THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Aurum Pacific (China) Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

AURUM PACIFIC (CHINA) GROUP LIMITED
奥栢中國集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8148)

VERY SUBSTANTIAL ACQUISITION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

VEDA | CAPITAL
智略資本

A letter from the Board is set out on pages 6 to 46 of this circular.

A notice convening the EGM to be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 12:15 p.m. on 28 December 2012 is set out on pages 147 to 148 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

This circular 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 publication.

10 December 2012

CHARACTERISTICS OF THE GEM

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 the 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.

CONTENTS

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

"Acquisition"	the sale and purchase of the Sale Shares pursuant to the S&P Agreement
"Announcement"	the announcement of the Company dated 8 August 2012 in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of directors of the Company from time to time
"BVI"	British Virgin Islands
"Circular"	this circular of the Company in relation to the Acquisition
"Company"	Aurum Pacific (China) Group Limited (stock code: 8148), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
"Completion"	completion of the Acquisition pursuant to the S&P Agreement
"Consideration"	consideration of the Acquisition, which is subject to adjustment if shortfall(s) of 2012 Guaranteed Amount and/or 2013 Guaranteed Amount occur(s)
"Director(s)"	director(s) of the Company from time to time
"EBITDA"	the consolidated profit or loss before interest, taxes, depreciation and amortization of the Target Group calculated in accordance with the generally accepted accounting principles in Hong Kong or other applicable financial reporting standards as may be agreed by the parties thereto
"EGM"	the extraordinary general meeting of the Company to be convened in respect of the Acquisition and transactions contemplated thereunder
"Enlarged Group"	the Group and the Target Group
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries

"Guarantor" or "Mr. Mo"	Mr. Mo Wai Ming, Lawrence, the guarantor of the Vendors' obligations under the S&P Agreement and the beneficial owner of the 1st Vendor
"HK$" and "cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected person(s) of the Company and is/are not connected person(s) of the Company
"KanHan Education"	KanHan Educational Services Limited, a company incorporated in Hong Kong with limited liability, being a former subsidiary of the Target Company and was disposed to a wholly-owned subsidiary of M Dream in 2010
"Last Trading Day"	21 March 2007, being the last trading day prior to the date of the Announcement
"Latest Practicable Date"	5 December 2012, being the latest practicable date prior to the despatch of this Circular for ascertaining certain information in this Circular
"M Dream"	M Dream Inworld Limited (stock code: 8100), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM
"M Dream Agreement"	the conditional sale and purchase agreement entered into by the Target Company as vendor and a wholly-owned subsidiary of M Dream as purchaser in relation to, among others, the sale and purchase of all the issued share capital of KanHan Education, completion of which took place on 19 July 2010
"M Dream Profit Guarantee"	the audited net profit before tax and any extraordinary or exceptional items of KanHan Education of not be less than HK$6,500,000 for the financial year ending 31 December 2012
"M Dream Shortfall"	any shortfall of the audited net profits before tax and any extraordinary or exceptional items of KanHan Education from the M Dream Profit Guarantee
"Mr. Lau"	Mr. Lau Man Tak, an executive Director and the chairman of the Board of the Company

"PRC"	the People's Republic of China which, for the purpose of this Circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Corporate Model Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, being the purchaser of the Acquisition
"Resumption"	the resumption of trading in the Shares on the GEM
"Resumption Proposal"	the proposal of the Company for the purpose of seeking approval from the Stock Exchange and the SFC (where necessary) on the Resumption
"S&P Agreement"	the sale and purchase agreement dated 26 June 2012 entered into among the Purchaser, the Vendors and the Guarantor in relation to the Acquisition
"Sale Shares"	363,636 shares of the Target Company, representing the entire issued share capital of the Target Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance, Cap 571 of Laws of Hong Kong
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of issued Share(s)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Suspension"	the suspension of trading in the Shares since 22 March 2007
"Target Company"	KanHan Technologies Limited, a company incorporated in Hong Kong with limited liability, beneficially owned as to approximately 55% by the 1st Vendor and approximately 45% by the 2nd Vendor
"Target Group"	the Target Company and its subsidiary
"Vendors"	the 1st Vendor and the 2nd Vendor

"Working Capital Loan"	the loan facility agreement dated 11 April 2012 and side letters dated 26 June 2012 and 15 November 2012 respectively in relation to an unsecured loan facility granted to the Company up to an aggregate principal amount of not exceeding HK$40,000,000 as the working capital and payment of Consideration of the Group
"1st PN"	the promissory notes to be issued by the Company in the principal amount of HK$15,000,000 (subject to adjustment) upon Completion
"2nd PN"	the promissory note to be issued by the Company in the principal amount of HK$9,000,000 (subject to adjustment) within seven business days after the issuance of the 2013 Audited Accounts
"1st Vendor"	KanHan Technologies Inc, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Mo, beneficially holding 200,000 shares of the Target Company, representing approximately 55% of the issued share capital of the Target Company, being a vendor of the Acquisition
"2nd Vendor"	Victory Connect Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Ha Shu Tong, holding 163,636 shares of the Target Company, representing approximately 45% of the issued share capital of the Target Company, being a vendor of the Acquisition
"2012 Audited Accounts"	the audited consolidated accounts of the Target Group for the year ending 31 December 2012 to be prepared in accordance with the generally accepted accounting principles in Hong Kong by auditors of the Company (or such other accounting firm as to be agreed by the parties thereto)
"2012 EBITDA"	the audited EBITDA of the Target Group for the year ending 31 December 2012 as shown in the 2012 Audited Accounts
"2012 Guaranteed Amount"	the EBITDA of the Target Group for the year ending 31 December 2012 of not less than HK$5.5 million
"2012 Shortfall"	the shortfall, if any, of the 2012 EBITDA from the 2012 Guaranteed Amount, payable by the 1st Vendor and/or the Guarantor to the Purchaser pursuant to the S&P Agreement

"2013 Audited Accounts"	the audited consolidated accounts of the Target Group for the year ending 31 December 2013 to be prepared in accordance with the generally accepted accounting principles in Hong Kong by auditors of the Company (or such other accounting firm as to be agreed by the parties thereto)
"2013 EBITDA"	the audited EBITDA of the Target Group for the year ending 31 December 2013 as shown in the 2013 Audited Accounts
"2013 Guaranteed Amount"	the EBITDA of the Target Group for the year ending 31 December 2013 of not less than HK$8.5 million
"2013 Shortfall"	the shortfall, if any, of the 2013 EBITDA from the 2013 Guaranteed Amount, payable by the 1st Vendor and/or the Guarantor to the Purchaser pursuant to the S&P Agreement
"%"	per cent.

AURUM PACIFIC (CHINA) GROUP LIMITED
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(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8148)

Executive Directors
Mr. Lau Man Tak *(Chairman)*
Mr. Lee Ah Sang *(Chief Executive Officer)*

Independent non-executive Directors
Mr. Chi Chi Hung, Kenneth
Mr. Chan Wai Fat
Mr. Chui Kwong Kau

Registered office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal place of business in Hong Kong
Unit 903, 9/F, Wings Building
110–116 Queen's Road Central
Central, Hong Kong

10 December 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition.

On 26 June 2012, the Purchaser, a wholly-owned subsidiary of the Company, entered into the S&P Agreement with the Vendors, whereby the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company at a consideration of HK$28 million. The Target Company was incorporated in Hong Kong with limited liability. The Target Group is principally engaged in developing and marketing of patented server based technology and the provision of software related services.

Pursuant to the S&P Agreement, the 1st Vendor and the Guarantor have warranted and guaranteed to the Purchaser that, (i) the 2012 EBITDA will not be less than the 2012 Guaranteed Amount of HK$5.5 million; and (ii) the 2013 EBITDA will not be less than the 2013 Guaranteed Amount of HK$8.5 million. If the 2012 EBITDA is less than the 2012 Guaranteed Amount or if the 2013 EBITDA is less than the 2013 Guaranteed Amount, the 1st Vendor and the Guarantor shall be obliged to compensate and pay the Purchaser the relevant shortfall.

The purposes of this Circular are to provide the Shareholders with, among other things, (i) further information in respect of the Acquisition; (ii) financial information of the Group and the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) a notice to convene the EGM. The Acquisition is subject to, among others, the Shareholders' approval at the EGM and no Shareholder is required to abstain from voting on the resolution in relation to the Acquisition.

PRINCIPAL TERMS OF THE S&P AGREEMENT

Parties:

(1) Purchaser:

Corporate Model Limited, a wholly-owned subsidiary of the Company.

(2) Vendors:

the 1st Vendor, KanHan Technologies Inc, which is wholly and beneficially owned by Mr. Mo Wai Ming, Lawrence, is the beneficial owner of 200,000 shares of the Target Company, representing approximately 55% of the entire issued share capital of the Target Company. The 1st Vendor is an investment holding company. Mr. Mo is the chief executive officer and founder of the Target Company; and

the 2nd Vendor, Victory Connect Limited, which is wholly and beneficially owned by Mr. Ha Shu Tong, is the beneficial owner 163,636 shares of the Target Company, representing approximately 45% of the entire issued share capital of the Target Company. The 2nd Vendor is an investment holding company. Mr. Ha Shu Tong is a merchant.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are Independent Third Parties. The Vendors are companies incorporated in the BVI with limited liability and are principally engaged in investment holding. There is no relationship among Mr. Lau, an executive Director and the chairman of the Board, and his associates and the Vendors and their respective associates. Mr. Lau is the sole shareholder of Prime Precision Holdings Limited, a controlling shareholder of the Company.

(3) Guarantor:

Mr. Mo Wai Ming, Lawrence as the Guarantor has unconditionally and irrevocably undertaken to the Purchaser to procure the due and punctual performance by the Vendors of all the obligations under the S&P Agreement and undertaken to indemnify the Purchaser (if necessary by the payment of cash on first demand) against all liabilities, losses, damages, costs and expenses stipulated under the S&P Agreement (including but not limited to any non-fulfillment of the 2012 Guaranteed Amount and 2013 Guaranteed Amount) or otherwise which the Purchaser may suffer or incur in connection with any default or delay on the part of the Vendors in the performance of such obligations.

Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The Consideration for the sale and purchase of the Sale Shares is determined after arm's length negotiation between the Vendors and the Purchaser with reference to, among other things, (i) the price-to-EBITDA ratio of approximately 4 times to the average of 2012 Guaranteed Amount and 2013 Guaranteed Amount, which is within the range of the price-to-EBITDA ratio of companies listed on the Stock Exchange whose principal activity is similar to that of the Target Group; (ii) the 2012 Guaranteed Amount; (iii) the 2013 Guaranteed Amount; and (iv) the prospect of the Target Group's business under the section headed "FUTURE PROSPECTS OF THE ENLARGED GROUP" and "REASONS FOR THE ACQUISITION" below. The price-to-EBITDA ratios of the comparable listed companies in Hong Kong engaging in the similar businesses of the Target Group ranged from approximately 0.40 times to approximately 31.55 times with a mean of approximately 8.17 times as at the date of the S&P Agreement.

Pursuant to the S&P Agreement, the Consideration of HK$28 million is payable in the following manners:

(a) as to HK$4,000,000 shall be satisfied by paying the 2nd Vendor (or its nominee at its direction) in cash or by cheque within five business days upon execution of the S&P Agreement, being the deposit and the part payment towards the Consideration;

(b) as to HK$15,000,000, of which HK$8,600,000 shall be paid to the 2nd Vendor (or its nominee at its direction) and HK$6,400,000 shall be paid to the 1st Vendor (or its nominee at its direction), shall be satisfied (i) in the event that the Resumption has been effected, in cash or by cheque by the Purchaser to the Vendors (or their respective nominee(s)) upon Completion; or (ii) in the event that the Resumption has not been effected, by the Purchaser to procure the Company to issue the 1st PN with the relevant principal amount to each of the 1st Vendor and the 2nd Vendor (or their respective nominee(s)) upon Completion; and

(c) as to the remaining balance of HK$9,000,000 shall be paid to the 1st Vendor (or its nominee at its direction) within seven business days after the issuance of the 2013 Audited Accounts and shall be satisfied (i) in the event that the Resumption has been effected, in cash or by cheque payable to the 1st Vendor (or its nominee at its direction) by the Purchaser; or (ii) in the event that the Resumption has not been effected, by the Purchaser to procure the Company to issue the 2nd PN to the 1st Vendor (or its nominee at its direction) within seven business days after the issuance of the 2013 Audited Accounts.

The Consideration shall be settled by the Working Capital Loan. The first payment of HK$4,000,000 of the Consideration has been settled on 3 July 2012.

Conditions precedents

Completion of the S&P Agreement will be conditional in all respects upon:

(a) the Purchaser being fully or substantially satisfied with the results of the due diligence review to be conducted on the Target Group;

(b) all necessary consents, licences and approvals required to be obtained on the part of the Vendors and the Group in respect of the S&P Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect and the Target Group having duly performed and complied with all agreements, obligations and conditions contained in the S&P Agreement that are required to be performed or complied with by them on or before Completion;

(c) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser and the Company in respect of the S&P Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(d) all necessary consents, licences and approvals required to be obtained on the part of the Guarantor in respect of the S&P Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(e) if necessary, the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the S&P Agreement and the transactions contemplated thereunder, including but not limited to the execution of the 1st PN and the 2nd PN in accordance with the terms therein, and in relation to the transactions contemplated under the S&P Agreement, all relevant regulatory requirements (including but not limited to those under the GEM Listing Rules and all relevant applicable regulatory requirements in Hong Kong) having been complied with and satisfied;

(f) if necessary, all approvals by the Shareholders, government and regulatory authorities (including but not limited to the Stock Exchange) for the S&P Agreement and the transactions contemplated thereunder having been obtained;

(g) the warranties in the S&P Agreement remaining true, accurate and complete in all respects;

(h) the despatch of the Circular by the Company as required under the GEM Listing Rules; and

(i) the Purchaser being satisfied that there has not been any material adverse change in respect of any member of the Target Group since the date of the S&P Agreement.

Each of the Vendors shall use its best endeavours to assist the Purchaser in connection with the due diligence review to be conducted and, in particular, shall procure that all information and documents required pursuant to the GEM Listing Rules, and other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, documents, independent advice or otherwise are duly given promptly to the Purchaser, the Company, the Stock Exchange, the SFC and other relevant regulatory authorities.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions set out in conditions (a) and (g) above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. If the conditions set out above have not been satisfied on or before 31 December 2012, or such later date as the Vendors and the Purchaser may agree in writing, the S&P Agreement shall cease and terminate and save for certain clauses in the S&P Agreement and save for any antecedent breach, neither party shall have any obligations and liabilities towards each other hereunder.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

For the avoidance of doubt, the Completion will not be subject to the Resumption. Shareholders and potential investors of the Company shall note that the Completion does not imply the Resumption would proceed and the Resumption Proposal may or may not be approved by the Stock Exchange.

Profit guarantee and adjustments of Consideration

Under the S&P Agreement, the 1st Vendor and the Guarantor have irrevocably warranted and guaranteed to the Purchaser that:

(i) the 2012 EBITDA will not be less than the 2012 Guaranteed Amount of HK$5.5 million; and

(ii) the 2013 EBITDA will not be less than the 2013 Guaranteed Amount of HK$8.5 million.

2012 Shortfall

In the event that the 2012 EBITDA is less than the 2012 Guaranteed Amount of HK$5.5 million, the Consideration will be adjusted downward by the 1st Vendor and/or the Guarantor paying the Purchaser the shortfall between the 2012 Guaranteed Amount and the 2012 EBITDA as follows:

2012 Shortfall = 2012 Guaranteed Amount – 2012 EBITDA

where the 2012 EBITDA may be positive (net profit) or negative (net loss) and 2012 Shortfall is the compensation amount to be paid by the 1st Vendor and the Guarantor to the Purchaser and shall be (i) first by way of set off against the payment obligations of the Company under the 1st PN to be issued to the 1st Vendor on a dollar to dollar basis; and (ii) any remaining balance shall be settled by way of cash.

2013 Shortfall

In the event that the 2013 EBITDA is less than the 2013 Guaranteed Amount of HK$8.5 million, the Consideration will be adjusted downward by the 1st Vendor and/or the Guarantor paying the Purchaser the shortfall between the 2013 Guaranteed Amount and the 2013 EBITDA as follows:

2013 Shortfall = 2013 Guaranteed Amount – 2013 EBITDA

where the 2013 EBITDA may be positive (net profit) or negative (net loss) and 2013 Shortfall is the compensation amount to be paid by the 1st Vendor and the Guarantor to the Purchaser and shall be (i) first by way of set off against the payment obligations of the Company under the 2nd PN on a dollar to dollar basis; and (ii) any remaining balance shall be settled by way of cash.

For the avoidance of doubt, the 2nd Vendor shall not be responsible for 2012 Shortfall and 2013 Shortfall. The 1st Vendor and the Guarantor shall be obliged to pay the Purchaser in cash for any shortfall in the event that the principal amount is not sufficient to set off the compensation amount.

For the avoidance of doubt, should the actual audited consolidated EBITDA of the Target Group for the financial year ending 31 December 2012 or 31 December 2013 exceeds the 2012 Guaranteed Amount or 2013 Guaranteed Amount respectively, the surplus shall not be set off against the 2012 Shortfall or 2013 Shortfall, as the case maybe.

For the avoidance of doubt, the parties to the S&P Agreement agreed that in calculation of 2012 EBITDA and 2013 EBITDA, the 2012 EBITDA and 2013 EBITDA will not take into account of or otherwise include any payment to be made by the Group under the M Dream Profit Guarantee and the Target Group under the M Dream Shortfall and the Guarantor shall be solely responsible to indemnify the Target Company, the Purchaser and/or the Company in respect of the M Dream Profit Guarantee and M Dream Shortfall in accordance with the S&P Agreement.

Indemnity for M Dream Profit Guarantee

The Target Company as vendor has entered into the M Dream Agreement with a wholly-owned subsidiary of M Dream as purchaser in relation to, among others, the sale and purchase of all the issued share capital of KanHan Education. Completion of the M Dream Agreement took place on 19 July 2010.

Pursuant to the M Dream Agreement, the Target Company has irrevocably warranted and guaranteed the profits of KanHan Education, inter alia, the audited net profit before tax and any extraordinary or exceptional items of KanHan Education will not be less than the M Dream Profit Guarantee of HK$6,500,000 for the financial year ending 31 December 2012. In the event that the actual profit of KanHan Education is less than the guaranteed profit under the M Dream Profit Guarantee, the Target Company shall be obliged to pay the shortfall in cash.

Pursuant to the S&P Agreement, the Guarantor has unconditionally and irrevocably undertaken and covenanted with the Purchaser to fully and wholly indemnify the Company, the Purchaser and the Target Company and keeps the Company, the Purchaser and/or the Target Company fully indemnified against all losses, liabilities, damages, actions, proceedings, suits, claims, demands, costs, charges and expenses of whatever nature arising from or in connection with the M Dream Shortfall (if any) and/or the M Dream Profit Guarantee. The Guarantor has further undertaken that it will pay on behalf of the Target Company for the shortfall in cash.

Pre-Acquisition Dividends

On or before the date falling two business days immediately before the Completion Date (the "**Record Date**"), the Vendors may, subject to compliance of all applicable laws and regulations and the constitutional documents of each member of the Target Group, procure a special dividend based on the accumulated and realized profits of the Target Group, to be declared, distributed and paid as special dividend to the shareholders whose names appear on the register of members of the Target Group on the Record Date (the "**Pre-Acquisition Dividends**"), provided that (i) the Vendors shall notify the Purchaser in writing in respect of the details of the Pre-Acquisition Dividends at least seven days prior to the declaration of the Pre-Acquisition Dividends; (ii) the Vendors shall procure that the Pre-Acquisition Dividends shall be funded from the internal resources of the Target Group instead of external borrowings and the distribution and payment of the Pre-Acquisition Dividends be completed on the Record Date; and (iii) the consolidated net asset value of the Target Group as at the Completion Date shall remain positive after the distribution and payment of the Pre-Acquisition Dividends and the repayment of shareholders' and related parties' loans as detailed in the following section headed "Repayment of shareholders' and related parties' loans" and there is no minimum consolidated net asset value of the Target Group is imposed.

The Directors are of the view that the payment of Pre-Acquisition Dividends was arrived at after arm's length negotiations with the Vendors and being one of the considerations in entering into of the S&P Agreement. The Pre-Acquisition Dividends under the S&P Agreement is part of the commercial terms agreed among the parties. Further, the payment of Pre-Acquisition Dividends is at the discretion of the Vendors with reference to, among others, the financial position of the Target Group and the aforesaid restrictions stated in the S&P Agreement and the Pre-Acquisition Dividends may or may not be declared. In other words, the

Pre-Acquisition Dividend may only be declared if and only if the Target Group has accumulated and realized profits. Having considered the Target Group's latest operational status and financial position, as the Target Company has accumulated loss as at 30 June 2012, the Directors consider that it is unlikely any Pre-Acquisition Dividend will be paid. In addition, as disclosed in the section headed "REASONS FOR THE ACQUISITION" below, the reasons for the Acquisition is not because of the asset value of the Target Group but for the business prospects and the Directors are accordingly of the view that the payment of Pre-Acquisition Dividends does not have material effects to the Acquisition or the financial position of the Enlarged Group and is fair and reasonable to the Shareholders and the Company.

Repayment of shareholders' and related parties' loans

As at the date of the S&P Agreement, the Target Group is indebted to the Vendors in the amount of approximately HK$914,000 and is indebted to a related company in the amount of approximately HK$242,000. As at 30 September 2012, the outstanding amount due to the Vendors was approximately HK$394,000 and due to the related party was approximately HK$183,000 and such shareholders' and related parties' loans will be repaid before the date of Completion.

Completion

Completion is expected to take place within seven business days following the day on which all the conditions are satisfied, or such other date as the Vendors and the Purchaser may agree. Upon Completion, each member of the Target Group will become wholly-owned subsidiaries of the Company and the financial statements of the Target Group will be consolidated into the accounts of the Group.

Save for the appointment of Mr. Mo as an executive Director and a non-executive Director and the resignation of Mr. Lee Ah Sang as the chief executive officer and executive Director, the Company does not have any intention to change the board composition or management upon Completion.

The Directors confirm that, save for the transactions contemplated under the Resumption and its principal business of the provision of information localization services and the development and sale of software, the Company is not involve in other businesses as at the Latest Practicable Date. The Directors also confirmed that as at the Latest Practicable Date, the Company has not entered into, and does not have the intention to, any agreement, arrangement, understanding or negotiation to effect any significant changes to dispose of or discontinue its existing business.

Major terms of the 1st PN

Issuer:	the Company
Aggregate principal amount:	HK$15,000,000
Initial noteholders:	As to HK$6,400,000, 1st Vendor (or its nominee(s))
	As to HK$8,600,000, 2nd Vendor (or its nominee(s))
Date of issue:	date of Completion
Maturity:	the date falling two years from the date of issue or the date of Resumption whichever is earlier
Interest:	0%
Transferability:	freely transferable

Major terms of the 2nd PN

Issuer:	the Company
Aggregate principal amount:	HK$9,000,000
Initial noteholder:	1st Vendor (or its nominee(s))
Date of issue:	within seven business days after the issuance of the 2013 Audited Accounts
Maturity:	the date falling two years from the date of issue or the date of Resumption whichever is the earlier
Interest:	0%
Transferability:	freely transferable

Working Capital Loan

A loan facility agreement in respect of the Working Capital Loan has been entered into with details as set out below:

Date:	11 April 2012 (and as supplemented by side letters dated 26 June 2012 and 15 November 2012)
Lender:	Prime Precision Holdings Limited, a company incorporated in the BVI and wholly-owned by an executive Director, Mr. Lau. As at the Latest Practicable Date, Prime Precision Holdings Limited and parties acting in concert with it are interested in 142,993,481 Shares, representing approximately 71.50% of the issued share capital of the Company.
Borrower:	the Company
Amount of loan facility:	Up to an aggregate principal amount not exceeding HK$40,000,000
Interest:	0%
Security:	None
Availability period:	From 11 April 2012 until 11 April 2014 (or such other date as the parties thereto may agree)
Usage:	Working capital of the Group (including payment of consideration under the S&P Agreement and settlement of existing loans of the Group when due). As at the Latest Practicable Date, HK$4,000,000 of the Working Capital Loan has been utilized to settle the deposit and the part payment towards the Consideration.

INFORMATION OF THE TARGET GROUP

The Target Company was incorporated in Hong Kong with limited liability in 1999. The Target Group is an information technology ("**IT**") solution provider targeting the Hong Kong and PRC markets with primary focus in the government industry sector and is principally engaged in developing and marketing of patented server based technology and the provision of software related services. The Target Group's IT solutions aim to facilitate government departments and private corporations to communicate with their clients via websites, telephones, and mobile phones using voice (e.g. Interactive Voice Response System ("**IVRS**")) and data (e.g. mobile applications) channels.

The Target Company has been successfully embedding the related technologies into a series of product and services to fend off competitions even in main stream projects such as website development (translation and accessibility components), and interactive voice response (Chinese components). Its current product and service portfolio is detailed in the paragraph under "Products and services" below.

Background

The Target Group was previously a listed asset of a Hong Kong listed company, China Digital Licensing (Group) Limited (stock code: 8175) ("**China Digital**"), until a proposed disposal by China Digital to Mr. Mo as set out in the announcement of China Digital dated 10 December 2008. Back then, the Target Group was principally engaged in the development and marketing of patented server based technology and the provision of software related services.

China Digital considered that the market of patented server based technology and software related business was competitive and more resources were required for the research and development of the Target Group's products. In order to better use the then existing resources, China Digital disposed the Target Group and consolidated all its then resources in developing its newly acquired e-learning business. Without the continued support for the research and development, it was difficult for the Target Group to capture the new opportunities arisen from the paradigm shift in IT development direction from proprietary to web and open source based. Mr. Mo, the founder of the Target Group, is confident in the IT market that the Target Group is focusing and decided to acquire the Target Group from China Digital. The 2nd Vendor subsequently became another shareholder of the Target Company in or about December 2010.

Products and services

Since its incorporation in 1999, the Target Group has been focused on its development of technologies facilitating the global Chinese communities in communicating over Internet on diverse web enabled devices including but not limited to personal computers, mobile devices and telephones. A range of products have since been developed, launched and further improved with special focus in overcoming Chinese language related barriers for the Greater China market. The key development strategy of the Target Group behind the product development is to turn customer projects into standardized products in accordance with company development direction.

The Target Group's patented Chinese language technologies are uniquely positioned to serve the vast Chinese speaking market including the clients in the Greater China region. At the same time, the technologies have also taken care of the needs of the under-privileged groups in accessing the internet.

1. *HanPHONE supported Client Management Infrastructure (CMI)*

HanPHONE IVR system, being the flagship technology component in CMI with a well-established customers base since 2003, is a web-based software application designed to enable telephone users accessing web contents and services of large enterprises in voice format. The technology supports Cantonese, Putonghua and English text to speech and voice recognition. By using the Web-To-Speech technology of the Target Group, users can turn website into an interactive voice response system easily. HanPHONE IVR fuses internet and telephony technologies to allow telephone users listen to latest updates in websites and let webmasters focus on web infrastructure and contents with telephone access comes naturally. Flexible to client's self-development and cost effective, the IVR system platform is easy to manage by using simple web page development skills and non-proprietary interactive voice response system under low maintenance fee.

Hospital Authority's outpatient booking system is one of the largest HanPHONE IVR sites in Hong Kong supporting nearly 500 telephone lines for citizens booking doctor visits in public clinics. Other users include a worldwide investment bank's warrant hotline, a reputable energy supplier's repair booking service, the Housing Department's rent enquiry service and the Registration and Electoral Office's enquiry hotlines.

HanPHONE/HanVOICE were the resulting products from a project Hong Kong Society for the Blind initiated in 2003 to develop the world's first Digital Voice Library system for the visually impaired persons (the "**VIPs**"). The library system would incorporate text-to-speech and telephony technologies for the VIPs to listen to the Internet using a traditional telephone or a personal computer using standard browser. Upon completion of the project, HanPHONE and HanVOICE were further developed into two separate products and launched in 2004. HanPHONE has since been further enhanced to cater for diverse telephony applications such as IVR, voice recording and to present day, PBX and Call Center applications. HanVOICE has since then taken a different route to focus in helping the blind and elderly in surfing the web that the technology converts in real time text information into human sounding voice for them to listen over a standard browser.

HanPHONE IVR is an award winning IVR system. Departing from the traditional approach, HanPHONE IVR integrates tightly with internet ready databases. It allows all time-critical information from the internet be translated into spoken English, Putonghua and Cantonese to be heard over telephones and enables breaking news and daily stock commentaries to serve to telephone users riding the need of voice recording. HanPHONE can also function as the front end automatic diversion and enquiry system to customer call centre application with embedded voice recording function as legally required.

System functions of HanPHONE IVR include:

Voice Prompt Maintenance — an easy scheduling tool allows supervisors to update pre-recorded voice files and to create ad hoc conditional or emergency message with the build-in text-to-speech feature supporting Cantonese, Putonghua and English.

Real Time Monitoring and Reporting — this view lets users to monitor status of the IVR telephone system such as caller ID, call flow being navigated and duration. Statistics can be outputted to Excel compatible format for further processing into specific reports.

Campaign Management — companies can schedule outbound calls using customer database in the system for telemarketing campaigns and customer surveys. Call messages and questionnaires can be individualized.

Voice Logging Management — it is a digital recording and monitoring solution which fully utilizes the connection of existing client TCP/IP data network infrastructure to perform the recording function. This function captures, digitizes and compresses voice and is able to upload the recorded voice files to a HanPHONE IVR server for playback, analysis and report generation using the administrator interface.

System features of HanPHONE IVR include:

- Support HTML and XML formatted data
- Support popular internet standards
- Provide web-based user interface and script editor for quick call flow modification
- Support HTTP/HTTPS connection for dynamic information processing and announcement
- Support English, Cantonese and Putonghua text-to-speech technology for dynamic information announcement
- Support IVR activated SMS broadcast

HanPHONE Server, a voice application platform developed by the Target Company, encapsulates computer telephony hardware, text-to-speech and ASR (Automatic Speech Recognition) software, allow developers to build voice applications using a subset of HTML as well as a simple markup language called HanPhoneXML. Using HanPHONE Server, the process of developing an IVRS (Interactive Voice Response System) is very similar to that of developing a web application.

2. KanHan Client Management Infrastructure (KanHan CMI)

Introduced in 2011, this is a suite of products built on the latest IP technologies for PABX, call centre, voice recording and computer to telephony integration applications. Accompanied by an open-source based client relationship management solution, KanHan CMI intends to provide users an all-inclusive solution in replacing their aging and proprietary based systems acquired in the past one or two decades. KanHan CMI enables users to fully leverage on the web based technologies and infrastructure at a fraction of the costs in maintaining their present systems.

Client management infrastructure (CMI) of the Target Group incorporates the essential components of unified communication capture and information analytics to form the foundation of building client satisfaction and loyalty. The key components in CMI included customer relation management (CRM), HanPHONE Contact Centre Suite (HCCS) encompassing major telephony technologies such as the IVRS, IP-PBX and voice recording server.

3. HanWEB

HanWEB is a patented software which does website translation between traditional Chinese and simplified Chinese. With minimal investment, a simplified Chinese version, even the Hong Kong specific vocabularies, can be ready in a matter of hours translated into familiar terms use in the PRC. HanWEB is also used in Unicode migration helping clients migrating Chinese data in legacy websites and databases to Unicode encoding.

HanWEB refers to real-time web publishing solutions for Chinese language internet content providers. Utilizing Target Group's proprietary web content processing technology and translation engine, they convert web pages, including referenced style sheets and JavaScript, between traditional and simplified Chinese on the fly. The use of Chinese, Japanese and Korean ("**CJK**") font server of the Target Group ensures the correct display of every character even on non-CJK platforms. In addition, sophisticated image mapping allows different sets of images to be displayed on the translated web pages.

HanWEB was the resulting product from a project to help Trade Development Council's portal to develop a real-time translation technology to generate a simplified Chinese view of the website from its traditional Chinese version for the mainland Chinese audience. Version 1.0 of HanWEB was launched in early 2000 and aggressively marketed to the government sector in Hong Kong, mainland China and Taiwan with resounding success. To synchronize with the evolving Internet technology standards and trends, HanWEB has been further developed to the present date HanWEB version 5.0 which caters to the latest Cloud Hosting trend.

In May 2005, the Target Company was granted China Patent on HanWEB Technology.

HanWEB is the only real-time translation software with HKSCS. Cloud hosting version is available.

4. Solutions to expand business through creative promotions

Mobiles Application Development Services — Since most mobile applications are produced as an application view of website, the Target Company began to offer iPhone and Android applications development service in 2011 as a supplementary service to the website development service. The mobile applications development service, with the integration of internet platforms, creative designs and experienced programming skills, can instantly synchronize with website content and other different systems and will be a new media to be applied into various areas, e.g. brand promotion, quality living and entertainment, etc. This service targets associations which provide public services and have regular information updates to the mass public or designated audiences.

The Target Company has successfully completed two prominent mobile applications for Social Welfare Department's Senior Citizen Card Scheme and Labour Department's Interactive Employment Service. The Target Group has developed different types of iPhone and Android applications for HKSAR Government departments and commercial companies with one-stop solutions. The Target Group is in the view that the growth of the number of mobile commerce applications can be unlimited and will continue its development in this market.

Website Design Service — Equipped with an open-source based content management software, the Target Company also provides full website design and development service. This service included web designs, web application programming, e-newsletter solutions, online booking/ordering systems and email broadcast systems and is to target associations which provide public services and have regular information updates to the mass public or designated audiences. The service has served various multi-national corporations and succeeded in winning many government projects including Social Welfare Department and many themed websites of Department of Health. Leveraging on the Target Company's expertise on web accessibility, the Target Company is in an advantageous competitive position in competing for most government websites' revamping businesses for the years to come. The Target Group is planning to continue its research and development of the latest website design skills (i.e. adaptation of HTML5 and integration with mobile application development) and visual design skills (i.e. improvement of graphic treatment and skills).

eMarketing Campaign Services — The Target Group is one of the market leaders in providing an integrated platform merging voice, SMS, email and if necessary fax all under one single internet based interface in conducting all sorts of e-marketing campaigns. It is an one-stop shop on rental basis providing telephone lines, two-way SMS, email broadcast gax gateways to campaign design, technical programming and executive. It requires integrated technology knowledge on the Target Group's self established HanPHONE IVR, fax and SMS to expand into a rental services for repeated business on rental basis. This service is designed to best suit associations which are looking for non-traditional marketing/advertising channels on campaign basis.

The launch of eMarketing service originated from the integrated Fax function in HanPHONE. The first rental based service eFaxOnline was launched in 2005 and subsequently other HanPHONE functions including SMS broadcast and IVR were made available on subscription and rental basis. It has always been the Target Group's business strategy to turn existing technology know-hows into service offerings to balance and diversify its revenue profile. The Target Group will continue to upgrade the services through the enhancement of its self developed eFax, SMS and IVR (namely HanPHONE IVR) with functions updates and improvement.

5. *Voice System Service to the Under-privileged Groups*

Chinese JAWS — launched in August 2004, is a screen reading software for the visually impaired. Chinese JAWS is the localized version of the world's leading screen reader JAWS which integrates with the Target Group's Cantonese and Putonghua text to speech and Chinese Braille translation technologies to perform all-rounded bilingual screen reading. With Chinese JAWS, the visually impaired shall have no barrier to access Chinese contents on personal computers and surf on Chinese websites in Hong Kong, the PRC and Taiwan. Chinese JAWS is able to access software applications in various formats, such as Excel, Word, PowerPoint and Acrobat for desktop publication, presentation and reporting, navigating on the internet world in English, Cantonese or Putonghua. Also, users can communicate in emails in both English and Chinese to various communities.

Chinese JAWS is a product resulting from the partnership with the global leader in providing screen reader for the computer literate blind persons, Freedom Scientific's (http://freedomscientific.com/), JAWS product. Target Group rode on the success of JAWS in the international market in localizing its language support to include Cantonese and Putonghua. The first version of JAWS supporting Chinese was JAWS 6.0 launched in 2004 and the latest version JAWS 13 is currently under localization targeting to be launched in the 4th quarter of 2012.

Chinese JAWS integrated with the Target Group's text-to-speech technology and the adaptation of Chinese language fonts and character set, it is the enhanced version from the original version from USA. The Target Group updates the database of the vocabulary on a yearly basis follows closely to the development kit provided by the owner of the software, Freedom Scientific. A unique Chinese screen reader can enable users to work with Lotus Symphony, a suite of IBM® tools for word processing, spreadsheets, and presentation creation and with Lotus Notes® by IBM. JAWS also is compatible with Microsoft® Office Suite, MSN Messenger®, Corel® WordPerfect, Adobe® Acrobat Reader, Internet Explorer™, Firefox™ — and many more applications that are used on a regular basis on the job and in school.

To the best knowledge of the management of the Target Group, there is no similar products to Chinese JAWS in the market.

HanVOICE — a voice enabling system for websites integrating human sounding text-to-speech technology to convert text into voice in real time, supporting Chinese in Cantonese and Putonghua, English, Japanese and Korean and possibly all other international languages when text-to-speech for the corresponding language is available. It has instant connection to internet for accurate and speedy delivery of dynamic content. Other key features include generation of voice prompts instructing user to invoke the desired link of information by pressing the corresponding numeric key. Additional navigation control allows jumping between paragraphs by using arrow keys. Telephony extension for conventional telephone and mobile phone user navigating and listening to the same HanVOICE enabled web pages.

Users of HanVOICE included a widely used searching engine (pronunciation for its dictionary service), a sizable securities firm (automatic conversion of text to speech for telephone users), China Disabled Persons' Federation, Chengdu Municipal Government, and Hong Kong Post and Society for the Blind (automatic conversion of text to speech for listening over a standard Internet browser).

Except Chinese JAWS which the Target Group partners with Freedom Scientific other products are developed in-house with technologies originated either from its own engineering work or from open source technologies. Major third party components required in solutions of the Target Group are:

— text-to-speech and voice recognition technologies licensed from Infotalk (www.infotalkcorp.com), SinoVoice (www.sinovoice.com) and Nuance (www.nuance.com)

— computer telephony boards from Dialogic (www.dialogic.com) and other compatible board suppliers from the PRC

To the best knowledge of the management of the Target Group, there is no similar products to HanVOICE in the market.

6. *Other services*

a. **www.efaxonline.com and www.SMSonline.com**, the pre-paid subscription based services allowing individuals and corporations to send and receive fax and SMS via internet. Technologies originated from HanPHONE IVR aiming to enhance the Target Company's profile through public service exposure.

b. **the HanPHONE rental service** is a monthly rental program that allows clients to, instead of owning an IVR and telephony systems, host their IVR application on the Target Company's HanPHONE infrastructure, providing them telephone lines and call flow development services.

c. **Gap Analysis and Rectification Service** to HKSAR government websites for compliance with World Wide Web (W3C)'s Web Content Accessibility Guidelines ("**WCGA**"). HKSAR Government sets the deadline of 31 December 2012 for all government websites to be compliant with WCGA.

Target markets

HanWEB family of software targets enterprises and government agencies for providing a Chinese language interface to their websites including translation between the Traditional Chinese and Simplified Chinese character sets and verbatim delivery of the character information. Beside standard HTML format, the translation technology also support Microsoft Office and PDF files embedded in websites. HanWEB is recently extended to help government departments in migrating legacy websites, applications and databases containing Chinese information to support ISO 10646 international standard encoding scheme.

HanPHONE family is a suite of telephony applications including Call Centre, Computer-Telephone Interconnect, Voice Logging and IVR System. Blended with KanHan Customer Relationship Management software, collectively the KanHan CMI, is positioned to address customer service requirements in most commercial organizations and government agencies.

HanVOICE targets government agencies and large corporations for providing a speech interface to their websites accessible by the visually impaired and elderlies with problems reading information from computer screens.

Major customers and revenue sources

The Target Group has extensive customer profile encompassing companies in diverse industries. The major customers are mainly in Hong Kong. HKSAR Government is the largest customer of the Target Group with over 30 departments utilizing the services of the Target

Group. The revenue contributed from HKSAR Government to the Target Group for financial year ended 31 December 2009–2011 are as follow:

Year	HK$ million	Percentage over total turnover
2009	2.94	39.2%
2010	1.60	29.6%
2011	2.55	30.6%

The Target Group also has other clients of private sectors including, but not limited to, the educational sector and commercial sector (i.e. international and local banks, securities firms, the Stock Exchange and the SFC, etc).

An "User Acceptance Test Procedure" would be carried out by the project management team and development team of the Target Group for testing the customer satisfactory level. As at the Latest Practicable Date, the Target Group has approximately 100% of customer satisfactory level and there was no material complaints or failures on the Target's products or services.

The Target Group earns revenue from five sources:

(1) selling of license software to enterprises and government departments;

(2) selling software applications and related services;

(3) recurring annual maintenance services;

(4) rental and subscription income charged on software applications; and

(5) income charged on upgrading license software.

Based on the past experience, management of the Target Group advised that customers are most likely to apply for recurring annual maintenance services after using the license software. The sales and marketing team will follow up with customers for any software upgrading and new products. Based on this business model, income from maintenance services is rather stable and predictable.

During the period from January to June 2012, the Target Group recorded revenue of approximately HK$4 million. The Target Group has unaudited revenue of HK$3 million for four months ended 31 October 2012. Based on the information provided by the sale and marketing team of the Target Group, projects of approximately of HK$5 million and HK$2 million have been confirmed and to be recognised for the financial years ending 31 December 2012 and 2013 respectively. The Target Group is further negotiating for projects worth of HK$15 million for the year ending 31 December 2013.

Operation flow of IT Services, Mobiles Applications Development, Website Design and eMarketing

Customers

↓

Visit KanHan website for products/services information

↓

Contact KanHan by phone/email

↓

Negotiate terms with customers

↓

Issue quotation to customers

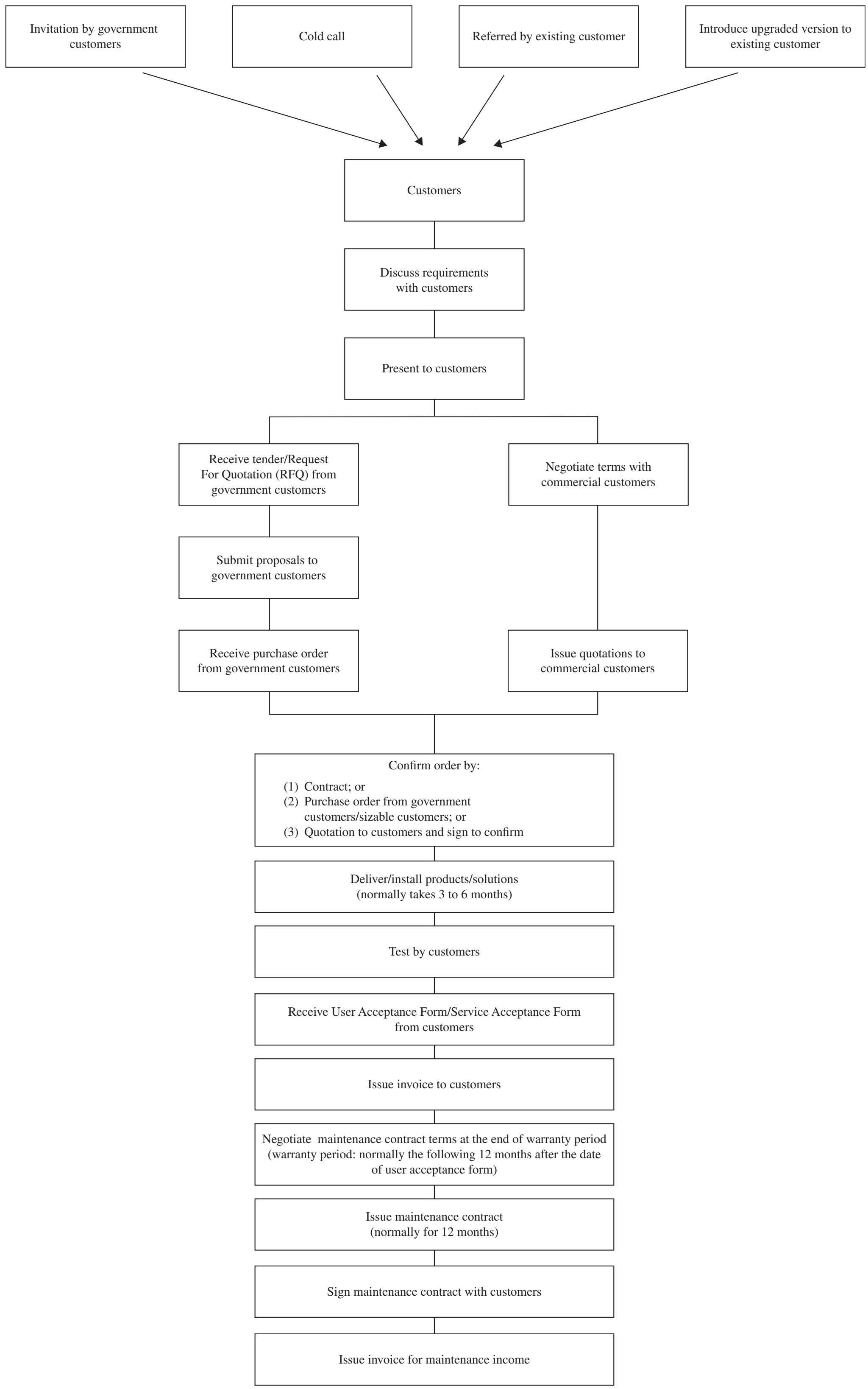
↓

Confirm orders by signing quotation

↓

Issue invoice

Operation flow of HanPHONE, HanWEB, HanVOICE, JAWS



Marketing and distribution

In Hong Kong and PRC, the Target Group sells its products both directly and through major system integration houses. The products are promoted through direct sales by the Target Group's sales team and through other different marketing channels including the uses of fax, direct mails, email broadcasts and press releases to potential customers. The Target Company operates hosted HanPHONE related services on subscription and rental basis in Hong Kong only. The service scope includes efax, SMS and IVR grouped under the e-Marketing solution for individuals and companies.

Staffs

As at the Latest Practicable Date, the Target Group has 22 employees. 15 are IT professionals of which 4 are development engineers responsible for research and development function. Among the 4 engineers, 2 of them are key developers with the Target Group for over 5 years. There are 5 employees in sales and marketing and customer service department. The 2 staffs in Guangzhou office are engaged in business development and technical support.

Particulars of the proposed director and senior management of the Enlarged Group are set out in "10. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT" in Appendix V of this Circular.

Awards of the Target Group

- 2011 Hong Kong ICT Awards — Best Life Style Award (Learning & Living) Silver Award
- 2007 Hong Kong ICT Awards — Best Business (Product) Certificate of Merit
- 2006 Hong Kong ICT Awards — Digital Inclusion, Gold Award
- China Nomination to 2005 World Summit Award
- 2004 Hong Kong Computer Society — Certificate of Merit in the Communications Applications Category of the Asia Pacific Information and Communications Technology Awards
- 2004 Hong Kong Computer Society — 6th IT Excellence Awards (SMEs) — Certificate of Merit in the Product Category
- 2003 Deloitte Touches Tohmatsu — Asia Pacific Technology Fast 500 Award
- 2002 Hong Kong Awards for Industry — HKSTP Certificate of Merit in Technological Achievement
- 2002 Hong Kong Awards for Industry — Federation of Hong Kong Industries Consumer Product Design Award
- 2001 Hong Kong Awards for Industry — HKSTP Technological Achievement Award

- 2001 Hong Kong Computer Society — 4th IT Excellence Awards — Product Silver Award

The awards mentioned above have been instrumental in the Target Group's marketing and promotion plans in demonstrating recognition from IT professional bodies thus gaining the prospective customers' confidence in evaluating and adopting Target Group's relative young products. The Target Group has gradually been building up its customer base, establishing long-term relationship with its customers and building its brand and reputation. Accordingly, the Target Group shall become less reliance on these awards and shall attract customers by its reputation and qualities of services and products instead.

Intellectual property rights of the Target Group

The Target Company currently owns one patent which is on HanFont server technology, a critical component in the Target Group's flagship HanWEB Publishing Server product which covers innovative methodology in ensuring unlimited number of distinctive Chinese characters to be displayed on a web browser. Such patent was approved on 1 April 2005 by the Chinese patent office under the application number 00126309.9, which is renewable annually and has been renewed at a term of 12 months from August 2012.

Save as disclosed, the Target Group does not own any other intellectual property rights.

*Small Entrepreneur Research Assistance Programme ("**SERAP**")*

The Target Company has applied for the SERAP under The Innovation and Technology Fund ("**ITF**") of the HKSAR Government. SERAP is to provide pre-venture capital funding support on a matching basis to small technology entrepreneurs conducting research and development and to help for developing ideas through to successful commercialization. The funding of HK$1,506,900 in aggregate assists the Target Company in developing specific products, namely HanPHONE and HanVOICE. The funding is unsecured, non-interest bearing with no fixed payment period and repayable to ITF only when revenue is generated from such specific products. The amount, if any, will be repaid on half-yearly basis and calculated as 5% of the gross revenue generated and received. As at 30 September 2012, the outstanding amount due to ITF was HK$991,000. Through the SERAP financial assistance, the Target Group was able to further its research and development in its early stage of business, when bank borrowings were relatively difficult. The Target Group has not considered further applying the same funding on other research and development projects as the interest expenses and repayment schedule might become a burden to the Target Group at the later stage of its business while it is also unlikely for the government to provide funding support to an established commercial setup.

Regulations in Hong Kong

Despite that the Target Group did sell its founding product HanWEB to the PRC and Taiwan, the Target Group has since in or about 2004 shifted its market focus to Hong Kong and the Target Group has not forecasted any major marketing development plan and business outside the Hong Kong market.

There are no specific telecommunication laws in Hong Kong in respect of the business of the Target Group except for the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) (the "**Telecommunications Ordinance**"). Under the Telecommunications Ordinance, any person who establishes or maintains any means of telecommunications is required to be licensed. The Target Group used to hold a Public Non-Exclusive Telecommunications Services License (the "**PNET licence**") from the Office of the Telecommunication Authority ("**OFTA**"). OFTA's primary responsibility is to regulate the telecommunication industry in Hong Kong and to ensure that quality communication services are available to the public at reasonable costs. OFTA is also responsible for drafting and implement policies relating to the telecommunication services in Hong Kong.

OFTA published a statement "Review of the Public Non-Exclusive Telecommunications Service and Services-Based Operator Licensing Regimes" on 19 October 2009. Pursuant to the statement, OFTA would introduce a modified class-3 Service-Based Operator Licence (the "**SBO Licence**") to replace to PNET licences. The SBO Licence is subject to renewal on an annual basis upon the payment of the prescribed fee at the discretion of OFTA. The PNET licence and the SBO Licence may be cancelled or withdrawn by the OFTA in the event of contravention of the Telecommunications Ordinance or any condition attaching to the PNET licence or the SBO Licence.

Under the new scheme, the Target Group needs to hold International Value-Added Network Services (IVANS) under SBO Class 3 License and the Target Group has been holding this type of license since 2009.

The business operations of the Target Group may also be subject to various other legislations in Hong Kong such as the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), the Trade Mark Ordinance (Chapter 559 of the Laws of Hong Kong) and other relevant intellectual property rights laws.

To the best of the Vendors' knowledge, information and belief, the Target Group has complied with the relevant regulations and laws.

Financial information of the Target Group

Set out below the historical financial information of the Target Group:

	For the year ended 31 December 2011 *(audited)* *HK'000*	For the year ended 31 December 2010 *(audited)* *HK'000*
Turnover	8,333	5,406
Profit before taxation and extraordinary items	2,673	22,499 *(Note)*
Profit after taxation and extraordinary items	2,673	22,499 *(Note)*

As at 30 June 2012, the Target Group recorded audited net liabilities of approximately HK$504,000.

Note: including a gain on disposal of KanHan Education in the amount of approximately HK$22,964,000.

Competitive Strengths

Throughout the development process of the Target Group's products, some products' components are based on open sourced software. However, the open source software provided only a framework and basic components of the final product before becoming suitable for its end users while substantial portion of the final products being in-house developed. Extensive modifications and customizations are required to develop unique features that will match with the customers' requirements. For example, HanWEB, for website translation between traditional and simplified Chinese, and HanPHONE, for its unique integration of the Internet and text to speech technologies, are both valued added end products with only small portions of software are originated from open source software. The Target Group, invested in research and development for more than 10 years, sells on its value adding services on open source software enabling unique functions on different products in serving specific applications. Thus the Target Group's products cannot be easily replaced by competitors as there is no completed open source software or technology available in the market which can compete with the functions and features of the Target Group's products.

Take for example, open source internet protocol ("**IP**") based telephone system ("**IP PBX**") is quite mature from a product's perspective. But when a company intends to adopt an IP PBX system, it will require a local company to provide the hardware integration including the personal computer, telecommunication hardware, cabling, modification of software for local telecommunication connection and continued service & support. Therefore only companies with extensive experience in traditional telecom industry and the understanding of the open source software will be able to provide the turnkey service to customers. What has been happening in the past 5 years is that most experienced telecom solution providers, especially in Hong Kong, lost out to IP based telecom technologies as enterprises have been reluctant to continue acquiring traditional solutions. Enterprises, for reasons such as increasing their competitiveness and capturing the fast growing online markets, are actively looking to upgrade what they currently have and would rather delay their replacement and upgrade plan until creditable new IP based solution providers surface in the market.

Today's successful IT companies are those that can utilize the IP technologies to build domain specific solutions fast enough to capture the market share and continues to enhance to a point that there is an economy of scale to create an economic barrier for new comers. Coupled with the in-house developed technologies and the related experience of the Target Group's have demonstrated solution edges over its competitions in two areas:

I. Chinese language related data processing including translation between simplified Chinese and traditional Chinese, legacy Chinese encoding system migration to Unicode industry standard, text to speech and voice recognition for Cantonese and Putonghua. Its flagship patented product HanWEB first introduced in 2000 for website translation between the two Chinese writing systems has been adopted by majority of HKSAR government departments and major financial institutions, including Hong Kong Stock Exchange, Securities and Futures Commission and sizable investment banks.

II. Website accessibility: since 2003, the Target Company has amassed extensive technology know-how in assisting underprivileged groups including visually impaired persons and the elderly in accessing internet without barriers. Hong Kong Society of the Blind launched the world's first website built by the Target Company in the same year that allows the visually impaired persons to listen to the web contents using a standard internet browser or via telephone for those who are unfamiliar with computers. The website was built with the then latest text to speech and telephony technologies supporting Cantonese, Putonghua and English. In 2004, the Target Company partnered with Freedom Scientific, supplier of the global leading screen reading software JAWS, to localize the English version supporting Cantonese and Putonghua such that those visually impaired IT literates can use Chinese JAWS in using computers.

The Target Group is in an excellent position to capture the replacement market for its innovative approach in fusing traditional telecom equipment with open source based IP solutions started as early as in 2004. Built on its credible market reputation in customizing and delivering open source based IP products with unique localization in the past 8 years, the Target Group's product family (i.e. HanPHONE IVR, HanWEB and HanVOICE), being some of the most cost-effective and trust worthy products in the market today (large installed base), has successfully enlarged and secured its market share and created a barrier to entry that potential competitors see no economic reason to build similar solutions in competing even if they had the know-hows to develop. The Target Group, therefore, has a strong competitive edge over new players whom are aspired to build similar products with open source based IP telecom products.

INDUSTRY OVERVIEW

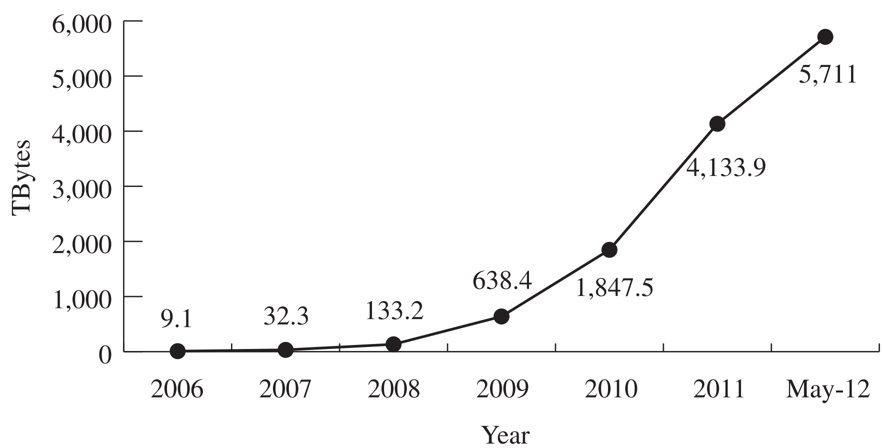
The Target Company is an IT solutions provider targeting Hong Kong and China market with primary focus in the government industry sector. Since its incorporation in Year 2000, the Target Company's product development roadmap has been charted to closely align with the global trends in the merging of IT and Communication Technologies ("**CT**") in forming a new Information & Communication Technologies ("**ICT**") industry. The maturing Internet Protocol ("**IP**") and open source based ICT technologies at the turn of the new century triggered the replacement phenomenon of the proprietary based technologies developed and sold by big name IT vendors in the past decades.

The ICT industry in Hong Kong — Telecommunications

Hong Kong's advanced telecommunications infrastructures with wide range of innovative services available have provided an excellent setting for the local and foreign companies to grow. Located in the centre of Asia, and positioned to enjoy the growth in China and international enterprises entering the city, the demand for telecommunication systems are expected to increase. According to a publication on April 2012, "Hong Kong: The Facts" regarding to telecommunication on the website of GovHK, Hong Kong has one of the most sophisticated and successful telecommunications market in the world and the well-developed telecommunication system has been an important factor that had contributed Hong Kong to develop into a leading business and financial centre. The government's objectives are to provide a level playing field in the telecommunications market and ensure that consumers get the best services available at well affordable prices. Examples of telecommunication platforms include, among others, phone systems, cellular systems and wireless networks.

Over the years, the combination of communication and technology has provided solutions to help Hong Kong, renowned as a city with fast pace, to continuously improve on the fields of services and efficiencies resulting in a revolution. Software and other newly emerged technologies being applied on telecommunication platforms are becoming more common. For instance, increasing usages of programs with automated replies such as the interactive voice response systems have enhanced the competitiveness and efficiency of the user of the system by reducing staff costs by possibly hiring less phone picking staffs, ensuring quality and consistency of the services and are able to handle more incoming calls. General enquiries may also be handled and answered before reaching a representative, depending on the level of complicatedness of the enquiries, allowing more time for the staffs to solve problems and answer questions that might require more time. These programs are commonly used by clinics, banks, utilities companies, government departments and many other corporations in Hong Kong.

Telecommunication improvements with the incorporation of technology were also seen in the cellular systems. In recent years, mobile phones had undergone a significant revolution that resulted in a remarkably increase of mobile subscribers, especially in smart phone users. A mobile phone, nowadays, is a device that may allow its user to take photos like a camera, listen to music like a music player and go on to the internet like a computer. The revolutions of mobile phones have triggered a huge uprising demand for the use of mobile applications ("**apps**") that further enhance the serviceability and satisfaction of using a mobile phone. As of May 2012, there were 14.45 million of mobile subscribers in Hong Kong representing a 217.4% of mobile subscriber penetration rate. The number of mobile users capable of gaining access to mobile data services (2.5G/3G/4G) increased from 2.9 million in December 2007 to 8.9 million in May 2012. During the same period, the volume of mobile data usage had also increased remarkably from 32.3 terabytes to 5,711 terabytes (equivalent to 640.3 megabytes per user). The following graph shows the mobile data usage in terabytes ("**TBytes**") in Hong Kong from December 2006 to 2011 and May of 2012.



source: GovHK

The significant growths of mobile users and data usage, mainly smart phone users, provided a platform for, and further motivated the development and availability of the usage of, mobile apps. The consumers in Hong Kong are at the forefront of global smart phone usage with a smart phone penetration rate of 61% in 2011, ranking among the second highest in the world. Apple Inc., one of the world biggest platform providers for mobile apps downloading across the world, had recorded that 1.5 billion apps were downloaded within the first year, then were able to reach the 15 billion mark by July 2011 and further increased to 25 billion as announced in a recent press release in March 2012. Apple Inc's platform alone, offered over 550,000 apps available to download in less than 4 years. Riding the hot wave of the use of smart phones and mobile apps, different Hong Kong government departments had developed and launched mobile apps to the public to enhance transparency, serviceability and efficiency for the public. Government apps increased from 34 to not less than 43 in three months from May to August 2012. These mobile apps included apps that are for the delivery of e-education, leisure, and government publications to public.

Hong Kong, internationally recognized as a leading digital economy, is consistently achieving top rankings in digital readiness and providing sufficient internet access capabilities to support the growth of the use of mobile apps. With the support of the fully liberalized regime, which allowed no restrictions on foreign ownership or limits to the number of operators in the market, the government has further promoted the development of a vibrant market of international and local internet service providers making the city an internet hub. As of July 2012, there are 184 internet service providers and approximately 10,619 public Wi-Fi access points installed by the government and the private sector. The broadband networks cover nearly all commercial and residential buildings in the territory with a broadband penetration rate of 87%, as at May 2012, is among the highest in the world, while telecommunications charges, ranked among the lowest according to a publication, "Hong Kong — A Premier Location as an ICT Hub", from the Office of the Government Chief Information Officer ("**OGCIO**") on August 2012.

Rapid growth of mobile and software technology have further driven up the demand of the communication and information technology industries. The increasing use of smart phones and increasing locations of internet access through either Wi-Fi or data services have resulted in an internet access friendly environment and thus lead to the immense demand of mobile application which in turn created desirable opportunities for apps developers and other related operators. Communications become much more convenient with the help of better and innovative technologies. The growing popularity of software-as-a-service, such as cloud computing and virtualization concepts, brings new opportunities for software enterprises. Furthermore, the Hong Kong government had proposed to deliver e-services and information via cloud computing for all government offices and departments, develop mobile e-government services for public services and will continue invest on the information technology industry to further position Hong Kong as the Asia's leading digital city.

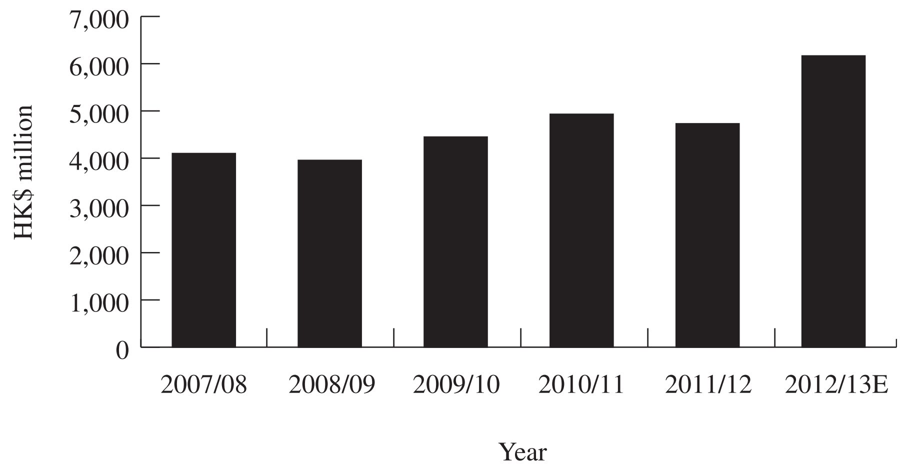
According to a social survey report, published in 2009, found on the GovHK, "Thematic Household Survey Report No. 43 — Information Technology Usage and Penetration" (the "**Survey Report No. 43**"), 73.3% of all households in Hong Kong had their personal computers connected to the internet as compared to 36.4% in the survey report conducted in 2000, the percentages of all households had internet had more than doubled. The internet service is commonly used for information searching, communication and interaction, online entertainment and shopping, banking services and other office or personal affairs. The government uses the internet to deliver effective and citizen-centric e-government services, enhance competency and professionalism and facilitate the development of a digital economy to both personal and corporate users. As noted from the publication from OGCIO mentioned previously, there are about 69,000 visits to GovHK per day between May 2011 to April 2012 and there are more than 98,000 accounts activated on MyGovHK as of June 2012.

The ICT industry in Hong Kong — IT

Hong Kong being an international financial centre and logistics and trading hub, there is a continuously strong demand for the best of breed solutions to drive productivity, efficiency and reliability. The city is also a good test-bed for any new solutions and technologies as the market is big enough to demonstrate while small enough to be practical.

Hong Kong government spending on information technology

The Hong Kong government invests in the IT industry every year to facilitate and achieve for a more digital economy and to enhance internal operational efficiency and improve service provision. The following table shows the government's expenditure on the information technology industry for the recent years.



Source: GovHK

As illustrated from the graph above, expenditure on information technology have been consistent and increased steadily through time by approximately 15.37% from HK$4,099 million in 2007/08 to HK$4,729 million in 2011/12 year. Furthermore, in 2012/13 year, the government has budgeted to spend approximately HK$6,165 million, represented an increase of 30.36% compared to 2011/12 year. In addition, as recorded from the Digital 21 Strategy homepage, the government is estimated to spend approximately HK$6.2 million in 2012/13 year on the information technology industry.

Hong Kong government, being a consistent IT spender, in the past has been saddled with all kinds of ageing computers, telecom equipment and software applications that are no longer compatible with the latest ICT technologies in serving its citizens via diverse channels including the internet, fixed line and mobile telephone network. The crash of the de facto proprietary franchise once controlled globally by a few conglomerates opens up business opportunities all over the world. Together with the government's support and investment, there is a new breed of local ICT solution providers that can help bridge and transit smoothly their existing IT infrastructure to the new IP based backbone at the same time help adopt new digital service delivery channels over the backbone with open source based applications.

Government policies — The Digital 21 Strategy

Hong Kong has always strived to develop and become a leading digital city in a globally connected world. The Digital 21 Strategy was first published in 1998 as the blueprint for Hong Kong's ICT development. On 21 December 2007, the fourth edition of the Digital 21 Strategy was announced and it identified 5 key action areas for implementation for the recent years including:

— Facilitating a digital economy;

— Promoting advanced technology and innovation;

— Developing Hong Kong as a hub for technological cooperation and trade;

— Enabling the next generation of public services; and

— Building an inclusive, knowledge-based society.

Some example of actions implemented and significant achievements as listed in the progress report on the Digital 21 Strategy were as follow:

Improved bureaux/department efficiency and enhanced its services, including but not limited to, (a) the transport department completed the development of a web-based Public Transport Enquiry Service and Driving Route Search Service which will enable public transport users and motorists to search for optimal routes enhancing services to the public; (b) the completion of the upgrading of the Web-based School Administration and Management System in January 2009 had free up staff time from administration work so that more time can be devoted to tasks more directly related to teaching and learning; and (c) the implementation of the information technology system to support the elderly health-care voucher pilot scheme.

The progressive development and deployment of systems to enable territory-wide sharing of electronic health records with patient consent between healthcare professionals in both the public and private sectors. The electronic health records had provided an essential infrastructure to support the implementation of healthcare reform and enhanced continuity of care and efficiency when healthcare services are provided by different healthcare providers.

Force agreed that priority to be given to and enriched the lives of the three needy groups, namely the elderly, low-income families with children and people with disabilities and/or chronic illness with government information technology programmes such as establishing the Rehabilitation Service and the CyberAble.net (www.cyberable.net) to provide people with disabilities information on rehabilitation and related support services, relevant online information and resources, job and training related information, and etc.

The Digital 21 Strategy — websites in Chinese

Under the Digital 21 Strategy for the IT department, the government has developed an open and common Chinese language interface with the objective to address the problems that would occur from having electronic communication conducted in Chinese characters. Using the existence of different coding standards and insufficient characters in some Chinese character set used on computers are some of the common problems currently existed and the result may cause distortion of information in electronic communication and when data exchange are conducted in Chinese. This would create conveniences to users who use Chinese in electronic communication, for example, the users from China, and thus allow the telecommunication industry as well as the economy in Hong Kong to experience and share the strong growth experienced in China.

The Target Company, as a Hong Kong local ICT solution provider, aims to facilitate government departments and corporations to communicate barrier free with their clients in a digital inclusive society. Its product roadmap has been toeing the line of the Digital 21 Strategy For instance, the Target Company's inaugural product HanWEB was researched and developed to resolve the Chinese character encoding problems identified in the first Digital 21 Strategy as mentioned above. Since its launch in 2000, HanWEB has been most successful making its presence into most government websites to provide the simplified Chinese interface. HanWEB was subsequently enhanced to assist government departments in migrating their legacy Chinese database to the international ISO 10646 encoding scheme, another Digital 21 Strategy action item to fix the problem of browsing Chinese information across different computer operating systems and internet browsers.

The Digital 21 Strategy — Web accessibility requirements

The term "Digital Divide" was brought out in the second edition of Digital 21 Strategy announced in 2001 which set the quickening pace in incorporating web accessibility requirements in government websites for the underprivileged community. In December 2008, a survey report published by the Hong Kong government, "Social data collected via the General Household Survey Special Topics Report No. 48 — Persons with disabilities and chronic diseases" estimated that there were 361,300 persons with disabilities (excluding persons with intellectual disability) and the overall prevalence rate of persons with disabilities was 5.2% (expressed as a percentage of the total population of Hong Kong during that year). These accessibility requirements will facilitate persons with disabilities to access to online information and services.

The Target Company embarked on its first web accessibility project with the guidance from Hong Kong Society for the Blind ("**HKSB**") which has the largest membership of VIPs. Resulting from the project are the HanPHONE and HanVOICE web-to-speech products helping the VIPs listen to the enternet using computer or telephone, the first technology application of this kind in the world. The resulting service was introduced to HKSB members in 2004 and since then, the Target Company has been providing all sorts of web accessibility solution and service to government departments and NGOs and was regarded as the leading expert in the field.

Long since 1999, web accessibility requirements in the Guidelines on Dissemination of Information through Government Websites was incorporated, established by the World Wide Web Consortium ("**W3C**"), an international community that develops open standards to ensure the long-term growth of the web. Out of the need to support the creation of websites that work for persons with disabilities, the W3C put together the W3C Web Accessibility Initiative ("**WAI**") to develop guidelines and resources to help make the web accessible to persons with disabilities. These guidelines are the Web Content Accessibility Guidelines ("**WCAG**") aims to make web content more accessible to persons with disabilities. The Hong Kong government sets the deadline of 31 December 2012 for all government websites to be compliant with the WCGA 2.0 Level AA.

The ICT industry and The Target Company

From 2004 onward, the Target Company has been successfully embedding the self-developed and branded HanWEB/HanPHONE/HanVOICE technologies into a series of product and services to expand and compete in main stream ICT projects in website development, telephony applications and mobile App development riding on the global replacement phenomenon of proprietary based technologies and applications.

Into its 13th year of operation, the Target Company has most government department as its customers and is planning aggressive business expansion by delving deeper into each department's ICT needs in accordance with the latest Digital Strategy 21. And the key to the success is to leverage on the Target Company's core competencies in Chinese language technology and web accessibility to outbid competitions on both technical and economic terms for government service applications over the internet, voice and data network of fixed line telephones and mobile phones. The wealth of experience in simplified Chinese migration and web accessibility has allowed the Target Company to capture major business opportunities. Over the years, the Target Company has built a most respectable client base in both government and commercial sectors with many of them replacing their legacy systems with the Target Company solutions.

Risk factors relating to the operation of the Enlarged Group

a. Failure to meet customers' requirements

The Target Group's software and solutions are previously custom designed with significant investment of time and expertise to employ complex technology so that not only industry and government standards but also customers' specifications can be adequately addressed. In the cases if the Target Group lose the ability to incorporate its software and solutions to meet the customers' requirements, the reputation and relationships with the existing and prospective customers may be damaged, which could have a material and adverse effect on the revenue growth.

b. Failure to provide technical supports

The customer profile encompasses companies in diverse industries, including but not limited to HKSAR Government and HSBC, and the information on their websites are occasionally accessible to audience in a global basis. In the events where the audiences who are living in different countries and time zones than the Target Group's, might be hard to receive technical support when needed. The failure to response quickly and immediately to the audiences and customers can affect their satisfaction towards the software and solutions provided by the Target's Group and which could result in an adverse effect on its reputation.

c. Failure to match the rapid pace of technological development

Currently, the Target Group's software and solutions are previously designed before orders were made by the customers. There is no assurance that there will be no technological revolution where the current software and solutions will not be able to function in. The introduction of new technology may render the finished software and solutions obsolete or non-compatible such that the Target Group needs to be able to keep abreast of technological development in the information technology industry and possible re-design and update in a timely matter to meet market needs and consumers' and customers' satisfaction. In the event that the Target Group failed to respond to the technological changes in the market, the competitiveness of its products and therefore its profitability will be adversely affected. Although the Target Group generally produces to order, the rapid pace of the high technology industry requires the constant development of existing products or the invention of substitutes and some of our products may be rendered uncompetitive or obsolete if it failed to respond to new technology development.

In addition, the demand for enterprise IT products and services are also subject to business cycles, which may rise or fall along with overall economic growth and business investment environment. There is no assurance that the current software and solutions provided by the Target Group would not be replaced by other similar products developed and introduced by other competitors. The future success of the Enlarged Group will depend upon its technical know-how on adapting to the new IT technologies, product features and implementation methods, its ability to respond and adapt quickly to IT technology change and business cycles, as well as its capability to understand the changing needs, preferences and requirements of its customers.

d. Failure of operating system and resources

The IT industry relies heavily on necessary skilled personnel to provide technical services and deployment of new machinery to develop new software, solutions and technologies to keep up with technological trend and to maintain competitive to gain shares of the market. On occasion, it is common that such technological services may not be able to meet customers' requirements due to a number of factors including the lack of technology, machinery, skills, expertise or manpower. Timely recruitment and professional trainings are often required for skilled personnel and to do their work efficiently.

In addition, there is no assurance that these skilled personnel will not be lured to the competitors and become their forces after the Target Group provided the required training and time. As a result, the Target Group may be exposed to the risk of having higher labor costs for the reason to obtain its labors. Labour disruptions of any form or scale may cause negative impacts on the Target Group's operations and any material increase in labour costs which the Target Group cannot be passed onto the customers may adversely affect on its profit.

e. Failure to deliver finished products on a timely basis

The IT services that the Target Group provides, for example, Unicode migration and translation, are typically part of a time consuming process. As such, the Target Group often may need to deliver their services according to a pre-agreed master schedule in order for the integration work to be completed as planned. Any delays in the delivery of the finished products or material disruptions to the supply and/or delivery of the services which are responsible to the Target Group after the relevant purchase orders are made may expose the Target Group to possible claims and materially and adversely affect its profits and reputation.

f. Competition

In respect of its software products, the Enlarged Group faces intensive competition from both local and overseas competitors which develop and distribute other software similar to those being offered by the Enlarged Group. The competition could affect the current and future market share of the Enlarged Group, which might lead to price reductions of the Enlarged Group's software products and increase in expenditure in marketing and product development.

In addition, the software industry is characterized by rapid technological changes. If any of the competitors of the Enlarged Group adapts to the technological advances faster, develops new products and services in a more cost effective manner and/or takes a more aggressive pricing strategy than the Enlarged Group does, the Enlarged Group's profitability may be adversely affected.

g. Reliance on key personnel

The Enlarged Group's performance depends, to a significant extent, on the services of Mr. Mo, the founder of the Target Group and the proposed executive Director upon completion of the Acquisition. Should the Enlarged Group lose the service of Mr. Mo, there could be material adverse effect on its operation.

The Directors believe that the Enlarged Group's future success, to a large extent, depends on the continued services of its experienced senior management and its ability to attract, retain and motivate highly skilled IT professional personnel. In addition, the Group's continuous expansion will increase the demand of such professional personnel. However, competition for these highly skilled and experienced IT professionals is intense and there can be no assurance that the Enlarged Group will be able to retain or attract such key executives and IT professionals of the right caliber in the future. The loss of the service of professional personnel or the inability to hire, train and retain other qualified technical and managerial personnel in the future would adversely affect the Enlarged Group's business.

h. Reliance on limited number of customer

The HKSAR Government has been the largest customer of the Target Group. For the year ended 31 December 2009, 2010 and 2011, the HKSAR Government contributed 39.2%, 29.6% and 30.6% respectively to the total turnover of the Target Group. The termination of business relationship with the HKSAR Government without finding a replacement customer could adversely affect the income and business of the Target Group.

i. Risk of infringement of proprietary rights claimed by others

In developing the Target Group's technologies, products and services, the Target Group has used various technologies or know-how which it believes are in the public domain, licenses to the Target Group or it otherwise has the right to use. There can be no assurance, however, that third parties will not institute patent or other intellectual property infringement claims against the Target Group with respect to such technologies, products and services.

As at the Latest Practicable Date, the Directors are not aware of any alleged claims of infringement of patents, copyrights or other intellectual property rights held by third parties in respect of the products marketed by the Target Group.

j. Failure of the software, hardware or systems failure

The software development operation of the Enlarged Group depends heavily on the performance of its hardware and software as well as the services provided by various Internet and telecommunications service providers. Any significant or prolongs breakdown of or disruptions in the use of the hardware and software of the Enlarged Group or the Internet or telecommunications service, whether as a result of computer viruses, power supply or connection failure or otherwise, may adversely affect the software development operations of the Enlarged Group. In addition, the computer network or system of the Enlarged Group is vulnerable to unauthorized access (generally known as "**hacking**") which may jeopardize the security of confidential information stored in it. In the event that the computer network or system of the Enlarged Group is subject to hacking and the Enlarged Group is unable to develop timely and effective remedial measures, it may cause losses to the Enlarged Group or deter potential customers from purchasing or subscribing for its products or services, which could have a material adverse effect on the operations of the Enlarged Group.

Computer viruses may also cause delays or other service interruptions on the Enlarged Group's systems. In addition, the inadvertent transmission of computer viruses could expose us to a risk of loss or litigation and possible liability. The Enlarged Group may be required to expend significant capital and other resources to protect its systems against the threat of such computer viruses and hackers and to alleviate any problems caused by computer viruses or hackers. Moreover, if a computer virus affecting its system is highly publicized, the Enlarged Group's reputation could be materially damaged, which could result in a material and adverse effect on its business. Furthermore, the damages or losses caused by computer viruses to users may lead to litigation and result in additional liabilities to the Enlarged Group.

k. Failure to obtain additional capital

The Directors believe that the current cash and cash equivalents, cash flow from operations will be sufficient to meet our anticipated cash needs for the foreseeable future. The Group may, however, require additional cash resources due to changed business conditions or other future business developments. If these resources are insufficient to satisfy the cash requirements, the Group may seek to issue additional equity or debt securities or obtain a credit facility. The Group's ability to obtain external financing in the future is subject to a variety of uncertainties, including its future financial condition, results of operations and cash flow, share price performance and the liquidity of international capital markets. In addition, the issuance of additional equity securities could result in additional dilution to the Shareholders. Incurring indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict the Enlarged Group's operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to the Enlarged Group, if at all.

l. Failure to fulfill future obligations arising from settlement of the Consideration

The Acquisition was financed by the Working Capital Loan. As at the Latest Practicable Date, the aggregate liabilities incurred from the Working Capital Loan amounted to approximately HK$4 million. The Enlarged Group intends to repay them by cash flows from its operations.

There is no assurance that the Enlarged Group will generate sufficient cash flows from its operations in the near future. If the Enlarged Group is unable to generate sufficient cash flows from operations, such operations will have to be funded by the proceeds from other sources of finance. In the event that the Enlarged Group is unable to obtain adequate financing to fund its operations and for the pursuit of its business plan, the existing operations, performance and prospects of the Enlarged Group as well as its ability to fulfill its obligations arising from settlement of the Consideration may be adversely affected.

m. Failure to obtain all required intellectual properties rights

The Enlarged Group's success depends heavily on its ability to protect its proprietary technologies and processes. The Enlarged Group relies upon patents, copyrights, and trade secret laws and will also rely upon confidentiality and non-disclosure agreements and other measures to establish and protect its proprietary rights to its technologies, products and services. Such protection may not be able to preclude competitors from infringing the Enlarged Group's intellectual property rights in its technologies, products and services. Despite such precaution, it may be possible for a third party to copy or otherwise obtain and use such contents and technology without the Enlarged Group's authorization, or to develop similar technology independently. There can also be no assurance that other companies will not obtain patents similar to or challenge the patents obtained by the Enlarged Group. In addition, policing unauthorized use of the Enlarged Group's proprietary contents and technology is difficult and there can be no assurance that the steps taken by the Enlarged Group will prevent misappropriation or infringement of its rights. In addition, legal proceedings may be necessary in the future to enforce the Enlarged Group's intellectual property rights, to protect its trade secrets and confidential information or to determine the validity and scope of the proprietary rights of others. This could result in substantial costs and diversion of the Enlarged Group's resources and could have a material adverse effect on its business, financial condition and results of operations. If a significant portion of the Enlarged Group's intellectual property is copied, reproduced or used without the Enlarged Group's authorization, the Enlarged Group's business may be adversely affected.

n. Government regulation and legal uncertainties

The application of existing laws to the Internet and Internet-related applications is being clarified and refined in Hong Kong. Depending on the scope and timing of these developments, it is possible that such developments could have a material adverse impact on the business and results of the operations of the Enlarged Group.

REASONS FOR THE ACQUISITION

Prior to the Suspension, the Group was principally engaged in the provision of information localization services, the development and sale of software and custom-made solutions. The Group (i) disposed of the business of trading of computer hardware and software, and computerized smart sockets and related accessories in June 2011; and (ii) further scaled down the business of developing and implementing custom-made solution in the second half of year 2011. Therefore, the Group currently does not have sufficient operation to secure its continual listing on the GEM.

As disclosed in the 2012 interim report of the Group for the six months ended 30 June 2012, the Group has two reportable segments during the period, namely development of custom-made solutions as continuing operations and trading of computer hardware and software, and computerised smart sockets and related accessories as discontinued operation. The disposal of the discontinued operation has been completed in June 2011. Turnover from continuing and discontinued operations represents the revenue from sale of goods after allowances for goods returned and provision of custom-made solutions.

As at 31 December 2011, the Group recorded audited net liabilities of approximately HK$4.55 million and net loss attributable to owners of the Company of approximately HK$3.10 million. For the year ended 31 December 2010, the Group recorded net profit attributable to owners of the Company of approximately HK$119,000. As at 30 June 2012, the Group recorded unaudited net liabilities of approximately HK$4.78 million.

The Target Group is principally engaged in developing and marketing of patented server based technology and the provision of software related services. As such, the principal business of the Target Group is similar to that of the Group prior to the Suspension, being engaging in technological related products and services.

In view of (a) the established development of the products and services of the Target Group; (b) wide base of anchored clients, especially the various departments in the Hong Kong Government, which ensures recurring business base of the Target Group; (c) the potential for the development of the products and services provided by the Target Group; (d) the 2012 Guaranteed Amount and the 2013 Guaranteed Amount, the Directors consider that the Acquisition provides an excellent opportunity for the development of the Group's business and broadens its revenue and customer bases.

It is expected that (i) the Acquisition will generate additional income and revenue for the Group; and (ii) the adjustment mechanism to the Consideration facilitates the safeguard of the 2012 Guaranteed Amount and the 2013 Guaranteed Amount. The Board believes that the Company would have sufficient level of operations and assets under Rule 17.26 of the GEM Listing Rules upon Completion.

The Directors are of the view that the Acquisition is fair and reasonable and is in the interests of the Shareholders and the Company as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and their financial statements will be consolidated in the Company's financial statements. As at 30 June 2012, the Group's total assets was approximately HK$2.3 million and total liabilities was approximately HK$7.0 million. The Group recorded a net loss of approximately HK$3.1 million for the year ended 31 December 2011.

As set out in the "Unaudited pro forma financial information of the Enlarged Group (Resumption has not been effected)" as contained in Appendix IIIA to this Circular, upon Completion, the Enlarged Group's (i) total comprehensive expense for the year attributable to owners of the Company will be increased by approximately HK$0.8 million to approximately HK$3.9 million, assuming the Acquisition was completed on 1 January 2011; (ii) total assets will be increased by approximately HK$27.0 million to approximately HK$29.3 million; (iii) total liabilities will be increased by approximately HK$29.5 million to approximately HK$36.6 million; and (iv) would have recorded net liabilities of approximately HK$7.3 million, assuming the Acquisition was completed on 30 June 2012.

As set out in the "Unaudited pro forma financial information of the Enlarged Group (Resumption has been effected)" as contained in Appendix IIIB to this Circular, upon Completion, the Enlarged Group's (i) total comprehensive expense for the year attributable to owners of the Company will be decreased by approximately HK$0.2 million to approximately HK$2.9 million, assuming the Acquisition was completed and the Resumption has been effected on 1 January 2011; (ii) total assets will be decreased by approximately HK$15.1 million to approximately HK$17.4 million; (iii) total liabilities will be increased by approximately HK$17.6 million to approximately HK$24.7 million; and (iv) would have recorded net liabilities of approximately HK$7.3 million, assuming the Acquisition was completed and the Resumption has been effected on 30 June 2012.

FUTURE PROSPECTS OF THE ENLARGED GROUP

The Target Company's business objectives are to become the dominant supplier in Hong Kong and PRC for the HanWEB and HanVOICE web software solution facilitating communication in text and voice among Chinese people in the two distinct culturally different communities and to become Hong Kong's leading company in supplying IP based telephony solutions for customer service applications to replace the aging proprietary based installations of telephony assisted customer service solutions on business telephone systems, e.g. private branch exchange ("**PBX**") as a private telephone network used within a company; IVR system that automates interactions with telephone callers for customer services, inquiry and support calls; and Call Center in diverse industries.

To achieve the business objectives, the Target Company intends to implement the following strategic initiatives:

1. Market awareness of inherent problems of Chinese languages

The management of the Target Company believes the key success factor to the Target Company is the awareness of government agencies and business enterprises in Hong Kong and PRC, the requirement of providing information in both Traditional Chinese and Simplified Chinese, the importance of the accuracy of no missing information resulting from the shortcomings of the internet access devices including mobile devices and the need for a speech version for building a digital inclusive society.

2. Market awareness of IP Based Telephony Solutions

Another key success factor is the awareness of open-source and IP based telephony technologies have matured to a level for replacement of most proprietary based telephony systems for most customer service applications.

3. Development of products

The Target Company will continue to develop and incorporate latest open-source and IP based technologies into their product line-up addressing requirements in different industry sectors.

4. Prudent pricing model

Most of the Target Company's products are developed in house or customized using open source technologies incurring no additional cost in software licensing. Hence, the Target Company is always in an advantageous position in providing a most cost effective solution meeting customers' budget.

5. Industry and application focus

The management of the Target Company believes it is critical to focus on well-funded and flourishing industries to identify applications that will be benefited by its products most immediately. The Target Company will further focus in large scale project opportunities arising from the needs in these industries and applications.

As abovementioned, the Target Company intends to continue taking efforts in developing and upgrading their products and solutions with a generic growth of the business in the existing market. Such development and future operations of the Target Group are expected to be financed by internal resources and not financing plans in the near future.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios of the Acquisition exceed 100%, the Acquisition and the transactions contemplated thereunder constitute a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to, among others, the Shareholders' approval at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Acquisition and no Shareholder is required to abstain from voting on the relevant resolution(s) in relation to the Acquisition at the EGM.

EGM

A notice of the EGM is set out on pages 147 to 148 of this Circular and the form of proxy for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

Completion of the form of proxy will not preclude you from attending the voting at the EGM or any adjourned meeting thereof should you so wish.

SUSPENSION OF TRADING

Trading in the Shares has been suspended at the request of the Company since 22 March 2007 and will remain in suspension until further notice. The Company shall submit the updated Resumption Proposal to the Stock Exchange as soon as practicable. Further announcement(s) in respect of the Resumption Proposal will be published as and when appropriate.

The Completion will not be subject to the Resumption. Shareholders and potential investors of the Company shall note that the Completion does not imply the Resumption would proceed and the Resumption Proposal may or may not be approved by the Stock Exchange.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition contemplated thereunder are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders to vote in favour of the resolution at the EGM in respect of the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this Circular.

By order of the Board
Aurum Pacific (China) Group Limited
Lau Man Tak
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial summary for the six months ended June 2012 and three years ended 31 December 2011

Financial information of the Group for the six months ended 30 June 2012 is set out in the unaudited consolidated financial statement in the interim report of the Company for the six months ended 30 June 2012 published on 10 August 2012 at http://www.hkexnews.hk/listedco/listconews/GEM/2012/0810/GLN20120810084.pdf.

Financial information of the Group for each of the three years ended 31 December 2009, 2010 and 2011 are set out in the audited consolidated financial statements annual reports of the Company for the years ended 31 December 2009, 2010 and 2011 at http://www.hkexnews.hk/listedco/listconews/GEM/2010/0330/GLN20100330003.pdf; http://www.hkexnews.hk/listedco/listconews/GEM/2011/0329/GLN20110329069.pdf; and http://www.hkexnews.hk/listedco/listconews/GEM/2012/0328/GLN20120328214.pdf respectively.

Set out below is a summary of the financial results of the Group for the six months ended 30 June 2012 and each of the years ended 31 December 2009, 2010 and 2011 as extracted from the interim report of the Company for the six months ended 30 June 2012 and annual reports of the Company for the years ended 31 December 2009, 2010 and 2011 respectively.

	For the six months ended 30 June 2012	For the year ended 31 December 2011	2010	2009
	HK$'000	*HK$'000*	*HK'$000*	*HK'$000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
RESULTS				
Turnover	97	7,019	38,892	36,941
(Loss)/profit before income tax expense	(1,833)	(2,987)	694	12,216
Income tax expense	—	(115)	(575)	(346)
(Loss)/profit for the year	(1,833)	(3,102)	119	11,870
Attributable to:				
Owners of the Company	(1,833)	(3,102)	119	11,870
Non-controlling interests	—	—	—	—
	(1,833)	(3,102)	119	11,870
(Loss)/earnings per share				
Basis (HK cents)	(0.92)	(1.55)	0.06	5.94
Diluted (HK cents)	N/A	N/A	N/A	N/A
ASSETS AND LIABILITIES				
Total assets	2,250	5,517	12,014	11,405
Total liabilities	(7,028)	(10,070)	(13,465)	(11,580)
	(4,778)	(4,553)	(1,451)	(175)
Total equity attributable to owners of the Company	(4,778)	(4,553)	(1,451)	(175)
Non-controlling interests	—	—	—	—
	(4,778)	(4,553)	(1,451)	(175)

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis as extracted from the interim and annual reports of the Company for the six months ended 30 June 2012 and for the years ended 31 December 2011, 2010 and 2009 respectively.

For the Six months ended 30 June 2012

Overview

For the six months ended 30 June 2012, the Group recorded a total turnover from continuing operation of approximately HK$97,000, representing a decrease of 61.5% as compared to that of approximately HK$252,000 for the same financial period in 2011. Loss attributable to owners of the Company amounted to approximately HK$1,833,000, as compared to that of approximately HK$979,000 in 2011.

Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012.

Business Review

For the six months ended 30 June 2012, the Group was principally engaged in provision of custom-made solutions. The trading of computer equipment and accessories ceased upon completion of the disposal of a wholly-owned subsidiary on 24 June 2011. This trading business segment was then classified as discontinued operation for both periods under review. During the period under review, the Group obtained waiver of loans from a former shareholder and waiver of debts due to a related company of HK$1,608,000 and HK$1,125,000 respectively.

Financial Resource and Liquidity

At 30 June 2012, the Group had cash and bank balances of approximately HK$1,600,000 (31 December 2011: HK$4,860,000), and loan with a carrying amount of HK$6,363,000 (31 December 2011: HK$6,163,000) was advanced from an independent third party. The loan is unsecured, bearing interest rate at 3% over the Hong Kong prime rate per annum plus an arrangement fee. The average effective interest rate for the period is approximately 6.3% (31 December 2011: 6.8%) and not repayable before May 2013. In addition, during the current period, a loan facility of up to HK$40,000,000 has been granted by the controlling shareholder. The loan facility is unsecured, interest free and not repayable before April 2014. All the cash and bank balances and the borrowings are denominated in Hong Kong dollars.

Gearing Ratio

At 30 June 2012, total assets of the Group were approximately HK$2,250,000 (31 December 2011: HK$5,517,000) whereas total liabilities was approximately HK$7,028,000 (31 December 2011: HK$10,070,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 312.4% (31 December 2011: 182.5%) and the current ratio, calculated as current assets over current liabilities, was 0.3 (31 December 2011: 0.6). The Directors will continue to take measures to further 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

At 30 June 2012, the Group did not have any substantial pledge of assets and contingent liabilities.

Material Acquisition, Disposal and Significant Investment

On 26 June 2012, the Group entered into a sale and purchase agreement (the "**Agreement**") with independent third parties to acquire 100% equity interest of a company engaging in developing and marketing of patented server based technology and the provision of software related services at a consideration of HK$28 million (the "**Acquisition**"). As at the date of report, first payment of HK$4 million has been settled. Details of the Acquisition were set out in the announcement of the Company dated 6 August 2012.

Save as disclosed above, the Group did not have any other material acquisition, disposal and significant investment.

Prospect

The Board shall submit the updated proposal to the Stock Exchange review for the resumption of trading in the shares on the GEM. Trading in the shares has been suspended at the request of the Company since 22 March 2007 and will remain in suspension until further notice.

In view that the Group currently does not have sufficient operation to secure its continual listing on the GEM, the proposed Acquisition may provide an opportunity for the development of the Group's business and broaden its revenue and customer bases. Meanwhile, the Group will continue the cost control initiatives and exploring means to enhance the efficiency and effectiveness of the Group's capital as a whole.

Employee Information and Remuneration Policy

At 30 June 2012, the Group employed 6 staff. The staff costs (including directors' remuneration) were approximately HK$404,000 for the period under review. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee.

The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

For the year ended 31 December 2011

Business Review

During the year under review, the Group was principally engaged in two business segments, trading of computer equipment and accessories and provision of custom-made solutions. Trading business covered the trading of computerised smart sockets and related accessories while the provision of custom-made solutions comprises the developing and implementing custom-made solutions which are specifically designed and developed for the specific needs and requirements of the particular customers and technical support services. On 31 March 2011, the Company entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in a subsidiary which engages in trading business (the "**Disposal**"). The Disposal was completed on 24 June 2011. The trading business segment was then classified as a discontinued operation for the period under review. Details of the Disposal were set out in the announcements of the Company dated 12 April 2011, 26 May 2011 and 15 June 2011. Disposal could enhance better resources distribution to focus on the business of provision of custom-made solutions.

Financial Review

Overall Review

For the year ended 31 December 2011, the Group recorded a total turnover from continuing and discontinued operations of approximately HK$7,019,000, representing a decrease of 82% as compared with approximately HK$38,892,000 for the year 2010. Loss attributable to owners of the Company amounted to approximately HK$3,102,000 for the year 2011.

In view of the keen competition and poor operating environment of the Group's trading business of computer equipment and related accessories, its turnover and gross profit decreased to HK$6,745,000 and HK$1,079,000 for period from 1 January 2011 to the date of disposal respectively.

Continuing operations included the custom-made solutions business which contributed a turnover and gross profit of approximately HK$274,000 and HK$173,000 to the Group for the year 2011 respectively.

Prospect

The Board has submitted a new resumption proposal on 16 December 2011 involving a proposed acquisition of an IT business engaging a patented server based font technology for its real time on-line communications software platforms and a proposed fund raising has been submitted to the Stock Exchange. Going forward, the Board will explore new investment opportunities to diversify its portfolio and to provide sufficient cash flow to the Group. Meanwhile, the Group will continue the cost control initiatives in order to enhance the efficiency and effectiveness of the Group's capital as a whole.

Financial Resource and Liquidity

At 31 December 2011, the Group had cash and bank balances of approximately HK$4,860,000 (2010: HK$3,225,000), and loans from the controlling shareholder with a carrying amount of HK$1,146,000 (2010: HK$1,078,000), which are unsecured, interest free and not repayable before 31 August 2013. In addition, the Group had a loan with principal amount of HK$5,000,000 (2010: HK$5,000,000) as at 31 December 2011. The loan is unsecured, bearing interest rate at 3% over the Hong Kong prime rate per annum plus an arrangement fee. The average effective interest rate for the year is approximately 6.8%. The loan was originally repayable within one year. The lender has recently agreed to extend the repayment date to May 2013 on the same terms. All the cash and bank balances and the borrowings are denominated in Hong Kong dollars.

Gearing Ratio

As at 31 December 2011, total assets of the Group were approximately HK$5,517,000, (2010: HK$12,014,000) whereas the total liabilities were approximately HK$10,070,000 (2010: HK$13,465,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 182.5% (2010: 112.1%) and the current ratio, calculated as current assets over current liabilities, was 0.6 (2010: 1.0). 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.

Material Acquisition, Disposal and Significant Investment of the Group

Save as disclosed above, the Group did not have any material acquisition, disposal and significant investment.

Pledge of Assets and Contingent Liabilities

As at 31 December 2011, the Group did not have any substantial pledge of assets and contingent liabilities.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011.

Employee Information and Remuneration Policy

As at 31 December 2011, the Group employed 8 staff (2010: 8). Staff costs (including directors' remuneration) was approximately HK$1,346,000 for the year under review (2010: HK$1,528,000). Remuneration is determined by reference to market terms and performance, qualification and experience of individual employee.

The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

For the year ended 31 December 2010

Business Review

During the year under review, the Group is principally engaged in two business segments, trading of computer equipment and accessories and provision of custom-made solutions. Trading business covers the trading of computerised smart sockets and related accessories while the provision of custom-made solutions comprises the developing and implementing custom-made solutions which are specifically designed and developed for the specific needs and requirements to the particular customers on intranet security. For the year ended 31 December 2010, the trading business and the custom-made solutions business contributed turnover of approximately HK$38,332,000 and HK$560,000 respectively.

Profit attributable to owners of the Company narrowed down to HK$119,000 as compared with that of HK$11,870,000 in year 2009. This was mainly due to the Group completed the disposal of the information localisation business segment last year and recorded the one-off gain of approximately HK$12,021,000. After the disposal of this adverse business, the resources were better allocated to the existing business segments and the Group's performance had been improved.

Financial Review

Overall Review

In the financial year 2010, the Group recorded a turnover of approximately HK$38,892,000, a slight increase of 5.3% as compared with approximately HK$36,941,000 in year 2009. The turnover was mainly contributed by the trading business. The gross profit of the Group decreased by 3.9% to approximately HK$6,278,000 from approximately HK$6,534,000 last year. The Group recorded a profit after tax of HK$119,000 in current year from the continuing operations as compared with a loss after tax of HK$151,000 in year 2009. The improvement from continuing operations was mainly due to the better cost control in administrative expenses as well as the increase in turnover.

Prospect

The Board is actively in the progress of preparing the proposal for resumption of the trading of the shares of the Company. Going forward, the Board will explore new investment opportunities to diversify its portfolio and to provide sufficient cash flow to the Group. Meanwhile, the Group will continue to expand in customers range and products range as well as cost control initiatives in order to enhance the efficiency and effectiveness of the Group's capital as a whole.

Financial Resource and Liquidity

At 31 December 2010, the Group had cash and bank balances of approximately HK$3,225,000 (2009: HK$1,018,000), and loans from the controlling shareholder with a carrying amount of HK$1,078,000 (2009: HK$7,658,000), which are unsecured, interest free and not repayable before 31 August 2013. In addition, the Group obtained a loan with principal amount of HK$5,000,000 (2009: HK$Nil) from an independent third party during the year. The loan is unsecured, bearing interest rate at 3% over the Hong Kong prime rate per annum plus an arrangement fee. The average effective interest rate for the year after taking into account of the arrangement fee is approximately 18%. The loan is repayable within one year. All the cash and bank balances and the borrowings are denominated in Hong Kong dollars.

Gearing Ratio

As at 31 December 2010, total assets of the Group were approximately HK$12,014,000, (2009: HK$11,405,000) whereas the total liabilities were approximately HK$13,465,000 (2009: HK$11,580,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 112.1% (2009: 101.5%) and the current ratio, calculated as current assets over current liabilities, was 1.0 (2009: 2.8). The Directors will continue to take measures to further improve the liquidity and gearing position of the Group.

Foreign Exchange Exposure

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

Material Acquisition, Disposal and Significant Investment of the Group

During the year, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the independent third parties in relation to an acquisition of a company engaging in the business of system integration providing e-medical solutions and corporate performance management solutions. The acquisition is not completed as at the date of the reporting period. Save as disclosed above, the Group did not have any material acquisition, disposal and significant investment.

Pledge of Assets and Contingent Liabilities

As at 31 December 2010, the Group did not have any substantial pledge of assets and contingent liabilities.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010.

Employee Information and Remuneration Policy

As at 31 December 2010, the Group employed 8 staff (2009: 10). The staff costs (including directors' remuneration) was approximately HK$1,528,000 for the year under review (2009: HK$3,431,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee.

The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

The Company is committed to maintaining 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 maximising returns to shareholders.

For the year ended 31 December 2009

Business Review

During the year under review, the Group is principally engaged in trading of computer equipment and related computerized accessories, and provision of custommade solutions. For the year ended 31 December 2009, the trading of computer equipment, computerized related accessories had contributed a turnover and gross profit of approximately HK$36,803,000 and HK$6,515,000 respectively, which has become an important business segment of the Group with stable and strong cash flow. During the year of 2009, the Group has resumed its business in custom-made solutions, which is currently engaged in provision of software on intranet security. The Group has been continuously expanding in the range of products and different market segments so as to provide high quality products and services to our customers. It is expected that the Group will continue to grow its business both in the provision of custom-made solutions and the trading of computer equipment and related computerized accessories steadily.

The Group disposed of its entire interest in the wholly-owned subsidiary, Besto Investment Limited together with its subsidiaries in March 2009 and realised a gain on disposal of approximately HK$12,021,000. The subsidiaries disposed of were engaged in the information localisation business and had been dormant for more than two years. As a result of this disposal, the Group has had the distressed business disposed of, and has made a clean break against any potential liabilities arising from the bank loans therein. The performance of the Group, financially as well as operationally, has been improved significantly.

At the same time, the Group has undertaken a strategic review on its operations in order to improve the current business profile, and is committed to seeking all possibilities to provide additional and sufficient cash flow for the Group. As a result of the Group's initiatives, trading of the Company's shares could be resumed hopefully in the near future.

Financial Review

Overall Review

For the year under review, the Group recorded a turnover of approximately HK$36,941,000, representing an increase of approximately 98.8% as compared with approximately HK$18,582,000 for the year ended 31 December 2008. The gross profit of the Group for the year ended 31 December 2009 was approximately HK$6,534,000, representing an increase of 60.4% as compared with approximately HK$4,073,000 for the year ended 31 December 2008. The large increment in turnover and gross profit were mainly contributed by the trading of computerised smart sockets.

As a result of the increase in turnover and decrease in administrative expenses, loss from continuing operations for the year ended 31 December 2009 was approximately HK$151,000, representing a decrease of 98% as compared with approximately HK$7,695,000 for the year ended 31 December 2008. Profit attributable to equity shareholders of the Company for the year ended 31 December 2009 was approximately HK$11,870,000, whereas a loss of approximately HK$9,711,000 was recorded for the year ended 31 December 2008. Profit for the current year was mainly contributed by the gain on disposal of subsidiaries of approximately HK$12,021,000.

Financial Resources and Liquidity

As at 31 December 2009, the Group had bank balances and cash of approximately HK$1,018,000 (2008: HK$5,073,000), and loans from the controlling shareholder with a carrying value of HK$7,658,000, which are unsecured, interest free and not repayable before 31 August 2013. As at 31 December 2008, the Group had loans from the controlling shareholder and a former shareholder with carrying values of HK$12,210,000 and HK$1,146,000 respectively. The loan from a former shareholder was entirely waived by the former shareholder on 31 March 2009. Furthermore, the existing controlling shareholder has undertaken to provide continuing financial support to the Group whenever it is necessary.

Gearing Ratio

As at 31 December 2009, total assets of the Group were approximately HK$11,405,000, (2008: HK$34,939,000) whereas the total liabilities were approximately HK$11,580,000 (2008: HK$49,803,000). The gearing ratio of the Group, calculated as total liabilities over total assets, has been substantially reduced to 101.5% (2008: 142.5%)

and the current ratio, calculated as current assets over current liabilities, has been greatly improved to 2.8 (2008: 0.8). The Directors will continue to take measures to further improve the liquidity and gearing position of the Group.

Foreign Exchange Exposure

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

Material Acquisition, Disposal and Significant Investment of the Group

During the year ended 31 December 2009, the Group disposed of its entire interest in the information localisation business which has not been operated for more than two years. Further details are set out in the circular dated 25 March 2009. Save as disclosed above, the Group did not have any material acquisition, disposal and significant investment.

Pledge of Assets and Contingent Liabilities

As at 31 December 2009, the Group did not have any substantial pledge of assets and contingent liabilities.

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2009.

Employee Information and Remuneration Policy

As at 31 December 2009, the Group employed 10 staff (2008: 8). The staff costs (including directors' remuneration) was approximately HK$3,431,000 for the year under review (2008: HK$3,671,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee.

The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

3. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 October 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Enlarged Group had the following outstanding borrowings:

	Non-current	**Current**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Interest bearing borrowings *(Note 1)*	—	6,490	6,490
Financial assistance from government *(Note 2)*	909	148	1,057
Loan from a shareholder *(Note 3)*	3,676	—	3,676
	4,585	6,638	11,223

Notes:

(1) On 2 May 2010, the Company entered into a loan agreement with an independent third party for a loan of HK$5,000,000. This loan is unsecured, bearing interest rate at 3% over Hong Kong prime rate per annum plus an arrangement fee. The loan and the accrued interest are repayable in May 2013.

(2) The Innovation and Technology Fund ("**ITF**") of the Hong Kong Special Administrative Region Government has provided financial assistance to the Target Company to assist in a specific product development. The funding is unsecured, interest-free and repayable to ITF when revenue is generated from the specific product. In the opinion of the Target Company's director, an amount of HK$148,000 will be repayable to the ITF within the next twelve months as at 31 October 2012.

(3) On 11 April 2012, 26 June 2012 and 15 November 2012, the Company entered into loan facilities letters with its controlling shareholder, Prime Precision Holdings Limited, for the loan facilities of up to HK$40,000,000 (the "**Facilities**") for the purpose of general working capital and payment of Consideration of the Company. On 2 July 2012, the Company drew down HK$4,000,000 from the Facilities. This loan is unsecured, interest-free and repayable on or before 11 April 2014.

Pledge of assets

At the close of business on 31 October 2012, the Enlarged Group did not pledge any asset to banks or other financial institutions.

Contingent liabilities

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

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

At 31 October 2012, the Target Company's director believes the counter-indemnity agreement will enable the Target Company to recover any loss the Target Company may incur arising from the above guarantee.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any bank borrowings, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgage, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 October 2012.

4. WORKING CAPITAL SUFFICIENCY

The Directors noted that in the event that Resumption has not been effected and Working Capital Loan has not been further drawn down, the Consideration is required to be settled by way of issuance of the 1st PN and 2nd PN which would result in net liabilities and negative cash position of the Company. In the event that Resumption has been effected and Working Capital Loan has not been further drawn down, the Consideration is required to be settled in cash which could result in net liabilities and negative cash position of the Company. After due and careful consideration, the Directors are of the opinion that, taking into account of (i) the financial resources and facilities available to the Enlarged Group including the available Working Capital Loan; (ii) the internal generated funds of the Enlarged Group upon Completion; and (iii) the expected due and punctual repayment of all the existing trade receivables upon their maturity by the customers, the Enlarged Group will have sufficient working capital to satisfy its present requirements for at least 12 months from the date of publication of this Circular in the absence of any unforeseen circumstances.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirm that there had been no material changes in the financial or trading position of the Group since 31 December 2011, being the date of which the latest published financial statements of the Group were made up.

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from the Company's reporting accountants, Baker Tilly Hong Kong Limited.

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
2nd Floor, 625 King's Road, North Point, Hong Kong

10 December 2012

The Directors
Aurum Pacific (China) Group Limited
Unit 903, 9/F
Wing's Building
110–116 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to KanHan Technologies Limited ("**KanHan**"), and its subsidiary (hereinafter collectively referred to as the "**KanHan Group**") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the KanHan Group, for each of the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 (the "**Relevant Period**"), and the consolidated statements of financial position of the KanHan Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 together with the explanatory notes thereto (the "**Financial Information**"), for inclusion in the circular of Aurum Pacific (China) Group Limited (the "**Company**") dated 10 December 2012 (the "**Circular**").

KanHan is a limited company incorporated in Hong Kong on 8 October 1999.

The KanHan Group has adopted 31 December as their financial year end date. Details of the companies comprising the KanHan Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in Note 30 of Section B. The statutory financial statements of KanHan were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute Certified Public Accountants (the "**HKICPA**") and the Accounting Standards for Business Enterprise issued by the Ministry of Finance of the People's Republic of China (the "**PRC**") respectively.

The director of KanHan has prepared the consolidated financial statements of the KanHan Group for the Relevant Period in accordance with the accounting policies set out in Section B below (the "**Underlying Financial Statements**").

The Financial Information has been prepared by the director of KanHan based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR AND REPORTING ACCOUNTANTS

The director of KanHan is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules, and for such internal control as the director of KanHan determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of KanHan, its subsidiary or the KanHan Group in respect of any period subsequent to 30 June 2012.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the KanHan Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the KanHan Group and KanHan as at 31 December 2009, 2010 and 2011 and 30 June 2012.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1(b) of Section B to the Financial Information which states that the KanHan Group had net liabilities of HKD34,022,444, HKD4,580,011, HKD1,898,630 and HKD503,872 as at 31 December 2009, 2010 and 2011 and 30 June 2012 respectively. The financial statements have been prepared on a going concern basis because the holding company of the KanHan Group has agreed to provide adequate funds to enable the KanHan Group to meet in full its financial obligations as and when they fall due in the foreseeable future and not to demand repayment of balances due from the KanHan Group until adequate financial resources are available. Such matters indicated the existence of an uncertainty which may cast doubt on the KanHan Group's ability to continue as a going concern.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the KanHan Group comprising, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statements for the six months ended 30 June 2011, together with the notes thereon (the "**Corresponding Financial Information**"), for which the director is responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The director of KanHan is responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquires, 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 on the Corresponding Financial Information.

Based on our review, for the purpose of this report nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. CONSOLIDATED FINANCIAL INFORMATION

1. Consolidated statements of comprehensive income

	Section B Note	Years ended 31 December 2009 HKD	2010 HKD	2011 HKD	Six months ended 30 June 2011 HKD (unaudited)	2012 HKD
Turnover	2	7,498,266	5,406,168	8,333,257	3,291,268	4,376,773
Cost of sales		(1,994,669)	(1,891,795)	(1,950,931)	(930,244)	(1,141,063)
Gross profit		5,503,597	3,514,373	6,382,326	2,361,024	3,235,710
Other revenue and net income	3	114,584	22,986,012	2,417	1,421	1,680
Administrative expenses		(1,911,655)	(1,944,021)	(1,363,974)	(768,433)	(529,593)
Research and development expenses		(789,562)	(1,117,005)	(1,134,236)	(511,723)	(614,219)
Selling and distribution expenses		(730,535)	(940,852)	(1,213,592)	(668,708)	(633,796)
Profit before taxation	4	2,186,429	22,498,507	2,672,941	413,581	1,459,782
Income tax	5	—	—	—	—	—
Profit for the year/period attributable to equity shareholders of KanHan		2,186,429	22,498,507	2,672,941	413,581	1,459,782
Other comprehensive income/(expense)						
Exchange differences on translation of financial statements of foreign subsidiary		118,581	(56,074)	8,440	101,191	(65,024)
Total comprehensive income for the year/period attributable to equity shareholders of KanHan		2,305,010	22,442,433	2,681,381	514,772	1,394,758

The accompanying notes form part of the Financial Information.

2. Consolidated statements of financial position

	Section B Note	At 31 December 2009 HKD	2010 HKD	2011 HKD	At 30 June 2012 HKD
Non-current assets					
Property, plant and equipment	10	109,765	251,023	217,577	209,885
Intangible assets	11	—	—	774,437	1,251,720
		109,765	251,023	992,014	1,461,605
Current assets					
Inventories	14	65,553	43,806	50,805	52,785
Trade and other receivables	15	1,837,992	1,545,820	2,133,005	1,814,487
Amount due from holding company	16	—	4,200,000	—	—
Cash and cash equivalents	17	294,907	195,743	31,948	309,595
		2,198,452	5,985,369	2,215,758	2,176,867
Current liabilities					
Trade and other payables	18	334,547	957,823	370,356	601,642
Financial assistance from government	19	—	198,718	120,052	147,592
Deferred income		1,479,140	1,810,713	2,076,896	1,699,360
		1,813,687	2,967,254	2,567,304	2,448,594
Net current assets/(liabilities)		384,765	3,018,115	(351,546)	(271,727)
Total assets less current liabilities		494,530	3,269,138	640,468	1,189,878
Non-current liabilities					
Financial assistance from government	19	1,295,001	1,096,283	976,231	909,397
Amount due to holding company	16	33,221,973	6,752,866	1,562,867	784,353
		34,516,974	7,849,149	2,539,098	1,693,750
NET LIABILITIES		(34,022,444)	(4,580,011)	(1,898,630)	(503,872)
Capital and reserves					
Share capital	21(b)	200,000	363,636	363,636	363,636
Reserves		(34,222,444)	(4,943,647)	(2,262,266)	(867,508)
TOTAL DEFICIT		(34,022,444)	(4,580,011)	(1,898,630)	(503,872)

The accompanying notes form part of the Financial Information.

3. Statements of financial position of KanHan

	Section B Note	At 31 December 2009 HKD	2010 HKD	2011 HKD	At 30 June 2012 HKD
Non-current assets					
Property, plant and equipment	*10*	79,003	217,328	187,059	183,151
Intangible assets	*11*	—	—	774,437	1,251,720
Investment in a subsidiary	*12*	—	—	—	—
		79,003	217,328	961,496	1,434,871
Current assets					
Inventories	*14*	65,553	43,806	50,805	52,785
Trade and other receivables	*15*	1,800,351	1,502,068	2,082,288	1,772,920
Amount due from subsidiary	*13*	—	502,256	749,257	851,451
Amount due from holding company	*16*	—	4,200,000	—	—
Cash and cash equivalents	*17*	283,942	149,158	7,050	301,944
		2,149,846	6,397,288	2,889,400	2,979,100
Current liabilities					
Trade and other payables	*18*	281,327	817,981	345,196	576,819
Financial assistance from government	*19*	—	198,718	120,052	147,592
Deferred income		1,479,140	1,810,713	2,075,292	1,699,360
		1,760,467	2,827,412	2,540,540	2,423,771
Net current assets		389,379	3,569,876	348,860	555,329
Total assets less current liabilities		468,382	3,787,204	1,310,356	1,990,200
Non-current liabilities					
Financial assistance from government	*19*	1,295,001	1,096,283	976,231	909,397
Amount due to holding company	*16*	33,221,973	6,752,866	1,562,867	784,353
		34,516,974	7,849,149	2,539,098	1,693,750
NET (LIABILITIES)/ASSETS		(34,048,592)	(4,061,945)	(1,228,742)	296,450
Capital and reserves					
Share capital	*21(b)*	200,000	363,636	363,636	363,636
Reserves	*21(a)*	(34,248,592)	(4,425,581)	(1,592,378)	(67,186)
TOTAL (DEFICIT)/EQUITY		(34,048,592)	(4,061,945)	(1,228,742)	296,450

The accompanying notes form part of the Financial Information.

4. Consolidated statements of changes in equity

	Attributable to equity shareholders of KanHan				
	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	HKD	*HKD*	*HKD*	*HKD*	*HKD*
Balance at 1 January 2009	200,000	—	56,500	(36,583,954)	(36,327,454)
Profit for the year	—	—	—	2,186,429	2,186,429
Other comprehensive income	—	—	118,581	—	118,581
Balance at 31 December 2009 and 1 January 2010	200,000	—	175,081	(34,397,525)	(34,022,444)
Profit for the year	—	—	—	22,498,507	22,498,507
Issue of shares	163,636	6,836,364	—	—	7,000,000
Other comprehensive expense	—	—	(56,074)	—	(56,074)
Balance at 31 December 2010 and 1 January 2011	363,636	6,836,364	119,007	(11,899,018)	(4,580,011)
Profit for the year	—	—	—	2,672,941	2,672,941
Other comprehensive income	—	—	8,440	—	8,440
Balance at 31 December 2011	363,636	6,836,364	127,447	(9,226,077)	(1,898,630)
Balance at 1 January 2012	363,636	6,836,364	127,447	(9,226,077)	(1,898,630)
Profit for the period	—	—	—	1,459,782	1,459,782
Other comprehensive expense	—	—	(65,024)	—	(65,024)
Balance at 30 June 2012	363,636	6,836,364	62,423	(7,766,295)	(503,872)
Balance at 1 January 2011	363,636	6,836,364	119,007	(11,899,018)	(4,580,011)
Profit for the period	—	—	—	413,581	413,581
Other comprehensive income	—	—	101,191	—	101,191
Balance at 30 June 2011 *(unaudited)*	363,636	6,836,364	220,198	(11,485,437)	(4,065,239)

The accompanying notes form part of the Financial Information.

5. Consolidated cash flow statements

	Section B Note	Years ended 31 December 2009 HKD	2010 HKD	2011 HKD	Six months ended 30 June 2011 HKD (unaudited)	2012 HKD
Operating activities						
Profit before taxation		2,186,429	22,498,507	2,672,941	53,981	1,459,782
Adjustments for:						
— Bank interest income	3	(78)	(41)	(47)	(9)	(18)
— Depreciation	4(b)	62,978	88,520	103,270	51,775	53,278
— Effect of foreign exchange rate changes, net		118,581	(56,576)	7,194	45,706	(64,784)
— (Gain)/loss on disposal of property, plant and equipment	4(b)	—	(300)	—	—	2,172
— Gain on trading of available-for-sale financial assets	3	—	(22,963,538)	—	—	—
— Property, plant and equipment written-off	4(b)	—	19,968	—	—	1,250
Operating cash flows before changes in working capital		2,367,910	(413,460)	2,783,358	151,453	1,451,680
(Increase)/decrease in inventories		(28,280)	21,747	(6,999)	3,229	(1,980)
Decrease/(increase) in trade and other receivables		93,894	292,172	(587,185)	678,252	318,518
(Increase)/decrease in amount due from holding company		—	(4,200,000)	4,200,000	—	—
(Decrease)/increase in trade and other payables		(1,788,490)	623,276	(587,467)	(624,550)	231,286
(Decrease)/increase in deferred income		(1,162,791)	331,573	266,183	532,179	(377,536)
Increase/(decrease) in amount due to holding company		746,235	(26,469,107)	(5,189,999)	(211,999)	(778,514)
Decrease in amount due to a fellow subsidiary		(120,000)	—	—	—	—
Net cash generated from/(used in) operating activities		108,478	(29,813,799)	877,891	528,564	843,454
Investing activities						
Interest received		78	41	47	9	18
Payment for purchase of property, plant and equipment		(28,237)	(249,244)	(68,578)	(46,728)	(51,948)
Proceeds from disposal of available-for-sale financial assets		—	22,963,538	—	—	—
Proceeds from disposal of property, plant and equipment		—	300	—	—	2,700
Expenditure on development projects	11	—	—	(774,437)	—	(477,283)
Net cash (used in)/generated from investing activities		(28,159)	22,714,635	(842,968)	(46,719)	(526,513)

		Years ended 31 December			Six months ended 30 June	
	Section B	**2009**	**2010**	**2011**	**2011**	**2012**
	Note	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*
					(unaudited)	
Financing activities						
Repayment of financial assistance from government		—	—	(198,718)	(165,381)	(39,294)
Proceeds from issue of shares	*21(b)(ii)*	—	7,000,000	—	—	—
Net cash generated from/(used in) financing activities		—	7,000,000	(198,718)	(165,381)	(39,294)
Increase/(decrease) in cash and cash equivalents		80,319	(99,164)	(163,795)	316,464	277,647
Cash and cash equivalents at 1 January		214,588	294,907	195,743	195,743	31,948
Cash and cash equivalents at 31 December/30 June	*17*	294,907	195,743	31,948	512,207	309,595

The accompanying notes form part of the Financial Information.

B. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and interpretations, issued by the HKICPA. A summary of the significant accounting policies adopted by the KanHan Group is set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the KanHan Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2012. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2012 are set out in Section B Note 29.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the KanHan Group.

At 30 June 2012, the KanHan Group's net current liabilities and net liabilities were HKD271,727 and HKD503,872 respectively. The director of KanHan is of the opinion that the KanHan Group are able to continue as a going concern and to meet their obligations, as and when they fall due, having regard to the following:

(i) the KanHan Group expects to continue to have positive net operating cash inflow in 2012 and 2013;

(ii) the holding company of the KanHan Group has undertaken to provide adequate funds to enable the KanHan Group to meet in full its financial obligations as they fall due for the foreseeable future; and

(iii) the holding company of the KanHan Group undertakes that repayment of advances of HKD784,353 at 30 June 2012 will not be requested until the KanHan Group has sufficient funds to maintain operations.

The director believes that the KanHan Group will have sufficient cash resources to satisfy its future working capital and other operating needs. Accordingly, the Financial Information has been prepared on a going concern basis.

(c) Basis of measurement

The Financial Information is presented in Hong Kong dollars ("**HKD**") except when otherwise indicated. It is prepared on the historical cost basis as explained in the accounting policies set out below.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Section B Note 28.

(e) Subsidiaries

Subsidiaries are entities controlled by the KanHan Group. Control exists when the KanHan Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the KanHan Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in the statement of comprehensive income. Any equity interests retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In KanHan's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Section B Note 1(i)(ii)), unless the investment is classified as held-for-sale.

(f) Basis of consolidation

The Financial Information incorporates the financial statements of KanHan and the entity controlled by KanHan (its subsidiary). Control is achieved where KanHan has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Information of the subsidiary to bring their accounting policies into line with those used by KanHan.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see Section B Note 1(i)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	3 years
Furniture, fixture and equipment	5 years
Computer equipment	3–5 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(h) Intangible assets

All research costs are charged to the statement of comprehensive income as incurred.

Expenditure incurred in relation to a specific project is capitalised and deferred only when the KanHan Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sale the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Project development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the asset's estimated useful life of three years, commencing from the date when the development is completed and the asset is available for use, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least the end of each reporting period.

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any event or change in circumstances indicates that the carrying amount may not be recoverable, an impairment loss is determined and recognised as follows:

For trade and other receivables carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using a provision account. When the KanHan Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the provision account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the provision account are reversed against the provision account. Other changes in the provision account and subsequent recoveries of amounts previously written off directly are recognised in the statement of comprehensive income.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets — development costs; and

— investment in a subsidiary

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year/period in which the reversals are recognised.

(j) Inventories

Inventories, which represent merchandises held for resale, are stated at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Section B Note 1(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Financial assistance from government

The Innovation and Technology Fund ("**ITF**") of the Hong Kong Special Administrative Region government has provided financial assistance to the KanHan Group to assist in a specific product development. The funding is unsecured, interest-free and repayable to ITF when revenue is generated from the specific product. The amount repaid, if any, will be in stages and calculated with reference to the revenue generated and received.

(o) Deferred income

Deferred income represents contractual billings/amount due in excess of recognised revenue resulting from services yet to be rendered or in respect of the unexpired terms of the relevant contracts/ arrangements, or for which the applicable revenue recognition criteria are not yet satisfied. Revenue is recognised and deferred income is released to the statement of comprehensive income when the relevant services are rendered or on a time proportion basis over the terms of the relevant contracts/ arrangements, or when the applicable revenue recognition criteria are satisfied.

(p) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the statement of comprehensive income except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the KanHan Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the KanHan Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**Holder**") for a loss the Holder incurs because a specified debtor fails to make payment when due or fails to fulfil obligation in accordance with the terms of a debt instrument or an agreement.

Where the KanHan Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the KanHan Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issues. In addition, provisions are recognised in accordance with Section B Note 2(q)(ii) if and when (i) it becomes probable that the Holder of the guarantee will call upon the KanHan Group under the guarantee, and (ii) the amount of that claim on the KanHan Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the KanHan Group or KanHan has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the KanHan Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

(i) Sales of licensed software 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 have been passed, provided that the KanHan Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) Software maintenance service income, which is received or receivable from customers when the maintenance service contracts are entered into, is recognised on a straight-line basis over the term of the maintenance service contract;

(iii) Income from website development and the Putonghua learning platform are derived from providing software applications to customers. The income is recognised when services are rendered. Revenue is also recognised in the statement of comprehensive income in respect of deferred income over the term of the service contract;

(iv) Software rental and subscription income from software application, website development and Putonghua learning platform are recognised when the relevant services are rendered;

(v) Interest income is recognised on a time-proportion basis using the effective interest method; and

(vi) Management fee income is recognised when the relevant services are rendered and an invoice issued.

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution/benefit retirement plans are recognised as an expense in profit or loss as incurred.

(t) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the KanHan Group are classified as operating leases.

Where the KanHan Group has the use of assets under operating leases, payments made under the leases are charged to the statement of comprehensive income in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting period in which they are incurred.

(u) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Related parties

(i) A person, or a close member of that person's family, is related to the KanHan Group if that person:

(1) has control or joint control over the KanHan Group;

(2) has significant influence over the KanHan Group; or

(3) is a member of the key management personnel of the KanHan Group or the KanHan Group's parent.

(ii) An entity is related to the KanHan Group if any of the following conditions applies:

(1) The entity and the KanHan Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint venture of a third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the KanHan Group or an entity related to the KanHan Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the Financial Information provided regularly to the KanHan Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the KanHan Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER

The principal activities of the KanHan Group are the provision of communications software platforms. Turnover represents the sales value of goods and services supplied to customers.

The amount of each significant category of turnover recognised during the year/period is as follows:

	Years ended 31 December			**Six months ended 30 June**	
	2009	**2010**	**2011**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD* *(unaudited)*	*HKD*
Sales of licensed software	3,978,689	2,582,412	4,482,111	1,219,990	2,160,632
Software maintenance income	1,729,114	1,934,287	2,300,001	993,388	1,115,290
Software rental and subscription income	472,525	568,867	896,363	787,477	410,116
Putonghua learning platform income	1,272,851	129,567	28,582	11,308	—
Website development income	45,087	191,035	626,200	279,105	690,735
	7,498,266	5,406,168	8,333,257	3,291,268	4,376,773

3 OTHER REVENUE AND NET INCOME

	Years ended 31 December			**Six months ended 30 June**	
	2009	**2010**	**2011**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD* *(unaudited)*	*HKD*
Bank interest income	78	41	47	9	18
Foreign exchange gains, net	483	—	9	17	65
Gain on trading of available-for-sale financial assets *(note)*	—	22,963,538	—	—	—
Gain on disposal of property, plant and equipment	—	300	—	—	—
Management fee income	110,213	—	—	—	—
Sundry income	3,810	22,133	2,361	1,395	1,597
	114,584	22,986,012	2,417	1,421	1,680

Note: On 13 May 2010, KanHan acquired the entire interest in KanHan Educational Services Limited from its holding company, at a consideration of HKD10,000.

On 19 July 2010, KanHan disposed of its 100% interest in KanHan Educational Services Limited to an independent third party at an adjusted consideration of HKD22,963,538.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Years ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD* (unaudited)	*HKD*
(a) Staff costs:					
Salaries, wages and other benefits	2,396,282	2,898,895	2,739,357	1,405,172	1,345,603
Contributions to defined contribution retirement plan	166,629	163,293	160,901	105,251	87,290
	2,562,911	3,062,188	2,900,258	1,510,423	1,432,893
(b) Other items:					
Auditors' remuneration	14,000	30,000	50,000	—	—
Cost of inventories sold	449,518	79,862	8,354	8,354	—
Depreciation	62,978	88,520	103,270	51,775	53,278
Foreign exchange differences, net	(483)	60,592	(9)	(17)	(65)
Gain on trading of available-for-sale financial assets	—	(22,963,538)	—	—	—
(Gain)/loss on disposal of property, plant and equipment	—	(300)	—	—	2,172
Minimum lease payments under operating leases in respect of land and buildings	441,915	256,125	20,280	10,025	12,161
Property, plant and equipment written-off	—	19,968	—	—	1,250

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) No provision for Hong Kong Profits Tax has been made in the consolidated statements of comprehensive income during the Relevant Period as the KanHan Group has tax losses brought forward in excess of the assessable profits for the Relevant Period.

No provision for PRC Enterprise Income Tax has been made in the consolidated statements of comprehensive income during the Relevant Period as the KanHan Group has no assessable profits for the Relevant Period.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	HKD	*HKD*	*HKD*	*HKD* *(unaudited)*	*HKD*
Profit before taxation	2,186,429	22,498,507	2,672,941	53,981	1,459,782
Notional tax charge on profit before taxation, calculated at the rate of 16.5%	360,760	3,712,254	441,035	8,906	240,864
Tax effect of non-taxable income	—	(3,789,034)	—	—	—
Tax effect of non-deductible expenses	82,537	106,198	26,443	14,102	10,793
Tax effect of temporary differences not recognised	5,628	(23,168)	3,873	(614)	517
Utilisation of tax losses previously not recognised	(448,925)	(6,250)	(471,351)	(22,394)	(252,174)
	—	—	—	—	—

6 DIRECTOR'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

No director's emoluments were paid in the Relevant Period.

The emoluments of the five highest paid individuals for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 excluding the director, which all fall within the band of nil to HKD1,000,000 were as follows:

	Years ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	HKD	*HKD*	*HKD*	*HKD* *(unaudited)*	*HKD*
Salaries and allowances	1,283,053	1,344,858	1,483,129	516,387	530,502
Retirement benefit scheme contributions	55,182	57,423	59,429	25,588	28,539
	1,338,235	1,402,281	1,542,558	541,975	559,041

During the Relevant Period, no emoluments were paid by the KanHan Group to the director or any of the five highest paid individuals as an inducement to join or upon joining the KanHan Group or as compensation for loss of office. The director had not waived any emoluments during the Relevant Period.

7 DIVIDENDS

No dividend was paid or proposed during the Relevant Period, nor has any dividend been proposed since the end of the reporting period.

8 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

9 SEGMENT REPORTING

The KanHan Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the KanHan Group's most senior executive management for the purposes of resource allocation and performance assessment.

The KanHan Group is engaged in the sale of licensed software, software maintenance, software rental and subscription, Putonghua learning platform and website development. For management purposes, the KanHan Group operates in one business unit based on its products, and has one reportable segment which is the sale of licensed software and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

The KanHan Group's operations are located in Hong Kong and the PRC (excluding Hong Kong).

The KanHan Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers				
	Years ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*	*HKD*
				(unaudited)	
Hong Kong	7,409,930	5,276,693	8,270,396	3,260,204	4,368,853
PRC (excluding Hong Kong)	88,336	129,475	62,861	31,064	7,920
	7,498,266	5,406,168	8,333,257	3,291,268	4,376,773

	Non-current assets by geographical location			
	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Hong Kong	79,003	217,328	961,496	1,434,871
PRC (excluding Hong Kong)	30,762	33,695	30,518	26,734
	109,765	251,023	992,014	1,461,605

Information about major customers

The KanHan Group's customer base is diversified and includes two customers with whom transactions exceeded 10% of the KanHan Group's revenues in the Relevant Period. The aggregated revenue from two customers for the year ended 31 December 2011, the six months ended 30 June 2011 and 2012 amounted to HKD2,169,795, HKD900,240 (unaudited) and HKD897,422 respectively. For the years ended 31 December 2009 and 2010, the KanHan Group had no sales to a single customer which amounted to 10% or more of the KanHan Group's revenue during the Relevant Period.

10 PROPERTY, PLANT AND EQUIPMENT

KanHan Group	Leasehold improvements *HKD*	Furniture, fixture and equipment *HKD*	Computer equipment *HKD*	Total *HKD*
Cost				
At 1 January 2009	62,060	320,050	961,676	1,343,786
Exchange adjustments	—	—	(44)	(44)
Additions	—	2,220	26,017	28,237
At 31 December 2009	62,060	322,270	987,649	1,371,979
Exchange adjustments	—	—	1,756	1,756
Additions	70,250	48,377	130,617	249,244
Write-offs	(62,060)	—	—	(62,060)
Disposals	—	(152,042)	—	(152,042)
At 31 December 2010	70,250	218,605	1,120,022	1,408,877
Exchange adjustments	—	—	3,270	3,270
Additions	2,900	8,036	57,642	68,578
At 31 December 2011	73,150	226,641	1,180,934	1,480,725
Exchange adjustments	—	—	(713)	(713)
Additions	—	16,438	35,510	51,948
Write-offs	—	(36,927)	(203,791)	(240,718)
Disposals	—	(5,128)	—	(5,128)
At 30 June 2012	73,150	201,024	1,011,940	1,286,114
Accumulated depreciation and impairment				
At 1 January 2009	5,890	299,313	893,751	1,198,954
Exchange adjustments	—	—	282	282
Charge for the year	20,687	12,451	29,840	62,978
At 31 December 2009	26,577	311,764	923,873	1,262,214
Exchange adjustments	—	—	1,254	1,254
Charge for the year	21,203	7,339	59,978	88,520
Eliminated on write-offs	(42,092)	—	—	(42,092)
Eliminated on disposals	—	(152,042)	—	(152,042)
At 31 December 2010	5,688	167,061	985,105	1,157,854
Exchange adjustments	—	—	2,024	2,024
Charge for the year	23,819	13,381	66,070	103,270
At 31 December 2011	29,507	180,442	1,053,199	1,263,148
Exchange adjustments	—	—	(473)	(473)
Charge for the period	12,192	7,399	33,687	53,278
Eliminated on write-offs	—	(35,677)	(203,791)	(239,468)
Eliminated on disposals	—	(256)	—	(256)
At 30 June 2012	41,699	151,908	882,622	1,076,229
Carrying amount				
At 31 December 2009	35,483	10,506	63,776	109,765
At 31 December 2010	64,562	51,544	134,917	251,023
At 31 December 2011	43,643	46,199	127,735	217,577
At 30 June 2012	31,451	49,116	129,318	209,885

KanHan	Leasehold improvements *HKD*	Furniture, fixture and equipment *HKD*	Computer equipment *HKD*	Total *HKD*
Cost				
At 1 January 2009	62,060	320,050	918,450	1,300,560
Additions	—	2,220	25,085	27,305
At 31 December 2009	62,060	322,270	943,535	1,327,865
Additions	70,250	48,377	100,459	219,086
Write-offs	(62,060)	—	—	(62,060)
Disposals	—	(152,042)	—	(152,042)
At 31 December 2010	70,250	218,605	1,043,994	1,332,849
Additions	2,900	8,036	52,379	63,315
At 31 December 2011	73,150	226,641	1,096,373	1,396,164
Additions	—	16,438	35,510	51,948
Write-offs	—	(36,927)	(203,791)	(240,718)
Disposals	—	(5,128)	—	(5,128)
At 30 June 2012	73,150	201,024	928,092	1,202,266
Accumulated depreciation and impairment				
At 1 January 2009	5,890	299,313	880,681	1,185,884
Charge for the year	20,687	12,451	29,840	62,978
At 31 December 2009	26,577	311,764	910,521	1,248,862
Charge for the year	21,203	7,339	32,251	60,793
Eliminated on write-offs	(42,092)	—	—	(42,092)
Eliminated on disposals	—	(152,042)	—	(152,042)
At 31 December 2010	5,688	167,061	942,772	1,115,521
Charge for the year	23,819	13,381	56,384	93,584
At 31 December 2011	29,507	180,442	999,156	1,209,105
Charge for the period	12,192	7,399	30,143	49,734
Eliminated on write-offs	—	(35,677)	(203,791)	(239,468)
Eliminated on disposals	—	(256)	—	(256)
At 30 June 2012	41,699	151,908	825,508	1,019,115
Carrying amount				
At 31 December 2009	35,483	10,506	33,014	79,003
At 31 December 2010	64,562	51,544	101,222	217,328
At 31 December 2011	43,643	46,199	97,217	187,059
At 30 June 2012	31,451	49,116	102,584	183,151

11 INTANGIBLE ASSETS

	KanHan Group and KanHan
	Development costs
	HKD
Cost	
At 1 January 2009, 31 December 2009 and 31 December 2010	—
Additions through internal development	774,437
At 31 December 2011	774,437
Additions through internal development	477,283
At 30 June 2012	1,251,720
Accumulated amortisation	
At 1 January 2009, 31 December 2009, 31 December 2010, 31 December 2011 and 30 June 2012	—
Carrying amount	
At 31 December 2009	—
At 31 December 2010	—
At 31 December 2011	774,437
At 30 June 2012	1,251,720

The development costs represent expenditure incurred for developing electronic software products that has been recognised in accordance with the accounting policy set out in Section B Note 1(h).

There is no amortisation charge in the year/period as the intangible assets are not yet available for use at 30 June 2012.

12 INVESTMENT IN A SUBSIDIARY

	KanHan			
	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Unlisted investment, at cost	1,000,000	1,000,000	1,000,000	1,000,000
Less: Impairment loss	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
	—	—	—	—

Details of the subsidiary are as follows:

Name	Country of incorporation	Percentage of equity interest	Principal activities
KanHan Technologies China Limited* 廣州看漢科技有限公司	The PRC	100%	Provision of communications software platform

* *The English translation of the name is for reference only. The official name of the entity is in Chinese.*

KanHan Technologies China Limited is a wholly-owned foreign enterprise registered in the PRC, with a defined period of existence of 10 years, up to 11 February 2014. The registered capital of the subsidiary is HKD1,000,000.

13 AMOUNT DUE FROM SUBSIDIARY

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Amount due from subsidiary	1,864,590	2,366,846	2,613,847	2,716,041
Less: Impairment loss	(1,864,590)	(1,864,590)	(1,864,590)	(1,864,590)
	—	502,256	749,257	851,451

The amount is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the director, no further impairment losses will occur.

14 INVENTORIES

	KanHan Group and KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Merchandise goods	65,553	43,806	50,805	52,785

15 TRADE AND OTHER RECEIVABLES

	KanHan Group			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Trade receivables	1,603,771	1,477,023	2,020,569	1,622,905
Prepayments	53,525	20,438	62,743	140,396
Deposits and other receivables	180,696	48,359	49,693	51,186
	1,837,992	1,545,820	2,133,005	1,814,487

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Trade receivables	1,576,609	1,452,324	1,990,239	1,604,440
Prepayments	53,525	20,438	62,743	139,174
Deposits and other receivables	170,217	29,306	29,306	29,306
	1,800,351	1,502,068	2,082,288	1,772,920

All trade and other receivables are expected to be recovered or recognised as expenses within one year from the end of each reporting period.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	KanHan Group			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Hong Kong dollars	1,792,395	1,494,112	2,074,332	1,764,964
Renminbi	37,641	43,752	50,717	41,567
United States dollars	7,956	7,956	7,956	7,956
	1,837,992	1,545,820	2,133,005	1,814,487

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Hong Kong dollars	1,792,395	1,494,112	2,074,332	1,764,964
United States dollars	7,956	7,956	7,956	7,956
	1,800,351	1,502,068	2,082,288	1,772,920

(a) Ageing analysis

According to the credit rating of different customers, the KanHan Group allows a credit period of 30 days to its trade customers. Further details of the KanHan Group's credit policy are set out in Section B Note 23(a).

The ageing profile of trade receivables (net of allowance for doubtful debts), based on due date, is as follows:

	KanHan Group			
	At 31 December			**At 30 June**
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Neither past due nor impaired	1,131,686	506,245	656,435	1,164,548
Less than 1 month past due	192,038	163,007	338,159	61,620
1 to 3 months past due	222,585	741,448	129,064	322,372
4 to 6 months past due	30,300	41,624	866,581	55,900
More than 6 months but less than 12 months past due	27,162	24,699	30,330	18,465
Amounts past due	472,085	970,778	1,364,134	458,357
	1,603,771	1,477,023	2,020,569	1,622,905

	KanHan			
	At 31 December			**At 30 June**
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Neither past due nor impaired	1,131,686	506,245	656,435	1,164,548
Less than 1 month past due	192,038	163,007	338,159	61,620
1 to 3 months past due	222,585	741,448	129,064	322,372
4 to 6 months past due	30,300	41,624	866,581	55,900
More than 6 months but less than 12 months past due	—	—	—	—
Amounts past due	444,923	946,079	1,333,804	439,892
	1,576,609	1,452,324	1,990,239	1,604,440

(b) Trade debtors that are not impaired

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good trading record with the KanHan Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The KanHan Group does not hold any collateral over these balances.

16 ACCOUNT WITH HOLDING COMPANY

The amount due from or to the holding company is unsecured, interest-free and has no fixed terms of repayment.

17 CASH AND CASH EQUIVALENTS

	KanHan Group			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Cash at banks	294,907	195,743	31,948	309,595

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Cash at banks	283,942	149,158	7,050	301,944

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 December 2009, 2010 and 2011 and 30 June 2012, the cash and cash equivalents of the KanHan Group denominated in RMB amounted to HKD10,965, HKD46,585, HKD24,898 and HKD7,651 respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the KanHan Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

18 TRADE AND OTHER PAYABLES

	KanHan Group			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Trade payables	210,573	629,450	118,149	400,964
Other payables and accruals	123,974	328,373	252,207	200,678
	334,547	957,823	370,356	601,642

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Trade payables	210,573	625,716	118,149	400,964
Other payables and accruals	70,754	192,265	227,047	175,855
	281,327	817,981	345,196	576,819

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the Relevant Period.

	KanHan Group			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Within 30 days or on demand	62,312	580,775	89,749	112,123
31 to 90 days	148,261	48,675	28,400	288,841
	210,573	629,450	118,149	400,964

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Within 30 days or on demand	62,312	577,041	89,749	112,123
31 to 90 days	148,261	48,675	28,400	288,841
	210,573	625,716	118,149	400,964

The average credit period on purchases of goods is 30 days. The KanHan Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The carrying amounts of trade and other payables are denominated in the following currencies:

	KanHan Group			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Hong Kong dollars	203,004	726,799	298,149	494,415
Renminbi	37,586	127,988	12,796	24,823
United States dollars	93,957	103,036	59,411	82,404
	334,547	957,823	370,356	601,642

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Hong Kong dollars	187,370	714,945	285,785	494,415
United States dollars	93,957	103,036	59,411	82,404
	281,327	817,981	345,196	576,819

19 FINANCIAL ASSISTANCE FROM GOVERNMENT

	KanHan Group and KanHan			
	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Financial assistance from government	1,295,001	1,295,001	1,096,283	1,056,989
Less: Amount due within 1 year shown under current liabilities	—	(198,718)	(120,052)	(147,592)
Amount due for settlement after 1 year	1,295,001	1,096,283	976,231	909,397

In the opinion of the director, an amount of HKD198,718, HKD120,052 and HKD147,592 will be repayable to the ITF within the next twelve months for the years ended 31 December 2010 and 2011 and six months ended 30 June 2012 respectively by reference to the forecast revenue generated from the specific product. No repayments were made during the year ended 31 December 2010 and no amounts have been classified as current liabilities at 31 December 2009.

In the opinion of the director, the carrying amount of financial assistance from government approximates its fair value.

20 DEFERRED TAX

At the end of the Relevant Period, the KanHan Group and KanHan have the following unrecognised deferred tax assets/(liabilities).

	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Accelerated depreciation allowances	3,000	(18,000)	(13,000)	(16,000)
Future benefits of tax losses	5,064,000	5,066,000	4,583,000	4,334,000
	5,067,000	5,048,000	4,570,000	4,318,000

No deferred tax assets have been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

21 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the KanHan Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in KanHan's individual components of equity between the beginning and the end of the year/period are set out below:

	Share capital *HKD*	Share premium *HKD*	Accumulated losses *HKD*	Total *HKD*
Balance at 1 January 2009	200,000	—	(36,679,960)	(36,479,960)
Profit and total comprehensive income for the year	—	—	2,431,368	2,431,368
Balance at 31 December 2009 and 1 January 2010	200,000	—	(34,248,592)	(34,048,592)
Issue of shares	163,636	6,836,364	—	7,000,000
Profit and total comprehensive income for the year	—	—	22,986,647	22,986,647
Balance at 31 December 2010 and 1 January 2011	363,636	6,836,364	(11,261,945)	(4,061,945)
Profit and total comprehensive income for the year	—	—	2,833,203	2,833,203
Balance at 31 December 2011	363,636	6,836,364	(8,428,742)	(1,228,742)
Balance at 1 January 2012	363,636	6,836,364	(8,428,742)	(1,228,742)
Profit and total comprehensive income for the period	—	—	1,525,192	1,525,192
Balance at 30 June 2012	363,636	6,836,364	(6,903,550)	296,450
Balance at 1 January 2011	363,636	6,836,364	(11,261,945)	(4,061,945)
Profit and total comprehensive income for the period	—	—	499,047	499,047
Balance at 30 June 2011 ***(unaudited)***	363,636	6,836,364	(10,762,898)	(3,562,898)

(b) Share capital

	KanHan							
	At 31 December						At 30 June	
	2009		2010		2011		2012	
	No. of shares	*Amount HKD*	*No. of shares*	*Amount HKD*	*No. of shares*	*Amount HKD*	*No. of shares*	*Amount HKD*
Authorised:								
Ordinary shares of HKD1 each	200,000	200,000	400,000	400,000	400,000	400,000	400,000	400,000
Issued and fully paid:								
Ordinary shares of HKD1 each	200,000	200,000	363,636	363,636	363,636	363,636	363,636	363,636

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of KanHan. All ordinary shares rank equally with regard to KanHan's residual assets.

(i) Increase in authorised share capital

By an ordinary resolution passed on 30 December 2010, the authorised ordinary share capital of KanHan was increased from HKD200,000 to HKD400,000 by the creation of 200,000 ordinary shares of HKD1 each, ranking pari passu in all respects with the existing shares of KanHan.

(ii) Issue of shares

On the same day, 163,636 ordinary shares of HKD1 each of KanHan were issued for HKD7,000,000 to increase working capital.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Exchange reserve

The exchange reserve of the KanHan Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Section B Note 1(u).

(d) Capital risk management

The KanHan Group's primarily objectives when managing capital are to safeguard the KanHan Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholder, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The KanHan Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements as to the capital structure in light of changes in economic conditions.

The KanHan Group manages capital by regularly monitoring its current and expected liquidity requirements.

Neither KanHan nor its subsidiary is subject to externally imposed capital requirements.

22 DEFINED/RETIREMENT BENEFIT PLANS

The KanHan Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD25,000. Prior to 1 June 2012, the cap of monthly relevant income was HKD20,000. Contributions to the scheme vest immediately.

The employees of the KanHan Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represents for the entire pension obligations payable to retired employees.

In the opinion of the director of KanHan, the KanHan Group did not have any significant contingent liabilities as at 31 December 2009, 2010 and 2011 and 30 June 2012 in respect of the retirement of its employees.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The KanHan Group's major financial instruments include trade and other receivables, balances with holding company, bank balances and cash, trade and other payables, and financial assistance from government. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The KanHan Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on bank deposits is limited because the counterparty is a bank with high credit-ratings.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 30 days from the date of billing throughout the Relevant Period. Normally, the KanHan Group does not obtain collateral from customers. At 31 December 2009, 2010 and 2011 and 30 June 2012, the KanHan Group had certain concentration of credit risk as 26%, 20%, 25% and 18% of the total trade receivables was due from the largest customer respectively.

Except for the financial guarantees given by the KanHan Group as set out in Section B Note 25, the KanHan Group does not provide any other guarantees which would expose the KanHan Group or KanHan to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the Relevant Period is disclosed in Section B Note 25.

Further quantitative disclosures in respect of the KanHan Group's exposure to credit risk arising from trade and other receivables are set out in Section B Note 15.

(b) Liquidity risk

The KanHan Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

At 31 December 2009, 2010 and 2011 and 30 June 2012, the KanHan Group is exposed to liquidity risk as the KanHan Group had net liabilities of HKD34,022,444, HKD4,580,011, HKD1,898,630 and HKD503,872 respectively. The liquidity of the KanHan Group primarily depends on the funding provided by the holding company to meet its financial obligations when they fall due.

The following table details the remaining contractual maturities at the end of the Relevant Period of the KanHan Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the KanHan can be required to pay:

KanHan Group

	At 31 December 2009			
	Within 1 year or on demand *HKD*	**In the second to fifth years** *HKD*	**Total contractual undiscounted cash outflow** *HKD*	**Balance sheet carrying amount** *HKD*
Trade and other payables	334,547	—	334,547	334,547
Amount due to holding company	—	33,221,973	33,221,973	33,221,973
Financial assistance from government	—	1,295,001	1,295,001	1,295,001
	334,547	34,516,974	34,851,521	34,851,521

	At 31 December 2010			
	Within 1 year or on demand *HKD*	**In the second to fifth years** *HKD*	**Total contractual undiscounted cash outflow** *HKD*	**Balance sheet carrying amount** *HKD*
Trade and other payables	957,823	—	957,823	957,823
Amount due to holding company	—	6,752,866	6,752,866	6,752,866
Financial assistance from government	198,718	1,096,283	1,295,001	1,295,001
	1,156,541	7,849,149	9,005,690	9,005,690

	At 31 December 2011			
	Within 1 year or on demand *HKD*	**In the second to fifth years** *HKD*	**Total contractual undiscounted cash outflow** *HKD*	**Balance sheet carrying amount** *HKD*
Trade and other payables	370,356	—	370,356	370,356
Amount due to holding company	—	1,562,867	1,562,867	1,562,867
Financial assistance from government	120,052	976,231	1,096,283	1,096,283
	490,408	2,539,098	3,029,506	3,029,506

	At 30 June 2012			
	Within 1 year or on demand	**In the second to fifth years**	**Total contractual undiscounted cash outflow**	**Balance sheet carrying amount**
	HKD	*HKD*	*HKD*	*HKD*
Trade and other payables	601,642	—	601,642	601,642
Amount due to holding company	—	784,353	784,353	784,353
Financial assistance from government	147,592	909,397	1,056,989	1,056,989
	749,234	1,693,750	2,442,984	2,442,984

KanHan

	At 31 December 2009			
	Within 1 year or on demand	**In the second to fifth years**	**Total contractual undiscounted cash outflow**	**Balance sheet carrying amount**
	HKD	*HKD*	*HKD*	*HKD*
Trade and other payables	281,327	—	281,327	281,327
Amount due to holding company	—	33,221,973	33,221,973	33,221,973
Financial assistance from government	—	1,295,001	1,295,001	1,295,001
	281,327	34,516,974	34,798,301	34,798,301

	At 31 December 2010			
	Within 1 year or on demand	**In the second to fifth years**	**Total contractual undiscounted cash outflow**	**Balance sheet carrying amount**
	HKD	*HKD*	*HKD*	*HKD*
Trade and other payables	817,981	—	817,981	817,981
Amount due to holding company	—	6,752,866	6,752,866	6,752,866
Financial assistance from government	198,718	1,096,283	1,295,001	1,295,001
	1,016,699	7,849,149	8,865,848	8,865,848

	At 31 December 2011			
	Within 1 year or on demand	**In the second to fifth years**	**Total contractual undiscounted cash outflow**	**Balance sheet carrying amount**
	HKD	*HKD*	*HKD*	*HKD*
Trade and other payables	345,196	—	345,196	345,196
Amount due to holding company	—	1,562,867	1,562,867	1,562,867
Financial assistance from government	120,052	976,231	1,096,283	1,096,283
	465,248	2,539,098	3,004,346	3,004,346

	At 30 June 2012			
	Within 1 year or on demand	**In the second to fifth years**	**Total contractual undiscounted cash outflow**	**Balance sheet carrying amount**
	HKD	*HKD*	*HKD*	*HKD*
Trade and other payables	576,819	—	576,819	576,819
Amount due to holding company	—	784,353	784,353	784,353
Financial assistance from government	147,592	909,397	1,056,989	1,056,989
	724,411	1,693,750	2,418,161	2,418,161

(c) Interest rate risk

The KanHan Group has no significant interest-bearing financial liabilities, and the financial assets are bank balances held with financial institutions. The KanHan Group's income and operating cash flows are substantially independent of changes in market interest rate.

(d) Currency risk

The KanHan Group's business activities and its assets and liabilities were denominated in HKD and RMB. The management considers the KanHan Group is not exposed to significant foreign currency risk as major of its operations and transactions are denominated in the functional currency of the KanHan Group. The KanHan Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(e) Categories of financial instruments

	KanHan Group			
	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Financial assets				
Loan and receivables (including cash and cash equivalents)	2,079,374	5,921,125	2,102,210	1,983,686
Financial liabilities				
Amortised cost	34,851,521	9,005,690	3,029,506	2,442,984

	KanHan			
	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Financial assets				
Loan and receivables (including cash and cash equivalents)	2,030,768	6,333,044	2,775,852	2,787,141
Financial liabilities				
Amortised cost	34,798,301	8,865,848	3,004,346	2,418,161

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at the end of the Relevant Period.

24 COMMITMENTS

At 31 December 2009, 2010 and 2011 and 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	KanHan Group			
	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Within 1 year	346,777	19,851	12,078	23,708
In the second to fifth years inclusive	7,955	11,580	—	20,164
	354,732	31,431	12,078	43,872

	KanHan			
	At 31 December			At 30 June
	2009	**2010**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD*
Within 1 year	300,186	—	—	—
In the second to fifth years inclusive	—	—	—	—
	300,186	—	—	—

The KanHan Group and KanHan lease certain of its office properties under operating lease arrangements. The leases run for initial periods of two to three years. The leases do not include contingent rentals.

25 CONTINGENT LIABILITIES

On 19 July 2010, 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 HKD450,000, HKD2,200,000 and HKD6,500,000 for the years ending 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 its sole director, Mo Wai Ming Lawrence, to indemnify it against any loss that may arise from this guarantee.

No contingent liabilities might arise from return of the contingent consideration as (1) the unaudited profit before tax of KanHan Educational Services Limited for the year ended 31 December 2010 and 2011 was approximately HKD488,000 and HKD2,356,000 respectively; and (2) KanHan's director believes the counter-indemnity agreement will enable KanHan to recover any loss KanHan may incur arising from the above guarantee.

26 RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

The director is also manager of KanHan and his remuneration is disclosed in Section B Note 6.

(b) Transactions with other related parties

During the Relevant Period, the KanHan Group entered into the following related party transactions:

Name of parties	**Relationship with the KanHan Group**
KanHan Technologies Inc.	Holding company
KanHan Educational Services Limited	Mo Wai Ming, Lawrence is common director throughout the Relevant Period

Particulars of significant transactions between the KanHan Group and the above related parties during the Relevant Period are as follows:

	Years ended 31 December			**Six months ended 30 June**	
	2009	**2010**	**2011**	**2011**	**2012**
	HKD	*HKD*	*HKD*	*HKD* *(unaudited)*	*HKD*
Non-recurring transactions:					
Management fee received from KanHan Educational Services Limited	110,213	—	—	—	—
Rental charges paid to KanHan Educational Services Limited	—	40,000	240,000	120,000	120,000
Services cost paid to KanHan Educational Services Limited	—	555,018	626,408	429,793	258,693

Note: The director is of the opinion that the above transactions with a related party were conducted on normal commercial terms and in the ordinary and normal course of the KanHan Group's business.

(c) Balances with related parties

At 31 December 2009, 2010 and 2011 and 30 June 2012, the KanHan Group and KanHan had the following balances with related parties:

	KanHan Group			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Trade (Included in trade payables)				
KanHan Educational Services Limited	—	(433,480)	(58,620)	(234,560)
Non-trade (Current)				
KanHan Technologies Inc.	—	4,200,000	—	—
Amount due from holding company	—	4,200,000	—	—
Non-trade (Current)				
KanHan Technologies Inc.	(33,221,973)	(6,752,866)	(1,562,867)	(784,353)
Amount due to holding company	(33,221,973)	(6,752,866)	(1,562,867)	(784,353)

	KanHan			
	At 31 December			At 30 June
	2009	2010	2011	2012
	HKD	*HKD*	*HKD*	*HKD*
Non-trade (Current)				
KanHan Technologies China Limited	—	502,256	749,257	851,451
Amount due from subsidiary	—	502,256	749,257	851,451
KanHan Technologies Inc.	—	4,200,000	—	—
Amount due from holding company	—	4,200,000	—	—
Trade (Included in trade payables)				
KanHan Educational Services Limited	—	(433,480)	(58,620)	(234,560)
Non-trade (Current)				
KanHan Technologies Inc.	(33,221,973)	(6,752,866)	(1,562,867)	(784,353)
Amount due to holding company	(33,221,973)	(6,752,866)	(1,562,867)	(784,353)

Notes: The trade balance due to a related party is unsecured, interest-free and is expected to be settled within 30 days.

Non-trade balances due to or from related parties are unsecured, interest-free and have no fixed terms of repayment.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The director considers the immediate and ultimate controlling party of the KanHan Group at 31 December 2009, 2010 and 2011 and 30 June 2012 to be KanHan Technologies Inc., which is incorporated in the British Virgin Islands.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in Section B Note 1. The KanHan Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment loss on property, plant and equipment and intangible assets

If circumstances indicate that the carrying amount of property, plant and equipment and intangible assets may not be recoverable, these assets may be considered "**impaired**" and an impairment loss may be recognised in profit or loss. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, the expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of future software revenue and the amount of service costs. The KanHan Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of software revenue and the amount of service costs, and discount rate.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The KanHan Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the KanHan Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(c) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debt would affect the consolidated statements of comprehensive income in future years.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period beginning 1 January 2012 and which have not been adopted in the Financial Information.

The KanHan Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the KanHan Group's results of operations and financial position.

30 STATUTORY AUDIT INFORMATION

The financial statements of the KanHan Group which are subject to audit during the Relevant Period were audited by the following auditors:

Name of company	Financial year	Statutory auditors
KanHan	Year ended 31 December 2009	Onward & Company, registered in Hong Kong (安域會計師事務所)
	Year ended 31 December 2010	WKL & Partners C.P.A. Limited, registered in Hong Kong (正信會計師事務所有限公司)
	Year ended 31 December 2011	Baker Tilly Hong Kong Limited, registered in Hong Kong (天職香港會計師事務所有限公司)
KanHan Technologies China Limited *(note)* (廣州看漢科技有限公司)	Year ended 31 December 2009	Guangzhou New Suidong Certified Public Accountants Co., Ltd. *(note)*, registered in the PRC (廣州新穗東會計師事務所有限公司)
	Year ended 31 December 2010	Guangzhou Haizheng Certified Public Accountants Co., Ltd. *(note)*, registered in the PRC (廣州海正會計師事務所有限公司)
	Year ended 31 December 2011	Guangzhou Zhehe Certified Public Accountants Co., Ltd. *(note)*, registered in the PRC (廣州振和會計師事務所有限公司)

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

C. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared for KanHan and its subsidiary in respect of any period subsequent to 30 June 2012.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong
Andrew David Ross
Practising certificate number P01183

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis on the Target Group

Set out below is the management discussion and analysis of the performance of the Target Group for the three years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012.

Business and Financial Review

For the year ended 31 December 2009, the Target Group recorded turnover of approximately HK$7.5 million and gross profit of approximately HK$5.5 million. Net profit for the year ended 31 December 2009 was approximately HK$2.2 million. The gross profit margin was approximately 73%.

For the year ended 31 December 2010, the Target Group recorded turnover of approximately HK$5.4 million and gross profit of approximately HK$3.5 million. Net profit for the year ended 31 December 2010 was approximately HK$22.5 million which was mainly due to the gain on trading of available-for-sale financial asset of KanHan Education of approximately HK$23.0 million. The Target Group's revenue for the year ended 31 December 2010 decreased approximately HK$2.1 million as compared to the revenue for the year ended 31 December 2009 of approximately HK$7.5 million. In 2010, the management of the Target Group decided to transfer the Putonghua learning platform business to Kanhan Education as the Putonghua learning platform providing self-paced Putonghua e-learning services which is more related to the educational business. Kanhan Education had been disposed of in July 2010.

Gross profit margin for the year ended 31 December 2010 decreased to approximately 65% from approximately 73% for the year ended 31 December 2009. The decrease in gross profit margin was due to the effect of business transformation of the Putonghua learning platform. The margin of the Putonghua learning platform business is comparatively high, the business transformation affected the gross profit margin in 2010. Also, the Target Group increased personnel for research and development of products so as to maintain the existing quality levels of products and prepare for the launch of new products in 2011, namely KanHan CMI and HanWEB for Unicode migration. With the above factors, the gross profit margin in 2010 dropped. Net profit for the year ended 31 December 2009 amounted to approximately HK$2.2 million while net loss for the year ended 31 December 2010 (excluding the gain on group restructuring of approximately HK$23.0 million) amounted to approximately HK$465,000. The turn around to net loss position (excluding the gain on group restructuring) was primarily attributable to the decrease in gross profit margin and increase in ad hoc costs incurred relating to the disposal of KanHan Education in July 2010.

For the year ended 31 December 2011, the Target Group recorded turnover and gross profit of approximately HK$8.3 million and HK$6.4 million respectively. Net profit for the year ended 31 December 2011 was approximately HK$2.7 million. The Target Group's revenue for the year ended 31 December 2011 increased by approximately HK$2.9 million as compared to the revenue for the year ended 31 December 2010 of approximately HK$5.4 million. In 2011, two products were launched to the market, namely KanHan CMI and HanWEB for Unicode migration and design of mobile apps. These products provided new sources of income to the Target Group. The increase in turnover was also supported by the government's strategy to strengthen the community's ability to cope with the digital world and to ensure the disabled groups to have equal right in information access. Gross profit margin for the year ended 31 December 2011 increased to approximately 76% from approximately 65% for the year ended 31 December 2010. Adjusted net loss for the year ended 31 December 2010 (excluding the gain on group restructuring) amounted to approximately HK$465,000 whereas the net profit for the year ended 31 December 2011 was approximately HK$2.7 million. The increase in net profit was primarily attributable from the increase in gross profit margin and absence of ad hoc costs incurred relating to the disposal of Kanhan Education in July 2010.

For the six months ended 30 June 2012, the Target Group recorded turnover of approximately HK$4.4 million and gross profit of approximately HK$3.2 million. The gross profit margin was approximately 74%. Net profit for the six months ended 30 June 2012 was approximately HK$1.5 million.

Segment information

Detailed segment information in respect of the Target Group's revenue for the three years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 as well as other information by business segment and geographical segment is shown in note 9 to the financial statements.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2009, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$2.3 million, HK$36.3 million and HK$34.0 million respectively. The cash and bank balances as at 31 December 2009 amounted to approximately HK$0.3 million.

As at 31 December 2010, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$6.2 million, HK$10.8 million and HK$4.6 million respectively. The cash and bank balances as at 31 December 2010 amounted to approximately HK$0.2 million.

As at 31 December 2011, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$3.2 million, HK$5.1 million and HK$1.9 million respectively. The cash and bank balances as at 31 December 2011 amounted to approximately HK$0.03 million.

As at 30 June 2012, the audited total assets, total liabilities and net liabilities of the Target Group amounted to approximately HK$3.6 million, HK$4.1 million and HK$0.5 million respectively. The cash and bank balances as at 30 June 2012 amounted to approximately HK$0.3 million.

As the Target Group had net liabilities at 31 March 2009, 2010 and 2011 and 30 June 2012, no gearing ratio is calculated.

Material Acquisitions and Disposals

During the year ended 31 December 2009, the Target Group had no material acquisition and disposal.

During the year ended 31 December 2010, the Target Group disposed of the available-for-sales investment — Kanhan Education with a gain of approximately HK$23.0 million.

During the year ended 31 December 2011 and six months ended 30 June 2012, the Target Group had no material acquisition and disposal.

Capital Commitment

As at 31 December 2009, 2010 and 2011 and 30 June 2012, the Target Group had no material capital commitment.

Contingent liabilities

On 19 July 2010, the Target Company disposed of its 100% interest in KanHan Education to M Dream. Under M Dream Agreement, the Target Company warrants and guarantees to M Dream that the audited net profits before tax and any extraordinary or exceptional item (the "**Audited Profits**") of KanHan Education will not be less than HK$450,000, HK$2,200,000 and HK$6,500,000 for the years ending 31 December 2010, 2011 and 2012 (the "**Guaranteed Profits**") respectively. The Target Company is required to return to M Dream in cash of the contingent consideration paid if the Audited Profits of KanHan Education are less than the Guaranteed Profits.

On 26 June 2012, the Target Company entered into a counter-indemnity agreement with the Guarantor to indemnify it against any loss that may arise from this guarantee.

No contingent liabilities might arise from return of the contingent consideration as (1) the unaudited profit before tax of KanHan Education for the year ended 31 December 2010 and 2011 was approximately HK$488,000 and HK$2,356,000 respectively; and (2) the management of the Target Company believes the counter-indemnity agreement will enable KanHan to recover any loss KanHan may incur arising from the above guarantee.

Employees and Remuneration Policy

As at 31 December 2009, 2010, 2011 and 30 June 2012, the Target Group had 17, 20, 24, 21 employees respectively.

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned.

Pledged of assets

As at 31 December 2009, 2010, 2011 and 30 June 2012, the Target Group did not have any pledge of its assets.

Foreign Exchange Exposure

The Target Group's business activities and its assets and liabilities were denominated in HK$ and, RMB. The management of the Target Group considers the exposure to foreign currency risk is insignificant.

Prospects

The Target Company's business objectives are to become the dominant supplier in Hong Kong and PRC for the HanWEB and HanVOICE web software solution facilitating communication in text and voice among Chinese people in the two distinct culturally different communities and to become Hong Kong's leading company in supplying IP based telephony solutions for customer service applications to replace the aging proprietary based installations of telephony assisted customer service solutions on business telephone systems, e.g. private branch exchange ("**PBX**") as a private telephone network used within a company; interactive voice response ("**IVR**") system that automates interactions with telephone callers for customer services, inquiry and support calls; and Call Center in diverse industries. Currently, the Target Group does not formulate any proposal for material investments.

A. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the Company's reporting accountant, Baker Tilly Hong Kong Limited, Certified Public Accountants, for the purpose of incorporation in this Circular.

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
2nd Floor, 625 King's Road, North Point, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF AURUM PACIFIC (CHINA) GROUP LIMITED

We report on the unaudited pro forma financial information set out on pages 109 to 117 under the heading of "Unaudited Pro Forma Financial Information of the enlarged group" (the "**Unaudited Pro Forma Financial Information**") in Appendix IIIA of the circular dated 10 December 2012 (the "**Circular**") of Aurum Pacific (China) Group Limited (the "**Company**"), in connection with the following proposed transactions (the "**Transactions**"):

(i) the proposed acquisition of the entire issued share capital of KanHan Technologies Limited at a consideration of HK$28,000,000 (the "**Acquisition**"); and

(ii) the proposed drawdown of HK$4,000,000 from the working capital loan (the "**Working Capital Loan**").

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transactions might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") when the resumption of trading of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited has not been effected and that the consideration of HK$28,000,000 will be settled by cash and promissory notes. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 109 of the Circular.

Respective responsibilities of directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31(1) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 7.31(1) of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated statement of financial position of the Company as at 30 June 2012, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flow of the Group for the year ended 31 December 2011 with the published interim report of the Company for the six months ended 30 June 2012 and the published annual report of the Company for the year ended 31 December 2011, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2012 or at any future date; or

- the results and cash flows of the Enlarged Group for the year ended 31 December 2011 or for any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 10 December 2012

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction to the unaudited pro forma financial information of the Enlarged Group

The accompanying unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Aurum Pacific (China) Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and KanHan Technologies Limited ("**KanHan**") and its subsidiary (hereinafter referred to as the "**Target Group**"; together with the Group hereinafter referred to as the "**Enlarged Group**") has been prepared by the directors of the Company (the "**Directors**") to illustrate the effect of the following proposed transactions (the "**Transactions**"):

(i) the proposed acquisition of the entire issued share capital of KanHan at a consideration of HK$28,000,000 (the "**Acquisition**");

(ii) the proposed drawdown of HK$4,000,000 from the working capital loan (the "**Working Capital Loan**").

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Transactions have been completed (the "**Completion**") on 30 June 2012 for the unaudited pro forma consolidated statement of financial position and on 1 January 2011 for the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2011 as extracted from the published annual report of the Group for the year ended 31 December 2011, and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2011 as set out in Appendix II to the circular dated 10 December 2012 (the "**Circular**").

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 as extracted from the published interim report of the Group for the six months ended 30 June 2012, and the audited consolidated statement of financial position of the Target Group as at 30 June 2012 as extracted from the accountants' reports of the Target Group as set out in Appendix II to the Circular.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors and based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Transactions. As it is prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to give a true picture of the actual financial position, results and cash flows of the Enlarged Group on completion of the Transactions. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position or results of operations of the Enlarged Group after the completion of the Transactions.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group's audited consolidated statement of comprehensive income for the year ended 31 December 2011	The Target Group's audited consolidated statement of comprehensive income for the year ended 31 December 2011	Pro forma adjustments	Note	The Enlarged Group's unaudited consolidated statement of comprehensive income for the year ended 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Continuing operations					
Revenue	274	8,333	—		8,607
Cost of sales	(101)	(1,951)	—		(2,052)
Gross profit	173	6,382	—		6,555
Other revenue and net income	74	2	—		76
Administrative expenses	(3,176)	(1,364)	(2,500)	*1*	(7,040)
Research and development expenses	—	(1,134)	—		(1,134)
Selling and distribution expenses	—	(1,213)	—		(1,213)
Finance costs	(629)	—	(953)	*4c*	(1,582)
(Loss)/profit before taxation	(3,558)	2,673	(3,453)		(4,338)
Income tax expenses	—	—	—		—
(Loss)/profit for the year from continuing operations	(3,558)	2,673	(3,453)		(4,338)
Discontinued operation					
Profit for the year from discontinued operation	456	—	—		456
(Loss)/profit for the year	(3,102)	2,673	(3,453)		(3,882)
Other comprehensive income					
Exchange differences on translation of financial statements of foreign subsidiary	—	8	—		8
Total comprehensive (expense)/income for the year attributable to owners of the Company	(3,102)	2,681	(3,453)		(3,874)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group's unaudited consolidated statement of financial position as at 30 June 2012 *HK$'000*	The Target Group's audited consolidated statement of financial position as at 30 June 2012 *HK$'000*	Pro forma adjustments *HK$'000*	*Note*	The Enlarged Group's unaudited consolidated statement of financial position as at 30 June 2012 *HK$'000*
Non-current assets					
Property, plant and equipment	38	210	—		248
Intangible assets	—	1,252	3,231	*3*	4,483
Goodwill	—	—	22,656	*2*	22,656
Total non-current assets	38	1,462	25,887		27,387
Current assets					
Inventories — finished goods for resale	—	53	—		53
Trade and other receivables	612	1,814	—		2,426
Cash and cash equivalents	1,600	310	(2,500)	*1*	(590)
			(4,000)	*2*	
			4,000	*7*	
Total current assets	2,212	2,177	(2,500)		1,889
Current liabilities					
Trade and other payables	665	602	—		1,267
Financial assistance from government	—	148	—		148
Deferred income	—	1,699	—		1,699
Consideration payable					
— 1st Promissory Notes	—	—	13,061	*4a*	13,061
— 2nd Promissory Note	—	—	7,789	*4b*	7,789
Interest bearing borrowings					
— unsecured	6,363	—	—		6,363
Loan from a shareholder	—	—	4,000	*7*	4,000
Total current liabilities	7,028	2,449	24,850		34,327
Net current liabilities	(4,816)	(272)	(27,350)		(32,438)
Total assets less current liabilities	(4,778)	1,190	(1,463)		(5,051)
Non-current liabilities					
Financial assistance from government	—	909	—		909
Amount due to holding company	—	785	—		785
Deferred tax liabilities	—	—	533	*3*	533
Total non-current liabilities	—	1,694	533		2,227
Net liabilities	(4,778)	(504)	(1,996)		(7,278)

	The Group's unaudited consolidated statement of financial position as at 30 June 2012	The Target Group's audited consolidated statement of financial position as at 30 June 2012	Pro forma adjustments	*Note*	The Enlarged Group's unaudited consolidated statement of financial position as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Capital and reserves attributable to owners of the Company					
Share capital	2,000	364	(364)	*5*	2,000
Reserves	(6,778)	(868)	(2,500)	*1*	(9,278)
			868	*6*	
Deficit attributable to owners of the Company	(4,778)	(504)	(1,996)		(7,278)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group's audited statement of cash flows for the year ended 31 December 2011	The Target Group's audited statement of cash flows for the year ended 31 December 2011	Pro forma adjustments	Note	The Enlarged Group's unaudited statement of cash flows for the year ended 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Operating activities					
(Loss)/profit before taxation					
From continuing operations	(3,558)	2,673	(2,500)	*1*	(4,338)
			(953)	*4c*	
From discontinued operation	571	—	—		571
Adjustments for:					
— Bank interest income	(16)	—	—		(16)
— Depreciation	106	103	—		209
— Impairment of other receivables	78	—	—		78
— Finance costs	629	—	953	*4c*	1,582
— Foreign exchange losses	—	7	—		7
— Gain on disposal of subsidiary	(500)	—	—		(500)
Operating cash flows before changes in working capital	(2,690)	2,783	(2,500)		(2,407)
Decrease/(increase) in inventories	31	(7)	—		24
Decrease/(increase) in trade and other receivables	2,841	(587)	—		2,254
Decrease in amount due from holding company	—	4,200	—		4,200
Decrease in trade and other payables	(3,864)	(587)	—		(4,451)
Increase in deferred income	—	266	—		266
Decrease in amount due to holding company	—	(5,190)	—		(5,190)
Net cash (used in)/generated from operating activities	(3,682)	878	(2,500)		(5,304)
Investing activities					
Interest received	16	—	—		16
Acquisition of a subsidiary	—	—	(4,000)	*4*	(4,000)
Payment for purchase of property, plant and equipment	—	(69)	—		(69)
Disposal of subsidiary	5,301	—	—		5,301
Expenditure on development projects	—	(774)	—		(774)
Net cash generated from/(used in) investing activities	5,317	(843)	(4,000)		474

	The Group's audited statement of cash flows for the year ended 31 December 2011	The Target Group's audited statement of cash flows for the year ended 31 December 2011	Pro forma adjustments	*Note*	The Enlarged Group's unaudited statement of cash flows for the year ended 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Financing activities					
Proceeds from shareholder loan	—	—	4,000	*7*	4,000
Repayment of financial assistance from government	—	(199)	—		(199)
Net cash (used in)/generated from financing activities	—	(199)	4,000		3,801
Increase/(decrease) in cash and cash equivalents	1,635	(164)	(2,500)		(1,029)
Cash and cash equivalents at 1 January 2011	3,225	196	—		3,421
Cash and cash equivalents at 31 December 2011	4,860	32	(2,500)		2,392

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

(1) This adjustment reflects the legal and professional fees of approximately HK$2,500,000 which are directly attributable to the Transactions. This adjustment has no continuing effect on the pro forma consolidated statement of comprehensive income of the Enlarged Group.

(2) The adjustment on goodwill of approximately HK$22,656,000 resulted from the Acquisition is calculated as follows:

		HK$'000
Fair value of consideration	*(Note 4)*	24,850
Less: Fair value of consolidated identifiable assets and liabilities acquired	*(Note 3)*	2,194
Goodwill on Acquisition		22,656

Pursuant to the sale and purchase agreement dated 26 June 2012 in respect of the Acquisition (the "**Agreement**"), the total consideration of HK$28,000,000 is to be satisfied as follows:

(i) as to HK$4,000,000 was satisfied by paying in cash or by cheque within 5 business days upon execution of the Agreement;

(ii) as to HK$15,000,000 shall be satisfied (1) in cash or by cheque in the event that the resumption of trading of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Resumption**") has been effected or (2) the issuance of the first interest-free promissory notes ("**1st Promissory Notes**") in the event that the Resumption has not been effected and shall be repayable in one lump sum on the date falling two years from the date of issue of the 1st Promissory Notes, upon the Completion; and

(iii) as to HK$9,000,000 shall be satisfied (1) in cash or by cheque in the event that the Resumption has been effected or (2) the issuance of the second interest-free promissory note ("**2nd Promissory Note**") in the event that the Resumption has not been effected, within 7 business days after the issuance of the 2013 audited accounts of the Target Group and shall be repayable in one lump sum on the date falling two years from the date of issue of the 2nd Promissory Note.

The consideration is subject to adjustment based on the consolidated profit before interest, taxes, depreciation and amortisation of the Target Group of not less than HK$5,500,000 for the year ending 31 December 2012 and not less than HK$8,500,000 for the year ending 31 December 2013 (the "**Guaranteed Amount**"). The consideration payable shall be reduced by an amount equal to the shortfall. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the Guaranteed Amount will be achieved and total consideration is HK$28,000,000. The consideration would be adjusted if the Guaranteed Amount cannot be met.

The Directors have reviewed the carrying value of goodwill of the Target Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("**HKAS 36**"), taking into account the assessment result carried out by an independent valuer, Grant Sherman Appraisal Limited (Unit 1005, 10/F., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong). Based on the assessment result, the Directors are of the opinion that there are no indications that the values of the goodwill of the Target Group may be impaired.

The auditors of the Company will carry out impairment review of the intangible assets and goodwill of the Target Group with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future.

(3) During the business combination, except for intangible assets held by the Target Group, it is assumed that the fair value of the identifiable assets and liabilities of the Target Group approximate to their carrying amounts as at 30 June 2012.

The fair value of the intangible assets as at 30 June 2012 is approximately HK$4,483,000 which is determined with reference to valuation carried out by Grant Sherman Appraisal Limited, an independent valuer. The adjustment represents the fair value increase of intangible assets held by the Target Group of approximately HK$3,231,000 and the corresponding deferred tax liabilities of approximately HK$533,000 charged at Hong Kong applicable tax rate of 16.5%. No pro forma adjustment regarding the amortisation of the increment on fair value of intangible assets is made in the Unaudited Pro Forma Financial Information as such amortisation is insignificant.

The fair value of consolidated identifiable assets and liabilities acquired is calculated as follows:

	HK$'000
Carrying amount of consolidated identifiable assets and liabilities acquired	(504)
Fair value adjustment to the intangible assets	3,231
Deferred tax liabilities	(533)
Fair value of consolidated identifiable assets and liabilities acquired	2,194

Upon the Completion, the fair value of the identifiable assets and liabilities of the Target Group will be reassessed and may be different from the fair value as stated above. As a result, the goodwill on acquisition at the date of the Completion may be different from that estimated amount presented.

(4) The fair value of total consideration at the Completion, as if the Acquisition had been completed on 30 June 2012 and the Resumption had not been effected on the same day, is calculated as follows:

	Contractual amount *HK$'000*	**Fair value** *HK$'000*	
Consideration settled by cash or cheque	4,000	4,000	
Consideration payable by 1st Promissory Notes	15,000	13,061	*(Note 4a)*
Consideration payable by 2nd Promissory Note	9,000	7,789	*(Note 4b)*
	28,000	24,850	

(a) the fair value of the 1st Promissory Notes is measured by discounting the nominal amount of HK$15,000,000 at the discount rate of 7.16% as determined by the directors of the Company with reference to valuation carried out by Grant Sherman Appraisal Limited, an independent valuer, as if it is to be paid on 1 July 2014, being 24 months from the Completion. The discount rate of 7.16% comprises the risk free rate of 0.19% and a credit spread of 6.97%.

(b) the fair value of the 2nd Promissory Note is measured by discounting the nominal amount of HK$9,000,000 at the discount rate of 0.19% for the period from 1 July 2012 to 31 March 2014 and 7.32% for the period from 1 April 2014 to 31 March 2016 as determined by the directors of the Company with reference to valuation carried out by Grant Sherman Appraisal Limited, an independent valuer, as if it is to be paid on 1 April 2016, being 45 months from the Completion.

The discount rate of 0.19% represents the risk free rate for the period from 1 July 2012 to 31 March 2014. The discount rate of 7.32% comprises the risk free rate of 0.35% and a credit spread of 6.97% for the period from 1 April 2014 to 31 March 2016.

(c) the adjustment reflects the imputed interest expenses of the 1st Promissory Notes and 2nd Promissory Note, assuming the discount rate of 7.16% and 0.19% per annum, respectively, and fair value of the 1st Promissory Notes and 2nd Promissory Note of approximately HK$13,061,000 and HK$7,789,000, respectively, as if the Acquisition had been completed on 1 January 2011. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group in subsequent years. Actual amount of the imputed interest will vary with the discount rate of the consideration payable to be reassessed upon the Completion.

Upon the Completion, the fair value of the consideration payable will be reassessed and may be different from the estimated ones as stated above and will be used to determine the cost of the Acquisition. As a result, the goodwill on acquisition at the date of the Completion may be different from that estimated amount presented.

(5) The elimination of the issued share capital of KanHan of approximately HK$364,000.

(6) The elimination of the pre-acquisition reserves of the Target Group of approximately HK$868,000.

(7) The adjustment reflects the drawdown of HK$4,000,000 from the Working Capital Loan facilities.

A. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the Company's reporting accountant, Baker Tilly Hong Kong Limited, Certified Public Accountants, for the purpose of incorporation in this Circular.

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
2nd Floor, 625 King's Road, North Point, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF AURUM PACIFIC (CHINA) GROUP LIMITED

We report on the unaudited pro forma financial information set out on pages 121 to 130 under the heading of "Unaudited Pro Forma Financial Information of the enlarged group" (the "**Unaudited Pro Forma Financial Information**") in Appendix IIIB of the circular dated 10 December 2012 (the "**Circular**") of Aurum Pacific (China) Group Limited (the "**Company**"), in connection with the following proposed transactions (the "**Transactions**"):

(i) the proposed acquisition of the entire issued share capital of KanHan Technologies Limited at a consideration of HK$28,000,000 (the "**Acquisition**"); and

(ii) the proposed drawdown of HK$4,000,000 from the working capital loan (the "**Working Capital Loan**").

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transactions might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") when the resumption of trading of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited has been effected and that the consideration of HK$28,000,000 will be settled by cash. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 121 to 122 of the Circular.

Respective responsibilities of directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31(1) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 7.31(1) of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated statement of financial position of the Company as at 30 June 2012, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flow of the Group for the year ended 31 December 2011 with the published interim report of the Company for the six months ended 30 June 2012 and the published annual report of the Company for the year ended 31 December 2011, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2012 or at any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 December 2011 or for any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 10 December 2012

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction to the unaudited pro forma financial information of the Enlarged Group

The accompanying unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Aurum Pacific (China) Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and KanHan Technologies Limited ("**KanHan**") and its subsidiary (hereinafter referred to as the "**Target Group**"; together with the Group hereinafter referred to as the "**Enlarged Group**") has been prepared by the directors of the Company (the "**Directors**") to illustrate the effect of the following proposed transactions (the "**Transactions**"):

(i) the proposed acquisition of the entire issued share capital of KanHan at a consideration of HK$28,000,000 (the "**Acquisition**"); and

(ii) the proposed drawdown of HK$4,000,000 from the working capital loan (the "**Working Capital Loan**").

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Transactions have been completed (the "**Completion**") on 30 June 2012 for the unaudited pro forma consolidated statement of financial position and on 1 January 2011 for the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2011 as extracted from the published annual report of the Group for the year ended 31 December 2011, and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2011 as set out in Appendix II to the circular dated 10 December 2012 (the "**Circular**").

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 as extracted from the published interim report of the Group for the six months ended 30 June 2012, and the audited consolidated statement of financial position of the Target Group as at 30 June 2012 as extracted from the accountants' reports of the Target Group as set out in Appendix II to the Circular.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors and based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Transactions. As it is prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to give a true picture of the actual financial position, results and cash flows of the Enlarged Group on completion of the Transactions. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position or results of operations of the Enlarged Group after the completion of the Transactions.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group's audited consolidated statement of comprehensive income for the year ended 31 December 2011	The Target Group's audited consolidated statement of comprehensive income for the year ended 31 December 2011	Pro forma adjustments	*Note*	The Enlarged Group's unaudited consolidated statement of comprehensive income for the year ended 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Continuing operations					
Revenue	274	8,333	—		8,607
Cost of sales	(101)	(1,951)	—		(2,052)
Gross profit	173	6,382	—		6,555
Other revenue and net income	74	2	—		76
Administrative expenses	(3,176)	(1,364)	(2,500)	*1*	(7,040)
Research and development expenses	—	(1,134)	—		(1,134)
Selling and distribution expenses	—	(1,213)	—		(1,213)
Finance costs	(629)	—	(17)	*4b*	(646)
(Loss)/profit before taxation	(3,558)	2,673	(2,517)		(3,402)
Income tax expenses	—	—	—		—
(Loss)/profit for the year from continuing operations	(3,558)	2,673	(2,517)		(3,402)
Discontinued operation					
Profit for the year from discontinued operation	456	—	—		456
(Loss)/profit for the year	(3,102)	2,673	(2,517)		(2,946)
Other comprehensive income					
Exchange differences on translation of financial statements of foreign subsidiary	—	8	—		8
Total comprehensive (expense)/income for the year attributable to owners of the Company	(3,102)	2,681	(2,517)		(2,938)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group's unaudited consolidated statement of financial position as at 30 June 2012	The Target Group's audited consolidated statement of financial position as at 30 June 2012	Pro forma adjustments	*Note*	The Enlarged Group's unaudited consolidated statement of financial position as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Non-current assets					
Property, plant and equipment	38	210	—		248
Intangible assets	—	1,252	3,231	*3*	4,483
Goodwill	—	—	25,777	*2*	25,777
Total non-current assets	38	1,462	29,008		30,508
Current assets					
Inventories — finished goods for resale	—	53	—		53
Trade and other receivables	612	1,814	—		2,426
Cash and cash equivalents	1,600	310	(2,500)	*1*	(15,590)
			(19,000)	*2*	
			4,000	*7*	
Total current assets	2,212	2,177	(17,500)		(13,111)
Current liabilities					
Trade and other payables	665	602	—		1,267
Financial assistance from government	—	148	—		148
Deferred income	—	1,699	—		1,699
Consideration payable	—	—	8,971	*4a*	8,971
Interest bearing borrowings — unsecured	6,363	—	—		6,363
Loan from a shareholder	—	—	4,000	*7*	4,000
Total current liabilities	7,028	2,449	12,971		22,448
Net current liabilities	(4,816)	(272)	(30,471)		(35,559)
Total assets less current liabilities	(4,778)	1,190	(1,463)		(5,051)

	The Group's unaudited consolidated statement of financial position as at 30 June 2012 *HK$'000*	The Target Group's audited consolidated statement of financial position as at 30 June 2012 *HK$'000*	Pro forma adjustments *HK$'000*	*Note*	The Enlarged Group's unaudited consolidated statement of financial position as at 30 June 2012 *HK$'000*
Non-current liabilities					
Financial assistance from government	—	909	—		909
Amount due to holding company	—	785	—		785
Deferred tax liabilities	—	—	533	*3*	533
Total non-current liabilities	—	1,694	533		2,227
Net liabilities	(4,778)	(504)	(1,996)		(7,278)
Capital and reserves attributable to owners of the Company					
Share capital	2,000	364	(364)	*5*	2,000
Reserves	(6,778)	(868)	(2,500)	*1*	(9,278)
			868	*6*	
Deficit attributable to owners of the Company	(4,778)	(504)	(1,996)		(7,278)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group's audited statement of cash flows for the year ended 31 December 2011	The Target Group's audited statement of cash flows for the year ended 31 December 2011	Pro forma adjustments	*Note*	The Enlarged Group's unaudited statement of cash flows for the year ended 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Operating activities					
(Loss)/profit before taxation					
From continuing operations	(3,558)	2,673	(2,500)	*1*	(3,402)
			(17)	*4b*	
From discontinued operation	571	—	—		571
Adjustments for:					
— Bank interest income	(16)	—	—		(16)
— Depreciation	106	103	—		209
— Impairment of other receivables	78	—	—		78
— Finance costs	629	—	17	*4b*	646
— Foreign exchange losses	—	7	—		7
— Gain on disposal of subsidiary	(500)	—	—		(500)
Operating cash flows before changes in working capital	(2,690)	2,783	(2,500)		(2,407)
Decrease/(increase) in inventories	31	(7)	—		24
Decrease/(increase) in trade and other receivables	2,841	(587)	—		2,254
Decrease in amount due from holding company	—	4,200	—		4,200
Decrease in trade and other payables	(3,864)	(587)	—		(4,451)
Increase in deferred income	—	266	—		266
Decrease in amount due to holding company	—	(5,190)	—		(5,190)
Net cash (used in)/generated from operating activities	(3,682)	878	(2,500)		(5,304)

	The Group's audited statement of cash flows for the year ended 31 December 2011 *HK$'000*	The Target Group's audited statement of cash flows for the year ended 31 December 2011 *HK$'000*	Pro forma adjustments *HK$'000*	*Note*	The Enlarged Group's unaudited statement of cash flows for the year ended 31 December 2011 *HK$'000*
Investing activities					
Interest received	16	—	—		16
Acquisition of a subsidiary	—	—	(19,000)	*4*	(19,000)
Payment for purchase of property, plant and equipment	—	(69)	—		(69)
Disposal of subsidiary	5,301	—	—		5,301
Expenditure on development projects	—	(774)	—		(774)
Net cash generated from/(used in) investing activities	5,317	(843)	(19,000)		(14,526)
Financing activities					
Proceeds from shareholder loan	—	—	4,000	*7*	4,000
Repayment of financial assistance from government	—	(199)	—		(199)
Net cash (used in)/generated from financing activities	—	(199)	4,000		3,801
Increase/(decrease) in cash and cash equivalents	1,635	(164)	(17,500)		(16,029)
Cash and cash equivalents at 1 January 2011	3,225	196	—		3,421
Cash and cash equivalents at 31 December 2011	4,860	32	(17,500)		(12,608)

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

(1) This adjustment reflects the legal and professional fees of approximately HK$2,500,000 which are directly attributable to the Transactions. This adjustment has no continuing effect on the pro forma consolidated statement of comprehensive income of the Enlarged Group.

(2) The adjustment on goodwill of approximately HK$25,777,000 resulted from the Acquisition is calculated as follows:

		HK$'000
Fair value of consideration	*(Note 4)*	27,971
Less: Fair value of consolidated identifiable assets and liabilities acquired	*(Note 3)*	2,194
Goodwill on Acquisition		25,777

Pursuant to the sale and purchase agreement dated 26 June 2012 in respect of the Acquisition (the "**Agreement**"), the total consideration of HK$28,000,000 is to be satisfied as follows:

(i) as to HK$4,000,000 was satisfied by paying in cash or by cheque within 5 business days upon execution of the Agreement;

(ii) as to HK$15,000,000 shall be satisfied (1) in cash or by cheque in the event that the resumption of trading of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Resumption**") has been effected or (2) the issuance of the first interest-free promissory notes (the "**1st Promissory Notes**") in the event that the Resumption has not been effected and shall be repayable in one lump sum on the date falling two years from the date of issue of the 1st Promissory Notes, upon the Completion; and

(iii) as to HK$9,000,000 shall be satisfied (1) in cash or by cheque in the event that the Resumption has been effected or (2) the issuance of the second interest-free promissory note (the "**2nd Promissory Note**") in the event that the Resumption has not been effected, within 7 business days after the issuance of the 2013 audited accounts of the Target Group and shall be repayable in one lump sum on the date falling two years from the date of issue of the 2nd Promissory Note.

The consideration is subject to adjustment based on the consolidated profit before interest, taxes, depreciation and amortisation of the Target Group of not less than HK$5,500,000 for the year ending 31 December 2012 and not less than HK$8,500,000 for the year ending 31 December 2013 (the "**Guaranteed Amount**"). The consideration payable shall be reduced by an amount equal to the shortfall. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the Guaranteed Amount will be achieved and total consideration is HK$28,000,000. The consideration would be adjusted if the Guaranteed Amount cannot be met.

The Directors have reviewed the carrying value of goodwill of the Target Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("**HKAS 36**"), taking into account the assessment result carried out by an independent valuer, Grant Sherman Appraisal Limited (Unit 1005, 10/F., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong). Based on the assessment result, the Directors are of the opinion that there are no indications that the values of the goodwill of the Target Group may be impaired.

The auditors of the Company will carry out impairment review of the intangible assets and goodwill of the Target Group with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future.

(3) During the business combination, except for intangible assets held by the Target Group, it is assumed that the fair value of the identifiable assets and liabilities of the Target Group approximate to their carrying amounts as at 30 June 2012.

The fair value of the intangible assets as at 30 June 2012 is approximately HK$4,483,000 which is determined with reference to valuation carried out by Grant Sherman Appraisal Limited, an independent valuer. The adjustment represents the fair value increase of intangible assets held by the Target Group of approximately HK$3,231,000 and the corresponding deferred tax liabilities of approximately HK$533,000 charged at Hong Kong applicable tax rate of 16.5%. No pro forma adjustment regarding the amortisation of the increment on fair value of intangible assets is made in the Unaudited Pro Forma Financial Information as such amortisation is insignificant.

The fair value of consolidated identifiable assets and liabilities acquired is calculated as follows:

	HK$'000
Carrying amount of consolidated identifiable assets and liabilities acquired	(504)
Fair value adjustment to the intangible assets	3,231
Deferred tax liabilities	(533)
Fair value of consolidated identifiable assets and liabilities acquired	2,194

Upon the Completion, the fair value of the identifiable assets and liabilities of the Target Group will be reassessed and may be different from the fair value as stated above. As a result, the goodwill on acquisition at the date of the Completion may be different from that estimated amount presented.

(4) The fair value of total consideration at the Completion, as if the Acquisition had been completed on 30 June 2012 and the Resumption had been effected on the same day, is calculated as follows:

	Contractual amount *HK$'000*	**Fair value** *HK$'000*	
Consideration settled by cash or cheque	19,000	19,000	
Consideration payable by cash or cheque	9,000	8,971	*(Note 4a)*
	28,000	27,971	

(a) the fair value of the consideration payable is measured by discounting the nominal amount of HK$9,000,000 at the discount rate of 0.19% as determined by the directors of the Company with reference to valuation carried out by Grant Sherman Appraisal Limited, an independent valuer, as if it is to be paid on 1 April 2014, being 21 months from the Completion. The discount rate represents the risk free rate of 0.19%.

(b) the adjustment reflects the imputed interest expenses of the consideration payable, assuming the discount rate of 0.19% per annum and fair value of the consideration payable of approximately HK$8,971,000 as if the Acquisition had been completed on 1 January 2011. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group in subsequent years. Actual amount of the imputed interest will vary with the discount rate of the consideration payable to be reassessed upon the Completion.

Upon the Completion, the fair value of the consideration payable will be reassessed and may be different from the estimated ones as stated above and will be used to determine the cost of the Acquisition. As a result, the goodwill on acquisition at the date of the Completion may be different from that estimated amount presented.

(5) The elimination of the issued share capital of KanHan of approximately HK$364,000.

(6) The elimination of the pre-acquisition reserves of the Target Group of approximately HK$868,000.

(7) The adjustment reflects the drawdown of HK$4,000,000 from the Working Capital Loan facilities.

A. PROFIT/(LOSS) FORECASTS FOR THE YEAR ENDING 31 DECEMBER 2013

Forecasts for the year ending 31 December 2012

1. *Group*

Forecast consolidated net loss attributable to the Shareholders for the year ending 31 December 2012 *(Note 1)*	Approximately HK$8.2 million
Unaudited pro forma forecast loss per Share for the year ending 31 December 2012 *(Note 2)*	Approximately HK$0.041
Forecast consolidated net loss attributable to the Shareholders for the year ending 31 December 2012 (excluding the Acquisition Fee incurred for the year) *(Note 3)*	Approximately HK$5.7 million
Unaudited pro forma forecast loss per Share for the year ending 31 December 2012 (excluding the Acquisition Fee incurred for the year) *(Note 4)*	Approximately HK$0.028

2. *Target Group*

Forecast consolidated net profit for the year ending 31 December 2012 *(Note 5)*	Approximately HK$5.5 million

Forecasts for the year ending 31 December 2013

1. *Enlarged Group*

Forecast consolidated net profit attributable to the Shareholders for the year ending 31 December 2013 *(Note 6)*	Approximately HK$5.0 million
Unaudited pro forma forecast profit per Share for the year ending 31 December 2013 *(Note 7)*	Approximately HK$0.025

2. *Target Group*

Forecast consolidated net profit for the year ending 31 December 2013 *(Note 8)*	Approximately HK$8.7 million

Notes:

1. The bases and assumptions on which the above consolidated loss forecast for the year ending 31 December 2012 has been prepared are summarized in the section headed "BASES AND ASSUMPTIONS" below in this appendix.

2. The calculation of unaudited pro forma forecast loss per Share for the year ending 31 December 2012 is based on the forecast consolidated loss attributable to the Shareholders for the year and 200,000,000 Shares in issue.

3. The legal and professional fee incurred in relation to the Acquisition (the "**Acquisition Fee**") for the year ending 31 December 2012 is estimated to be HK$2.5 million.

4. The calculation of unaudited pro forma forecast loss per Share for the year ending 31 December 2012 is based on the forecast consolidated loss attributable to the Shareholders for the year (excluding the Acquisition Fee incurred for the year) and 200,000,000 Shares in issue.

5. The bases and assumptions on which the above consolidated net profit for the year ending 31 December 2012 has been prepared are summarized in the section headed "BASES AND ASSUMPTIONS" below in this appendix.

6. The bases and assumptions on which the above consolidated profit forecast for the year ending 31 December 2013 has been prepared are summarized in the section headed "BASES AND ASSUMPTIONS" below in this appendix.

7. The calculation of unaudited pro forma forecast profit per Share for the year ending 31 December 2013 is based on the forecast consolidated profit attributable to the Shareholders for the year and 200,000,000 Shares in issue.

8. The bases and assumptions on which the above consolidated net profit for the year ending 31 December 2013 has been prepared are summarized in the section headed "BASES AND ASSUMPTIONS" below in this appendix.

B. BASES AND ASSUMPTIONS

(a) For the year ending 31 December 2012 for the Group

The Directors have prepared the forecast consolidated loss attributable to the Shareholders for the year ending 31 December 2012 based on:

(i) the audited consolidated results of the Group for the year ended 31 December 2011;

(ii) the unaudited consolidated results in the management accounts of the Group for the 9 months ended 30 September 2012; and

(iii) a forecast of the consolidated results of the Group for the remaining 3 months ending 31 December 2012.

The forecast has been prepared based on the accounting policies consistent in all material respects with those presently adopted by the Group.

(b) For the year ending 31 December 2012 for the Target Group

The Directors have prepared the forecast consolidated profit for the year ending 31 December 2012 based on:

(i) the audited consolidated results of the Target Group for the year ended 31 December 2011;

(ii) the audited consolidated results of the Target Group for the six months ended 30 June 2012 (including the audited revenue of approximately HK$4.4 million);

(iii) the unaudited consolidated results of the Target Group for the three months ended 30 September 2012; and

(iv) a forecast of the consolidated results of the Target Group for the remaining 3 months ending 31 December 2012, including

— the unaudited revenue of approximately HK$0.7 million for a month ended 31 October 2012;

— confirmed orders in the amount of approximately HK$5 million for the two months ending 31 December 2012;

The forecast has been prepared based on the accounting policies consistent in all material respects with those presently adopted by the Group.

(c) For the year ending 31 December 2013 for the Enlarged Group

The Directors have prepared the forecast consolidated profit attributable to the Shareholders for the year ending 31 December 2013 based on:

(i) the audited consolidated results of the Group for the year ended 31 December 2012;

(ii) the unaudited consolidated results in the management accounts of the Group for the 9 months ended 30 September 2012;

(iii) a forecast of the consolidated results of the Group for the remaining 15 months ending 31 December 2013;

(iv) the audited consolidated results of the Target Group for the year ended 31 December 2011;

(v) the audited consolidated results of the Target Group for the six months ended 30 June 2012;

(vi) the unaudited consolidated results of the Target Group for the three months ended 30 September 2012; and

(vii) a forecast of the consolidated results of the Target Group for the remaining 15 months ending 31 December 2013.

The forecast has been prepared based on the accounting policies consistent in all material respects with those presently adopted by the Group.

(d) For the year ending 31 December 2013 for the Target Group

The Directors have prepared the forecast consolidated profit for the year ending 31 December 2013 based on:

(i) the audited consolidated results of the Target Group for the year ended 31 December 2011;

(ii) the audited consolidated results of the Target Group for the six months ended 30 June 2012 (including the audited revenue of approximately HK$4.4 million);

(iii) the unaudited consolidated results of the Target Group for the three months ended 30 September 2012; and

(iv) a forecast of the consolidated results of the Target Group for the remaining 15 months ending 31 December 2013, including

— the unaudited revenue of approximately HK$0.7 million for a month ended 31 October 2012;

— confirmed orders in the amount of approximately HK$5 million for the two months ending 31 December 2012;

— confirmed orders in the amount of approximately HK$2 million for the year ending 31 December 2013;

— orders in negotiation of approximately HK$15 million for the year ending 31 December 2013.

The forecast has been prepared based on the accounting policies consistent in all material respects with those presently adopted by the Group.

(e) General

(i) There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which the Enlarged Group has arrangements or agreements, which may materially adversely affect the Enlarged Group's business or operation.

(ii) There will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which the Enlarged Group operates or with which the Enlarged Group has arrangements or agreements, which may materially adversely affect the Enlarged Group's business or operation.

(iii) There will be no material changes in inflation rates or interest rates from those currently prevailing in the context of the Enlarged Group's operation.

(iv) There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Enlarged Group operates.

(v) There will be no other unforeseen circumstances, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents, beyond the control of the Enlarged Group which will have a material adverse effect on the results of operations of the Enlarged Group.

(vi) The Acquisition is duly completed in December 2012.

(vii) All the transactions contemplated under the Resumption Proposal are duly completed in February 2013.

(viii) During the forecast period conversion of RMB to HK$ is assumed as RMB0.81: HK$1.0.

C. COMFORT LETTERS

1. Comfort letter from the reporting accountant

COMFORT LETTER — PROFIT FORECAST

10 December 2012

The Board of Directors
Aurum Pacific (China) Group Limited
Unit 903, 9/F
Wing's Building
110–116 Queen's Road Central
Central, Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the profit forecast of Aurum Pacific (China) Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and KanHan Technologies Limited ("**KanHan**") and its subsidiary (together with the Group hereinafter referred to as the "**Enlarged Group**"), for the period from 1 October 2012 to 31 December 2013 (the "**Profit Forecast**"), for which the directors of the Company are solely responsible, as set out in the circular dated 10 December 2012 issued in connection with the proposed acquisition of 100% equity interest in KanHan. The Profit Forecast is prepared based on a forecast of the results of the Enlarged Group for the period from 1 October 2012 to 31 December 2013.

In our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company.

Yours faithfully,
For and on behalf of
Baker Tilly Hong Kong Limited
Andrew David Ross
Director

2. Comfort letter from the financial adviser

The following is the text of a report from the financial adviser and prepared for the sole purpose of inclusion in this Circular.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 3214, 32/F.
COSCO Tower
183 Queen's Road Central
Hong Kong

10 December 2012

The Board of Directors
Aurum Pacific (China) Group Limited
Unit 903, 9/F
Wings Building
110–116 Queen's Road Central
Central, Hong Kong

Dear Sirs,

We refer to the circular dated 10 December 2012 issued by the Company to the Shareholders (the "**Circular**") of which this letter forms part. Terms used in this letter, unless otherwise defined, shall have the same meanings as those used in the Circular. We refer to the profit forecast of Aurum Pacific (China) Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and KanHan Technologies Limited (the "**Target Company**") and its subsidiaries (together with the Group hereinafter referred to as the "**Enlarged Group**"), for the period from 1 October 2012 to 31 December 2013 (the "**Profit Forecast**").

We are engaged to assist the Directors to comply with paragraph 29(2) of Appendix 1b of the GEM Listing Rules. We are not reporting on the arithmetical calculations of the Profit Forecast and the adoption of accounting policies thereof. We have reviewed the forecasts in deriving the Profit Forecast for which the directors of the Target Group and the Directors (the "**Parties**") are solely responsible, and have discussed with the Parties the information and documents provided by the Parties which formed part of the bases and assumptions, which are set out in section B in Appendix IV to the Circular, upon which the Profit Forecast have been prepared. We have also considered the letter from Baker Tilly Hong Kong Limited dated 10 December 2012 addressed to the Company regarding the calculations and accounting policies upon which the underlying profit forecast to the Profit Forecast have been made.

Our work has been undertaken for the purpose of reporting solely to the Board under paragraph 29(2) of Appendix 1b of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

On the basis of the foregoing, we are of the opinion that the Profit Forecast, for which the directors of the Target Group and the Board are solely responsible, have been made after due and careful enquiry by the Board.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

1. RESPONSIBILITY STATEMENT

This Circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular 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 Circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the following directors or chief executives of the Company or their associates had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors as follows:

Name of Director	Nature of interest	Number of Shares	Approximate % of the shareholding
Mr. Lau	Corporate Interest *(Note)*	142,993,481	71.50%

Note: The interest in the Shares of Mr. Lau is held through Prime Precision Holdings Limited as the sole shareholder and director and is deemed to be interested in the shares held by Prime Precision Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, no interest or short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.57 of the GEM Listing Rules relating to securities transactions by the Directors.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following shareholders had interests, directly or indirectly, or short positions in the shares or underlying shares of the Company 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of issued Shares held	Approximate % of the shareholding
Prime Precision Holdings Limited	Beneficial owner *(Note 1)*	142,993,481 (L)	71.50%
Mr. Lau	Interest of a controlled corporation *(Note 1)*	142,993,481 (L)	71.50%
Simplex Technology Investment (Hong Kong) Co. Limited ("**Simplex**")	Beneficial owner *(Note 2)*	16,896,363 (L)	8.45%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("**Jiaoda Industrial Group**")	Interest of a controlled corporation *(Note 2)*	16,896,363 (L)	8.45%
Shanghai Jiao Tong University	Interest of a controlled corporation *(Note 2)*	16,896,363 (L)	8.45%

The letter "L" denotes the entity's interests in the Shares.

Note 1: The interests in the shares of Mr. Lau is held through Prime Precision Holdings Limited, the entire issued share capital of which was beneficially and ultimately owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the shares held by Prime Precision Holdings Limited.

Note 2: The interest in the Shares is held through Simplex, the entire issued share capital of which is beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group is owned as to 96.735% by Shanghai Jiao Tong University and 3.265% by Shanghai Jiaoda Enterprise Management Centre, an entity wholly-owned by Shanghai Jiao Tong University.

Save as disclosed herein, as at the Latest Practicable Date, the Company was not aware of any other person (other than the Directors or chief executive of the Company) who had, or were deemed or taken to have, an interest, directly or indirectly, or short position in the shares and underlying shares of the Company 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested which was significant in relation to the business of the Enlarged Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or controlling shareholders or substantial Shareholders or any of their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly with the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Company which were not expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following agreements, being contracts not entered into in the ordinary course of business, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this Circular and or may be material:

(a) the S&P Agreement;

(b) the loan facilities letter dated 11 April 2012 (and as supplemented by the side letters dated 26 June 2012 and 15 November 2012) having signed and delivered to the Company by Prime Precision Holdings Limited in relation to the grant of loan facilities of up to HK$40 million by Prime Precision Holdings Limited to the Company;

(c) the deed of waiver dated 11 April 2012 entered into between Pearlica Technologies Limited, being a wholly-owned subsidiary of the Company, and Hong Chang Group Limited in relation to the waiver of the debt of approximately HK$40 million owed by Pearlica Technologies Limited to Hong Chang Group Limited;

(d) the deed of waiver dated 11 April 2012 entered into between the Company and Hong Sheng Group Limited in relation to the waiver of the debt of approximately HK$1.71 million owed by the Company to the Hong Sheng Group Limited; and

(e) the sale and purchase agreement dated 31 March 2011 (as supplemented by the supplemental sale and purchase agreement dated 7 April 2011) entered into between the Company as vendor and Hong Yue Limited as purchaser in relation to the disposal of 100% of Max Honour International Limited. Completion of the disposal took place on 24 June 2011 and the consideration was approximately HK$5.31 million.

9. EXPERTS AND CONSENTS

The following are the names and the qualification of the experts who have given opinions and advices which are included in this Circular:

Name	Qualification
Baker Tilly Hong Kong Limited	Certified Public Accountants
Grant Sherman Appraisal Limited	Independent Valuer
Veda Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Enlarged Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Enlarged Group since 31 December 2011, being the date to which the latest published audited accounts of the Company were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of references to its name and/or its opinion in the form and context in which they respectively appear.

10. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Proposed executive Director

Address: 22/F, Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong

Mr. Mo Wai Ming, Lawrence, aged 53, prior to founding of KanHan Technologies Limited in 1999, Mr. Mo was the Managing Director of the Hong Kong branch of a Taiwan based software technology company, DynaLab Inc. which was engaged in the development and sales of solutions on local language computing for Chinese, Japanese and Korean (CJK) for electronic and Internet publishing. Mr. Mo is an expert in CJK language font technology for PC and professional publishing market. Mr. Mo holds a degree in computer science from the University of Toronto, Canada and has over 10 years experience in the development and sales of solutions on local language computing for Asian languages and for electronic and internet publishing. Mr. Mo was an executive director of China Digital Licensing (Group) Limited (stock code: 8175) resigned in January 2009.

Save as disclosed, Mr. Mo did not hold directorship in any other listed companies or had any other major appointment and qualifications during the last three years prior to the Latest Practicable Date. Mr. Mo does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, Mr. Mo did not have any interests or underlying interests in the Shares within the meaning of Part XV of the SFO.

Proposed senior management

Business Development Director

Address: 22/F Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong

Ms. Emma Wong, aged 37, is the business development director of the Target Company. With a marketing background, she joined the Target Company in May 2005 and now has the overall responsibility of the sales and marketing of the Target Company's products. Ms. Wong has a bachelor degree in marketing from University of Science and Technology, Hong Kong.

Ms. Wong did not hold directorship in any other listed companies or had any other major appointment and qualifications during the last three years prior to the Latest Practicable Date. Ms. Wong does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, Ms. Wong did not have any interests or underlying interests in the Shares within the meaning of Part XV of the SFO.

Manager, Technical Department

Address: 22/F Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong

Mr. Aaron Tsoi Kwan La, aged 31, graduated from University of Melbourne, Bachelor of Computer Science. He joined the Target Company since December 2003 having over 10 years' IT experience. He rose through the ranks from junior programmer to head of the technical team responsible for product development and service delivery.

Mr. Tsoi is mainly responsible for database design, system analysis, software design, programming (e.g. java, php, jsp, flash). Mr. Tsoi is the key developer in HanPHONE IVR product. From technologies development, design system structure to implementation of the platforms, Mr. Tsoi has over 8 years' experience to handle different scenarios in different industries and associations.

Mr. Tsoi did not hold directorship in any other listed companies or had any other major appointment and qualifications during the last three years prior to the Latest Practicable Date. Mr. Tsoi does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, Mr. Tsoi did not have any interests or underlying interests in the Shares within the meaning of Part XV of the SFO.

Independent Non-Executive Directors and the Audit Committee

The audit committee comprised three independent non-executive directors throughout the year ended 31 December 2011 namely Mr. Chi Chi Hung, Kenneth (Chairman), Mr. Chan Wai Fat and Mr. Chui Kwong Kau.

Mr. Chi Chi Hung Kenneth, aged 44, was appointed as an independent non-executive Director on 8 March 2010. Mr. Chi has over 20 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive director of each of Hua Yi Copper Holdings Limited (stock code: 559), China Sandi Holdings Limited (formerly known as China Grand Forestry Green Resources Group Limited) (stock code: 910), M Dream Inworld Limited (stock code: 8100) and Morning Star Resources Limited (stock code: 542). He is also an independent non-executive director of each of ZMAY Holdings Limited (stock code: 8085), Noble Century Investment Holdings Limited (formerly known as Sam Woo Holdings Limited) (stock code: 2322), China Natural Investment Company Limited (stock code: 8250), Perfect Shape (PRC) Holdings Limited (stock code: 1830) and Goodtop Tin International Holdings Limited (stock code: 195). He was an independent non-executive director of Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012.

Mr. Chan Wai Fat, aged 44, has been appointed as an independent non-executive Director of the Company with effect from 14 July 2008. Mr. Chan is currently a Senior Vice President of a securities house in Hong Kong. Mr. Chan holds a bachelor degree of commerce from The University of Western Australia and a master degree of business administration from Deakin University, Australia. He has years of experience in compliance, accounting and financial management in securities industry and has worked for international accounting firms and listed company in Hong Kong. He is a fellow of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia.

Mr. Chui Kwong Kau, aged 45, has been appointed as an independent non-executive Director of the Company with effect from 17 March 2010. Mr. Chui has over 15 years' experiences in accounting and auditing fields, including over 10 years' accounting and auditing experience in other public listed companies. Mr. Chui is currently an executive in other public listed companies. Mr. Chui is currently an executive director of each of China Energy Development Holdings Limited (stock code: 228) and ZMAY Holdings Limited (stock code: 8085).

The audit committee is set up based on the guidelines recommended by the Hong Kong institute of Certified Public Accountants to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements and to oversee the relationship with the external auditors.

11. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Unit 903, 9/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong.

(c) The company secretary of the Company is Ms. Wong Chi Yan. She holds a Bachelor of Business Administration degree in Accounting from Hong Kong Baptist University and is an associate member of the Hong Kong Institute of Certified Public Accountants. She has extensive experiences in auditing and accounting.

(d) The compliance officer of the Company is Mr. Lau. He holds a bachelor degree in Accountancy from the Hong Kong Polytechic University and has more than 15 years of experience in corporate finance, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Securities Institute.

(e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited of 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong.

(f) The English text of this Circular shall prevail over the Chinese text in the event of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday except during public holidays) at the principal place of business of the Company in Unit 903, 9/F Wings Building, 110–116 Queen's Road Central, Hong Kong from the date of this Circular:

(a) the memorandum and articles of association of the Company;

(b) the interim report of the Company for the six months ended 30 June 2012 and the annual reports of the Company for each of the two financial years ended 31 December 2011;

(c) the accountants' report on the financial information of the Target Group as set out in Appendix II to this Circular;

(d) the letter from the Board, the text of which is set out on pages 6 to 46 of this Circular;

(e) the report prepared by Baker Tilly Hong Kong Limited in relation to the unaudited pro forma financial information of the Enlarged Group (Resumption has not been effected) as set out in appendix IIIA of the Circular;

(f) the report prepared by Baker Tilly Hong Kong Limited in relation to the unaudited pro forma financial information of the Enlarged Group (Resumption has been effected) as set out in appendix IIIB of the Circular;

(g) the comfort letter from Baker Tilly Hong Kong Limited in relation to the profit/(loss) forecasts up to the year ending 31 December 2013;

(h) the comfort letter from Veda Capital Limited in relation to the profit/(loss) forecasts up to the year ending 31 December 2013;

(i) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(j) the material contracts entered into by the Enlarged Group as referred to in the paragraph headed "Material Contracts" in this Appendix; and

(k) this Circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Aurum Pacific (China) Group Limited (the "**Company**") will be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 12:15 p.m. on 28 December 2012 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution:

ORDINARY RESOLUTION

"**THAT** the sale and purchase agreement dated 26 June 2012 (the "**S&P Agreement**") entered into among KanHan Technologies Inc. and Victory Connect Limited as the 1st and 2nd Vendors, Corporate Model Limited, a wholly-owned subsidiary of the Company, as the purchaser and Mr. Mo Wai Ming, Lawrence as the guarantor (a copy of which has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the acquisition of the entire issued share capital of KanHan Technologies Limited and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed. The Directors be and are hereby authorized to execute such all other documents, do all other acts and things and take such action as may in the opinion of the Directors be necessary, desirable or expedient to implement and give effect to the S&P Agreement and any other transactions contemplated under the S&P Agreement."

By Order of the Board
Aurum Pacific (China) Group Limited
Lau Man Tak
Chairman

Hong Kong, 10 December 2012

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Unite 903, 9/F, Wings Building,
110–116 Queen's Road Central
Central, Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited with the branch share registrars of the Company, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

4. Completion and return of this form will not preclude you from attending and voting at the meeting if you so wish. If you attend and vote at the meeting, the authority of your proxy will be revoked.

5. In the case of joint registered holders of any shares, any one of them may vote at the meeting, either personally or proxy, in respect of such shares as if he/she was solely entitled thereto; but if more than one joint registered holder is present at the meeting, either personally or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other joint registered holders.

6. As at the date of this notice, the Board comprises two executive Directors, namely Mr. Lau Man Tak and Mr. Lee Ah Sang; and three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth, Mr. Chan Wai Fat and Mr. Chui Kwong Kau.