

AURUM PACIFIC (CHINA) GROUP LIMITED

奧栢中國集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2013

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of Aurum Pacific (China) 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 of The Stock Exchange of Hong Kong Limited (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.

SUMMARY

For the three months ended 31 March 2013:

- the turnover was approximately HK\$2,661,000;
- the loss attributable to owners of the Company was approximately HK\$308,000; and
- the Directors do not recommend the payment of any interim dividend.

FIRST QUARTERLY UNAUDITED RESULTS

The board of directors of the Company (the “Board”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2013, together with the comparative figures for the corresponding period in 2012 as follows:

Condensed Consolidated Statement of Comprehensive Income

		Three months ended 31 March	
		2013	2012
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	2	2,661	97
Cost of sales		(444)	(70)
Gross profit		2,217	27
Other revenue and net income		–	1
Administrative expenses		(951)	(693)
Research and development expenses		(712)	–
Selling and distribution expenses		(553)	–
Profit/(loss) from operations		1	(665)
Finance costs	3	(309)	(119)
Loss before taxation	4	(308)	(784)
Income tax	5	–	–
Loss for the period attributable to owners of the Company		(308)	(784)
Other comprehensive loss for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of an overseas subsidiary		(101)	–
Loss and total comprehensive loss for the period attributable to owners of the Company		(409)	(784)
			(Restated)
Loss per share — basic and diluted	7	HK(0.09) cent	HK(0.31) cent

Condensed Consolidated Statement of Changes in Equity

	Share capital <i>HK\$'000</i> (Unaudited)	Share premium <i>HK\$'000</i> (Unaudited)	Capital reserve <i>HK\$'000</i> (Unaudited)	Capital surplus <i>HK\$'000</i> (Unaudited)	Exchange reserve <i>HK\$'000</i> (Unaudited)	Accumulated losses <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Balance at 1 January 2012 (Audited)	<u>2,000</u>	<u>30,224</u>	<u>1,569</u>	<u>15,090</u>	<u>–</u>	<u>(53,436)</u>	<u>(4,553)</u>
Loss and total comprehensive loss for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(784)</u>	<u>(784)</u>
Balance at 31 March 2012 (Unaudited)	<u>2,000</u>	<u>30,224</u>	<u>1,569</u>	<u>15,090</u>	<u>–</u>	<u>(54,220)</u>	<u>(5,337)</u>
Balance at 1 January 2013 (Audited)	2,000	30,224	2,035	16,699	–	(59,281)	(8,323)
Loss for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(308)</u>	<u>(308)</u>
Other comprehensive loss	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(101)</u>	<u>–</u>	<u>(101)</u>
Total comprehensive loss for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(101)</u>	<u>(308)</u>	<u>(409)</u>
Capital contribution by a shareholder in the form of interest-free loans	<u>–</u>	<u>–</u>	<u>390</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>390</u>
Shares issued upon open offer (<i>note 8</i>)	<u>8,000</u>	<u>50,752</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>58,752</u>
Balance at 31 March 2013 (Unaudited)	<u>10,000</u>	<u>80,976</u>	<u>2,425</u>	<u>16,699</u>	<u>(101)</u>	<u>(59,589)</u>	<u>50,410</u>

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed first quarterly consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2012 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are expected to be reflected in the 2013 annual financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements, except for the following:

The amendments to HKAS 1 (Revised) require entities to classify items within other comprehensive income under two categories: (i) item which may be reclassified to profit or loss in the future and (ii) item which would never be reclassified to profit or loss. The adoption of these amendments only affects the presentation of the consolidated statement of comprehensive income.

The Group has also applied the following accounting policy which became relevant since 1 January 2013:

Revenue recognition

Provision of communications software platform

Provision of communications software platform includes:

- (i) Sales of licensed software, which are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and titles has been passed, provided that the group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) Software maintenance service income received or receivable from customers when the maintenance service contracts are entered into, which is recognised on a straight-line basis over the term of the maintenance service contract;
- (iii) Software rental and subscription income from software application, website development and Putonghua learning platform, which are recognised when the relevant services are rendered; and
- (iv) Income from website development and Putonghua learning platform deriving from providing software application to customers, which is recognised when services are rendered. Revenue is also recognised in the statement of comprehensive income in respect of the deferred income over the term of the service contract.

The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

2. TURNOVER

Turnover represents revenue from provision of communications software platform and custom-made solutions. The amount of each significant category of revenue recognised in turnover during the periods is as follows:

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of communications software platform	2,661	–
Provision of custom-made solutions	–	97
	2,661	97

3. FINANCE COSTS

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on financial liabilities not at fair value through profit or loss		
— Interest on short term borrowing	78	102
— Imputed interest on interest-free loans from a shareholder	72	17
— Imputed interest on consideration payable for business combination	159	–
	309	119

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
— Salaries, wages and other benefits	1,323	189
— Contributions to defined contribution retirement plan	64	3
	1,387	192
Auditor's remuneration	75	105
Depreciation	41	27

5. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group companies did not have any estimated assessable profit subject to Hong Kong Profits Tax or sustained estimated tax losses during the periods ended 31 March 2013 and 2012.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the respective jurisdictions.

No provision for Enterprise Income Tax of the People's Republic of China (the "PRC") has been made as its subsidiary incorporated in the PRC has estimated tax losses for the period ended 31 March 2013.

6. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2013 (2012: HK\$Nil).

7. LOSS PER SHARE

(a) Basic loss per share

The calculation is based on the loss attributable to owners of the Company of HK\$308,000 (2012: HK\$784,000) and the weighted average number of ordinary shares of 344,262,295 (2012 (restated): 254,098,361) in issue during the period.

The weighted average number of ordinary shares for the three months ended 31 March 2012 above has been adjusted for the share consolidation and open offer which were completed on 22 January 2013 and 27 February 2013 respectively.

(b) Diluted loss per share

The diluted loss per share for the periods ended 31 March 2013 and 2012 is the same as the basic loss per share as there were no potentially dilutive ordinary shares in issue.

8. SHARE CAPITAL

(i) Authorised and issued share capital

	2013		2012	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.02 (2012: HK\$0.01) each	<u>2,000,000</u>	<u>40,000</u>	<u>4,000,000</u>	<u>40,000</u>
Ordinary shares, issued and fully paid:				
At 1 January	200,000	2,000	200,000	2,000
Share consolidation	<u>(100,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	100,000	—	—	—
Issue of shares	<u>400,000</u>	<u>8,000</u>	<u>—</u>	<u>—</u>
	<u>500,000</u>	<u>10,000</u>	<u>200,000</u>	<u>2,000</u>

(ii) Share consolidation

By an ordinary resolution passed at the extraordinary general meeting on 21 January 2013, every two issued and unissued ordinary shares of HK\$0.01 each were consolidated into one new ordinary share of HK\$0.02 each. Following the share consolidation which became effective on 22 January 2013, the Company's authorised share capital was HK\$40,000,000 divided into 2,000,000,000 shares of HK\$0.02 each, of which 100,000,000 ordinary shares were in issue and fully paid.

(iii) Issue of shares

Pursuant to an open offer made by the Company on 27 February 2013, the Company issued 400,000,000 ordinary shares of HK\$0.02 each at a subscription price of HK\$0.15 per share on the basis of four new shares for every existing share held (the "Open Offer"), resulting in gross proceeds of approximately HK\$60,000,000. The proceeds are intended to be applied to settle the consideration payable for business combination, repay the short term borrowing and loans from a shareholder, and increase the Group's general working capital. Details of the Open Offer are set out in the Company's prospectus dated 1 February 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the three months ended 31 March 2013, the Group recorded a total turnover of approximately HK\$2,661,000 as compared with approximately HK\$97,000 for the same period in 2012. Loss attributable to owners of the Company amounted to approximately HK\$308,000, as compared with that of approximately HK\$784,000 for the same period in 2012.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2013.

BUSINESS REVIEW AND PROSPECT

After the completion of acquisition of KanHan Technologies Limited (“KanHan”) and its subsidiary (together, “KanHan Group”) on 31 December 2012, KanHan Group became the wholly-owned subsidiaries of the Company. For the three months ended 31 March 2013, the Group mainly focused on developing and marketing of the patented server based technology and the provision of communications service platform and software related services with primary focus in the government industry sector. The products and services can mainly divided into five categories, namely, (i) HanPHONE supported Client Management Infrastructure; (ii) KanHan Client Management Infrastructure; (iii) HanWEB; (iv) solutions to expand business through creative promotions; and (v) voice system service to the under-privileged groups.

We intend to continue taking efforts in developing and upgrading our products and solutions with a generic growth of the business in order to broaden our income sources. The Group will continue to deploy appropriate operation strategies to meet the challenges posted by the competitive market to improve the performance and maximize the returns of shareholders as a whole.

Financial Resource and Liquidity

On 27 February 2013, the Company has completed the open offer and resulted in gross proceeds of HK\$60,000,000. Details of the open offer are set out in the Company’s prospectus and announcement dated 1 February 2013 and 26 February 2013 respectively. At 31 March 2013, the Group had cash and bank balances of approximately HK\$45,490,000 (31 December 2012: HK\$1,869,000). In addition, a loan facility of up to HK\$40,000,000 was granted by the controlling shareholder, Prime Precision Holdings Limited. As at 31 March 2013, principal amount of approximately HK\$11,632,000 (31 December 2012: HK\$5,000,000) had been drawn. This shareholder’s loan is unsecured, interest free and not repayable before April 2014. Most of the cash and bank balances and the borrowings are denominated in Hong Kong dollars.

Gearing Ratio

At 31 March 2013, total assets of the Group were approximately HK\$75,137,000 (31 December 2012: HK\$34,459,000) whereas total liabilities were approximately HK\$24,727,000 (31 December 2012: HK\$42,782,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 32.9% (31 December 2012: 124.2%) and the current ratio, calculated as current assets over current liabilities, was 3.89 (31 December 2012: 0.28). The Directors will continue to take measures to improve the liquidity and gearing position of the Group.

Foreign Exchange Exposure

The Directors consider that the Group had no material foreign exchange exposure.

Pledge of Assets and Contingent Liabilities

On 19 July 2011, KanHan disposed of its 100% interest in KanHan Educational Services Limited to an independent third party (the “Buyer”). Under the sale and purchase agreement, KanHan warrants and guarantees to the Buyer that the audited net profits before tax and any extraordinary or exceptional item (the “Audited Profits”) of KanHan Educational Services Limited will not be less than HK\$450,000, HK\$2,200,000 and HK\$6,500,000 for the years ended 31 December 2010, 2011 and 2012 (the “Guaranteed Profits”) respectively. KanHan is required to return to the Buyer in cash of the contingent consideration paid if the Audited Profits of KanHan Educational Services Limited are less than the Guaranteed Profits.

On 26 June 2012, KanHan entered into a counter-indemnity agreement with Mr. Mo Wai Ming, Lawrence, a director of KanHan, to indemnify it against any loss that may arise from this guarantee.

On 24 April 2013, the Buyer informed KanHan that the Audited Profits of KanHan Educational Services Limited for the year ended 31 December 2012 are less than the Guaranteed Profits. The Buyer has therefore requested KanHan to settle the shortfall amount.

No contingent or actual liabilities aroused as Mr. Mo Wai Ming, Lawrence would indemnify the loss from this guarantee and settle the shortfall amount directly to the Buyer.

KanHan Educational Services Limited is a related party of the Group as Mr. Mo Wai Ming, Lawrence, is a common director of the Company and KanHan Educational Services Limited.

Event after End of Reporting Period

Save as disclosed under the sections “Pledge of Assets and Contingent Liabilities” and “Share Option Scheme”, the Group does not have other significant events after the end of the reporting period.

Material Acquisition, Disposal and Significant Investment

The Group did not have any other material acquisition, disposal and significant investment during the periods ended 31 March 2013 and 2012.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES OF THE COMPANY

As at 31 March 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of shares held	Approximate percentage of shareholding
Mr. Lau Man Tak	Corporate interest (<i>Note</i>)	357,483,700	71.50%

Note:

The interest in the shares of Mr. Lau Man Tak is held through Prime Precision Holdings Limited ("Prime Precision"), a company incorporated in the British Virgin Islands, in which the entire issued share capital is beneficially and ultimately owned by Mr. Lau Man Tak. By virtue of the SFO, Mr. Lau Man Tak is deemed to be interested in the shares held by Prime Precision.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY

Substantial Shareholders

To the best knowledge of the Directors, as at 31 March 2013, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were expected to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of substantial shareholders	Capacity	Number of shares (Note 1)	Approximate percentage of shareholding
Prime Precision	Beneficial owner (Note 2)	357,483,700 (L)	71.50%
Mr. Lau Man Tak	Corporate interest (Note 2)	357,483,700 (L)	71.50%

Notes:

1. The letter "L" denotes the entity's interests in the Shares.
2. The interest in the shares of Mr. Lau Man Tak is held through Prime Precision, in which the entire issued share capital is beneficially and ultimately owned by Mr. Lau Man Tak. By virtue of the SFO, Mr. Lau Man Tak is deemed to be interested in the shares held by Prime Precision.

Save as disclosed above, the Company has not been notified of other interests or short positions of any other person (other than the Directors and chief executives and the substantial shareholders of the Company) in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2013.

SHARE OPTION SCHEME

On 8 May 2013, the Company passed an ordinary resolution at the annual general meeting regarding the termination of the old share option scheme (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") whereby the Board may grant share options to employees, directors, suppliers, consultants, agents and advisers or any person, at its discretion, for the primary purpose to recognize and motivate their contribution to the Group. The New Share Option Scheme is valid for a period of 10 years commencing from 8 May 2013. Details of the New Share Option Scheme were set out in the circular of the Company dated 27 March 2013.

For the period ended 31 March 2013 and up to date of this announcement, the Company had no outstanding options under the Old Share Option Scheme or the New Share Option Scheme.

COMPETING INTERESTS

None of the Directors and management and shareholders of the Company (within the meaning of the GEM Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain corporate governance of high standards and quality procedures. The Company has put in place governance practices with emphasis on the integrity to shareholders and quality of disclosure, transparency and accountability to shareholders for the sake of maximizing returns to shareholders.

The Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 15 of the GEM Listing Rules throughout the period ended 31 March 2013 except for the deviation from code provision A.4.1 which is explained below.

Pursuant to A.4.1 of the CG Code, non-executive directors should be appointed for specific terms, subject to re-election. For the period from 1 January 2013 to 28 February 2013, all the existing independent non-executive directors (the “INEDs”) were not appointed for a specific term but are subject to retirement and re-election at the forthcoming annual general meeting of the Company (the “AGM”) and retirement by rotation and re-election at least once every three years at the AGM in accordance with the provisions of the Company’s articles of association. On 1 March 2013, the terms of appointment of the INEDs were revised. Each of the INEDs has entered into a service contract with the Company for an initial term of three years commencing from 1 March 2013, unless terminated by not less than three months’ notice in writing served by either party on the other. The code provision A.4.1 has been complied with thereafter.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company’s annual report and accounts, half-year report, quarterly report and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee comprises three INEDs, namely Mr. Chi Chi Hung, Kenneth, Mr. Chan Wai Fat and Mr. Chui Kwong Kau. Mr. Chi Chi Hung, Kenneth is the chairman of the audit committee.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed with the Board the internal controls and financial reporting matters, including a review of the unaudited first quarterly report for the period ended 31 March 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2013, the Company had 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. The Company also had made specific enquiry of all Directors and the Company was not aware of any non compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2013.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the Company has complied with the public float requirement under Rule 11.23 of the GEM Listing Rules.

On behalf of the Board
Aurum Pacific (China) Group Limited
Lau Man Tak
Chairman

Hong Kong, 10 May 2013

As at the date of this announcement, the Board comprises two executive Directors, Mr. Lau Man Tak and Mr. Mo Wai Ming, Lawrence, one non-executive Director, Mr. Chan Tik Yuen, and three independent non-executive Directors, Mr. Chan Wai Fat, Mr. Chi Chi Hung, Kenneth and Mr. Chui Kwong Kau.

This announcement will remain on the page of "Latest Company Announcements" on the GEM website for at least 7 days from the date of its posting and the website of the Company at www.aurumpacific.com.hk.