. It 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 indirect 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, only 20% of the registered capital or RMB4 million has been paid up.

The Company had, in August 2013, raised net proceeds of approximately HK\$100,000,000 by way of allotment and issuance of 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 (the “**Subscription**”) to Happy On Holdings Limited (“**Happy On**”), a controlling shareholder of the Company. One of the main reasons for the fundraising exercise was to enable the Company to fulfill its obligations to pay up the registered capital of Beijing YBDS.

At the time of the Subscription, the Company had intended 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 Beijing YBDS’ registered capital from RMB20,000,000 to RMB40,000,000 and total investment from RMB40,000,000 to RMB80,000,000, respectively. The initiative 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.

Given the Company has acquired Magic Hour Holdings Ltd. (麥基浩爾控股有限公司) (“**Magic Hour**”) during the reporting period, a holding company that owns a subsidiary with the aforesaid threshold requirement for bids submission, this corporate action is no longer deemed to be necessary. The Company has already commenced the process of deregistration of Beijing YBDS.

In spite of the ever challenging operating environment in the PRC, the Group has made great strides over the past three 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\$2,449,000). 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 (移動夢網).

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 (運營商移動應用商場) 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 30 June 2014, BesTV had over 22 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 advises 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 23 December 2014, the Company through Able Bloom, its indirectly wholly-owned subsidiary, completed the acquisition of the entire equity interest of Magic Hour held by Mr. Chan Foo Wing ("**Mr. Chan**"), the controlling shareholder of the Company, at a consideration of HK\$3 million (subject to adjustment).

The consideration has been settled by way of cash funded by internal resources. 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.

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, raised net proceeds of approximately HK\$100 million through 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 will be used to pay up the remaining registered capital of Guangzhou YBDS and Beijing YBDS;
- (ii) approximately HK\$50,000,000 will be used 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.

The Company had previously applied approximately HK\$9,400,000 (or about RMB7,350,000) and approximately HK\$5,500,000 (or approximately RMB4,330,000) of the proceeds to pay up the remaining initial registered capital of RMB20,000,000 and increased registered capital of RMB20,000,000 of Guangzhou YBDS, respectively. During the reporting period, the Company had applied approximately HK\$19,785,000 (or approximately RMB15,670,000) of the proceeds to pay up the outstanding remaining increased registered capital of Guangzhou YBDS.

At the time of the Subscription, only 20% of the registered capital or RMB4 million of Beijing YBDS has been paid up with the remaining 80% or RMB16 million due to be paid on or before 18 December 2014. The Company had intended 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.

Given the Company has acquired Magic Hour during the reporting period, a holding company that owns a subsidiary with the aforesaid threshold requirement for bids submission, this corporate action is no longer deemed to be necessary. The Company has already commenced the process of deregistration of Beijing YBDS.

Moreover, the Company intends to apply the aforesaid earmarked proceeds of approximately HK\$45.5 million for new potential projects and for general working capital purposes. As at the date of this report, the Company has not identified any potential projects.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES

As at 31 December 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 31 December 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 31 December 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 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 31 December 2014.

Save as disclosed above, as at 31 December 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 31 December 2014, at no time during the nine months ended 31 December 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 nine months ended 31 December 2014.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2014.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the date of this report, none of the Directors, or the initial management shareholders or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed with or might compete with the business of the Group and had or might have any other conflicts of interest with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the nine months ended 31 December 2014.

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 nine months ended 31 December 2014 have been reviewed by the Audit Committee.

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

Hong Kong, 13 February 2015

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; and 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*