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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)

DISCLOSEABLE TRANSACTION THE SUBSCRIPTION AND DEEMED DISPOSAL OF EQUITY INTEREST IN QIANHAI YBDS

SUBSCRIPTION

On 4 October 2017, Guangzhou YBDS, an indirect wholly-owned subsidiary of the Company and the sole shareholder of Qianhai YBDS as at the date of this announcement, entered into the Capital Increase Agreement with Dynamic Telecom, Shenzhen Quantum and Qianhai YBDS, pursuant to which the Guangzhou YBDS, Dynamic Telecom and Shenzhen Quantum agreed to subscribe for the Increased Registered Capital for a total consideration of RMB25 million (equivalent to approximately HK\$29.4 million). The proceeds from the Subscription will be used for the research and development of a large-scale database system, system integration and other value-added technology services, and the development of a comprehensive payment system platform.

After the Subscription, Guangzhou YBDS, Dynamic Telecom and Shenzhen Quantum will hold 60%, 30% and 10%, respectively, of the enlarged registered capital of Qianhai YBDS.

LISTING RULES IMPLICATIONS

After the Subscription, the equity interest of the Group in Qianhai YBDS will be diluted from 100% to 60%. The Subscription therefore constitutes a deemed disposal of Qianhai YBDS under Rule 19.29 of the GEM Listing Rules. Qianhai YBDS will remain to be a subsidiary of the Company after the Subscription.

As one or more of the applicable percentage ratios in respect of the deemed disposal are more than 5% but less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Board hereby announces that on 4 October 2017, Guangzhou YBDS, an indirect wholly-owned subsidiary of the Company and the sole shareholder of Qianhai YBDS as at the date of this announcement, entered into the Capital Increase Agreement with Dynamic Telecom, Shenzhen Quantum and Qianhai YBDS.

1. PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

Date

4 October 2017

Parties

- (i) Dynamic Telecom;
- (ii) Shenzhen Quantum;
- (iii) Qianhai YBDS; and
- (iv) Guangzhou YBDS

Guangzhou YBDS is an indirect wholly-owned subsidiary of the Company and the sole shareholder of Qianhai YBDS as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Dynamic Telecom, Shenzhen Quantum and their respective ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

As at the date of this announcement, Qianhai YBDS has a registered share capital of RMB5 million (equivalent to approximately HK\$5.9 million), which was fully subscribed by Guangzhou YBDS. Under its articles of association, the registered capital has to be fully paid up by 9 September 2037.

Under the Capital Increase Agreement, Guangzhou YBDS, Dynamic Telecom and Shenzhen Quantum agree to increase Qianhai YBDS's registered share capital to RMB30 million (equivalent to approximately HK\$35.3 million) by subscribing for the Increased Registered Capital.

The registered capital and the percentage of equity interest in Qianhai YBDS before and after the Subscription are set out below:

| Shareholders | Before the Subscription | | | After the Subscription | |
|------------------|---|---|--|---|---|
| | Subscribed registered capital <i>RMB</i> | Percentage of equity interest <i>%</i> | Subscription of Increased Registered Capital <i>RMB</i> | Total subscribed registered capital <i>RMB</i> | Percentage of equity interest <i>%</i> |
| Guangzhou YBDS | 5,000,000 | 100 | 13,000,000 | 18,000,000 | 60 |
| Dynamic Telecom | – | – | 9,000,000 | 9,000,000 | 30 |
| Shenzhen Quantum | – | – | 3,000,000 | 3,000,000 | 10 |
| | <u>5,000,000</u> | <u>100</u> | <u>25,000,000</u> | <u>30,000,000</u> | <u>100</u> |

Conditions Precedent

The Subscription is subject to the completion of the relevant procedures in the industrial and commercial principal authorities and the business principal departments.

If the above procedures could not be completed within 180 days from the date of the Capital Increase Agreement, it shall terminate and be of no force and effect (save for the liabilities of any Parties for antecedent breach of the terms thereof).

Subscription price and basis of consideration

The total subscription price payable by Guangzhou YBDS, Dynamic Telecom and Shenzhen Quantum under the Capital Increase Agreement is RMB25 million (equivalent to approximately HK\$29.4 million).

Guangzhou YBDS, Dynamic Telecom and Shenzhen Quantum shall pay up their respective subscribed registered capital in Qianhai YBDS in full within 90 days upon the completion of the relevant procedures mentioned above and the issuance of the new business licence of Qianhai YBDS.

The subscription price was determined after arm's length negotiations between the Parties after taking into consideration, among other things, the amount of funding required for the research and development of a large-scale database system, system integration and other value-added technology services, and the development of a comprehensive payment system platform.

Other principal terms of the Capital Increase Agreement

(1) Intended use of proceeds from the Subscription

The proceeds for the Subscription shall be mainly used for the research and development of a large-scale database system, system integration and other value-added technology services, and the development of a comprehensive payment system platform.

(2) Board composition

The board of Qianhai YBDS shall comprise four directors (three to be nominated by Guangzhou YBDS and one to be nominated by Shenzhen Quantum), including a chairman (to be nominated by Guangzhou YBDS).

(3) Restriction on transfer of equity interests

Guangzhou YBDS may transfer its equity interests in Qianhai YBDS to other entities controlled by the Company upon consent of Dynamic Telecom and Shenzhen Quantum (whose consent shall not be unreasonably delayed or refused to give).

Dynamic Telecom and Shenzhen Quantum shall not transfer any equity interests to a third party unless prior consent has been obtained from Guangzhou YBDS. If Guangzhou YBDS disapproves the transfer, it shall offer to buy the relevant equity interests on the same conditions.

(4) Lock-up undertaking

Dynamic Telecom and Shenzhen Quantum have undertaken that, within five years from the date the subscription price is paid in full, they will not transfer any of their equity interests in Qianhai YBDS to any third party.

2. REASONS FOR AND BENEFITS OF THE TRANSACTION

Provision of system integration services and other value-added technical consultation services and hardware-related business are core businesses of the Group. The entering into of the Capital Increase Agreement and the bringing in of Dynamic Telecom and Shenzhen Quantum is the initial step to expand the scale of production and to accelerate the pace of enterprise development.

The Directors consider that the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. LISTING RULES IMPLICATIONS

After the Subscription, the equity interest of the Group in Qianhai YBDS will be diluted from 100% to 60%. The Subscription therefore constitutes a deemed disposal of Qianhai YBDS under Rule 19.29 of the GEM Listing Rules. Qianhai YBDS will remain to be a subsidiary of the Company after the Subscription.

As one or more of the applicable percentage ratios in respect of the deemed disposal exceed(s) 5% but less than 25%, the entering of the Capital Increase Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

4. FINANCIAL EFFECTS OF THE DEEMED DISPOSAL

The Company does not expect to record any gains or losses on the deemed disposal. The subscription price equals to the increase in the registered capited in Qianhai YBDS. After the deemed disposal, Qianhai YBDS will change from an indirect wholly-owned subsidiary of the Company to an indirect non-wholly-owned subsidiary of the Company and its financial results will continue to be consolidated in the Company's accounts.

The proceeds to be received from the deemed proposal will be used for the research and development of a large-scale database system, system integration and other value-added technology services, and the development of a comprehensive payment system platform.

5. INFORMATION ON THE PARTIES

Dynamic Telecom

Dynamic Telecom is a company incorporated in Hong Kong which focuses on software development in the PRC.

Shenzhen Quantum

Shenzhen Quantum is a company established in the PRC which focuses on technical development of system integration and software development in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Dynamic Telecom, Shenzhen Quantum and their ultimate beneficial owners are Independent Third Parties.

Qianhai YBDS

Qianhai YBDS is a company established in the PRC. It has not commenced business since its establishment in September 2015.

The following table sets out the financial information of the Qianhai YBDS:

| | For the period from its date of establishment to 31 March 2016 (Audited) RMB | For the year ended 31 March 2017 (Audited) RMB |
|-----------------------------------|---|---|
| Net profit/(loss) before taxation | (79,285.24) | (1,025.02) |
| Net profit/(loss) after taxation | (79,285.24) | (1,025.02) |

As at 31 March 2017, the audited net asset value of Qianhai YBDS was RMB (1,025.02).

Guangzhou YBDS

Guangzhou YBDS is a company established in the PRC which focuses on provision of system integration services and other value-added technical consultation services and hardware-related business in the PRC.

The Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business.

6. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

| | |
|--------------------------------|--|
| “Board” | the board of the Directors |
| “Capital Increase Agreement” | the capital increase agreement dated 4 October 2017 entered into between the Parties in relation to the Subscription |
| “Company” | Yunbo Digital Synergy Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM board of the Stock Exchange, with stock code 8050 |
| “connected person(s)” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Dynamic Telecom” | Dynamic Telecom Limited (動網電訊有限公司), a company incorporated in Hong Kong with limited liability |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange |
| “Group” | the Company and its subsidiaries |
| “Guangzhou YBDS” | Guangzhou YBDS IT Co. Ltd* (廣州韻博信息科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Increased Registered Capital” | the increased registered capital of Qianhai YBDS to be subscribed pursuant to the Capital Increase Agreement |
| “Independent Third Parties” | third parties independent of the Company and its connected persons |
| “Parties” | Dynamic Telecom, Shenzhen Quantum, Qianhai YBDS and Guangzhou YBDS, which are the parties to the Capital Increase Agreement |

| | |
|--------------------|---|
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan |
| “Qianhai YBDS” | Shenzhen Qianhai YBDS IT Co., Ltd.* (深圳市前海雲博信息科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary shares of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shenzhen Quantum” | Shenzhen Quantum Certification Co., Ltd.* (深圳市量子認證有限公司), a company established in the PRC with limited liability |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | the subscription of the Increased Registered Capital pursuant to the Capital Increase Agreement |
| “subsidiaries” | has the same meaning ascribed to it under the GEM Listing Rules |
| “%” | per cent. |

* For identification purpose only

This announcement contains translations between Renminbi and Hong Kong dollar amounts at HK\$1 = RMB0.850, being the exchange rate prevailing on 29 September 2017. The translations should not be taken as a representation that the Renminbi could actually be converted into Hong Kong dollars at that rate or at all.

By Order of the Board
Yunbo Digital Synergy Group Limited
Wang Xiaoqi
Director

Hong Kong, 4 October 2017

As at the date of this announcement, the executive Directors are Mr. Wang Xiaoqi, Mr. Lam Chi Man and Mr. Ho Yeung; and the independent non-executive Directors are Ms. Chan Nga Man, Mr. Lam Wing Keung, Mr. Lau Chor Ki and Mr. Tse Yee Hin, Tony.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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