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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)

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF KANHAN EDUCATIONAL SERVICES LIMITED

INTRODUCTION

The Board is pleased to announce that on 23 June 2014 (after trading hours), the Purchaser, being a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with the Vendor and the Guarantor whereby the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$6,500,000. The Consideration shall be satisfied in full by the Purchaser in cash upon Completion.

IMPLICATION UNDER THE LISTING RULES

The applicable percentage ratios in respect of the Acquisition are greater than 5% but less than 25%. Therefore, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirements but exempt from Shareholders' approval requirement under the GEM Listing Rules.

As at the date of this announcement, Mr. Mo is an executive Director and a director of the Purchaser, and hence is a connected person of the Company. Mr. Mo is also the sole director of the Target and hence the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios in respect of the Acquisition are less than 25% and the Consideration is less than HK\$10,000,000, pursuant to Rule 20.32(2) of the GEM Listing Rules, the Acquisition is only subject to reporting and announcement requirements and is exempt from the independent Shareholders' approval.

INTRODUCTION

The Board is pleased to announce that on 23 June 2014 (after trading hours), the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor whereby the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$6,500,000. The principal terms of the Agreement and further details of the Acquisition are set out in the following.

THE AGREEMENT

Date: 23 June 2014

Parties

- (a) Star Regal Investments Limited, a wholly-owned subsidiary of the Company (as the Purchaser);
- (b) Refine Skill Limited (as the Vendor); and
- (c) Mr. Wong Tai Wai David (as the Guarantor), who is also the ultimate beneficial owner of the Vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, (i) the Vendor, and its ultimate beneficial owner, are third parties independent of the Company and were not interested in any Share or other securities of the Company; and (ii) Mr. Mo, an executive Director and a director of the Purchaser, is the sole director of the Target. Hence, Mr. Mo is a connected person of the Group and the Acquisition constitutes a connected transaction of the Company.

Assets to be acquired

The Sale Shares represent the entire issued share capital of the Target, which is principally engaged in the provision of website development, electronic learning products and services for educational institutions. The Target in turn directly wholly-owned the equity interests in the Subsidiary, business scope of which is principally engaged in research and development of software and hardware for computer, and digital and audio equipment. Further information of the Target Group are set out in the paragraph headed “Information of the Target Group” below.

The Sale Shares shall be free from all Encumbrances, and together with all rights and benefits attaching thereto on or after Completion, including but not limited to the right to dividends or distributions made or declared on or after the Completion Date.

Consideration

The Consideration payable by the Purchaser to the Vendor is HK\$6,500,000, which shall be satisfied by the Purchaser in full upon Completion in cash.

The Completion of the Acquisition is conditional upon the fulfillment of the following conditions:

- (1) (where appropriate) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (2) (where appropriate) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;

- (3) the Purchaser having completed and satisfied in its absolute discretion with the results of the due diligence investigation in respect of the assets, liabilities, businesses, prospects and other affairs of the Target Group as the Purchaser may in its sole and absolute discretion consider necessary or desirable;
- (4) the Purchaser being satisfied in its absolute discretion, from the date of the Agreement and at any time before Completion, that the warranties under the Agreement remaining true and accurate in all material respects, not misleading or in breach in any material respect and that no events have suggested that there were any breach in any material respect of any warranties or other provisions of the Agreement by the Vendor; and
- (5) receipt by the Purchaser to its satisfaction and in its sole discretion of a valuation report on the fair value of the total equity interest of the Target Group of not less than HK\$6,500,000 issued by an independent professional valuer appointed by the Purchaser.

Save for conditions (1) and (2) above, the Company may waive any of the conditions precedents. If the conditions above have not been satisfied (or waived) at or before 5:00 p.m. on 15 July 2014, or such later date as the Purchaser and the Vendor may agree in writing, the Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms of the Agreement.

Completion shall take place on the third Business Day after the fulfillment (or waived) of the last outstanding conditions precedent to the Agreement (or such other date as the parties hereto may mutually agree in writing).

GUARANTEED PROFIT AND PROMISSORY NOTES ISSUED BY THE VENDOR

Each of the Vendor and the Guarantor irrevocably warrants and guarantees to the Purchaser that: (i) the audited net profit before taxation and any extraordinary or exceptional items of the Target Group for each of the two years ending 31 December 2014 (“**First Guarantee Period**”) and 31 December 2015 (“**Second Guarantee Period**”) respectively shall not be less than HK\$1,000,000 (the “**Guaranteed Profit**”).

If the actual audited net profit before taxation and any extraordinary or exceptional items for the First Guarantee Period and the Second Guarantee Period as shown in the audited accounts of the Target Group is less than the Guaranteed Profit of the relevant year, the Vendor and the Guarantor shall jointly and severally compensate the Purchaser on a dollar-to-dollar basis and duly settle the shortfall of the Guaranteed Profit on or before 30 April 2015 for the First Guarantee Period and on or before 30 April 2016 for the Second Guarantee Period.

To secure the punctual and due performance of the Vendor in relation to the Guaranteed Profit, the Vendor (as issuer) and the Guarantor (as guarantor) will execute and issue the Promissory Notes on the Completion Date in favour of the Purchaser, pursuant to which, in the event that if the Vendor and/or the Guarantor failed to pay the shortfall of the Guaranteed Profit for the relevant guarantee period as stated above, the Purchaser shall be entitled to request for the payment from the Vendor and/or the Guarantor in accordance with the terms of the Promissory Notes. On a contrary, if the Target Group meets the Guaranteed Profit under the relevant guarantee period or the shortfall of the Guaranteed Profit for the relevant guarantee period is duly settled, the Purchaser shall cancel the relevant Promissory Note and return the same to the Vendor.

A summary of the principal terms of the Promissory Notes are set out as follows:

	Promissory Note for the First Guarantee Period	Promissory Note for the Second Guarantee Period
Principal amount	HK\$1,000,000	HK\$1,000,000
Maturity	30 April 2015	30 April 2016
Coupon rate	Nil	Nil
Repayment	Payment of principal amount of the Promissory Note shall be made upon its maturity.	Payment of principal amount of the Promissory Note shall be made upon its maturity.

For the avoidance of doubt, should the Target Group record net loss in its audited financial statements for the First Guarantee Period and/or Second Guarantee Period, the actual profit for such financial year shall be deemed as zero.

BASIS OF THE CONSIDERATION

The Consideration was arrived at after arm's length negotiations between the parties and was determined by making reference to (a) the preliminary valuation report issued by an independent professional valuer appointed by the Purchaser on the fair value of the total equity interests of the Target Group of HK\$6,800,000; (b) the Guaranteed Profit provided by the Vendor and the Guarantor over the next two financial years (details of which are set out in the paragraph headed "Guaranteed Profit and Promissory Notes issued by the Vendor" above); and (c) the prospect of the business in the provision of website development and electronic learning products and services to government departments, corporations and education institutions as mentioned in the paragraph headed "Reasons and benefits for the Acquisition" below.

Having considered the above factors, the Directors (including the independent non-executive Directors but excluding Mr. Mo, the executive Director, who had abstained from voting) are of the view that the Consideration is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

The Target is incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vendor. As at the date of this announcement, the Target had an issued share capital of HK\$5.01 million divided into 5,010,000 ordinary shares, which have been fully paid up. Principal business of the Target is the provision of website development, electronic learning products and services for educational institutions.

The Subsidiary is a wholly-foreign-owned enterprise established in the PRC with a registered capital of RMB1 million and is a direct wholly-owned subsidiary of the Target. The Subsidiary is principally engaged in the research and development of software and hardware for computer, and digital and audio equipment.

The audited consolidated financial results of the Target Group for the years ended 31 December 2012 and 2013 are respectively summarized as follows:

	For the year ended 31 December	
	2013	2012
	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Turnover	2.55	4.14
Net (loss)/profit before taxation	(2.17)	2.26
Net (loss)/profit after taxation	(2.16)	1.91
Total assets	6.41	8.06
Total liabilities	2.52	2.00
Net assets	3.89	6.06

Upon Completion, the Target will become a wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

REASONS AND BENEFITS FOR THE ACQUISITION

The Group is an information technology solutions provider which principally engages in the development and market of patented server based technology and the provision of communication software platform and software related services in Hong Kong and the PRC.

Under the 2014 Policy Address issued by the Hong Kong Government, among other things, it is expected that from the 2014/15 school year, approximately HK\$200 million will be provided annually to enhance school support system in implementing a Chinese Language Curriculum Second Language Learning Framework for ethnic minority students in primary and secondary schools. In addition, great emphasis will be placed on nurturing the younger generation with a view to promoting lifelong learning and whole-person development. Hence, e-learning for effective learning, promoting whole child development and catering for learners' diversity are particularly relevant to the emphasis of the Policy Address. Moreover, the ever-evolving web based technologies and the all-pervasive influence of mobile devices have made IT investment in the past decade archaic. Schools are under pressure in renovating school administration system in supporting their stake holders whom desire to access school activities using the mobile and wireless channels.

In view of the increasing popularity of using electronic media and communication technologies in the education sector, and the continuous funding support from the Hong Kong Government's education policy, the Company considers that it has created a sizeable market potential for "information technology in education" projects and the future prospect of e-learning business is promising.

Since its inception, the Target Group has been focusing on the development of syllabus and contents for Chinese Language teaching and learning in schools and enterprises. Of the total of over 1,000 primary and secondary schools in Hong Kong as of December 2013, over 100 of which have subscribed for the Target Group's web based courseware serving students in learning Putonghua, Chinese Language for native and non-Chinese speakers. Nevertheless,

though the Target Group possesses a strong school selling network and expertise in designing materials that relate to the curriculum or syllabus of schools in Hong Kong, it lacks the experience and in-depth know-hows in deploying projects using latest technologies.

On this front, the Group is an established information technology company with extensive experience in developing products and deploying projects for major government departments and enterprises. In recent years, the Group excels in the adoption and support of open source web based technologies helping users to phase out dated proprietary systems and the development of mobile applications working coherently with web based software. The Directors therefore consider that the experience and track record of the Group made it a serious contender to the “information technology in education” projects in spite of the lack of the domain knowledge and selling skills to schools.

Based on the above, the Board considers that the Acquisition will have a synergy effect to the business of both the Group and the Target Group by creating a one-stop shop for e-learning solutions and school administration system that could be seamlessly integrated. In addition, the Guaranteed Profit as mentioned above for the two years ending 31 December 2014 and 2015 can secure the profitability of the Group as well. On this basis, the Directors (including the independent non-executive Directors but excluding Mr. Mo, the executive Director, who had abstained from voting) consider that the terms of the Acquisition have been made on normal commercial terms and are fair and reasonable and the Acquisition is in the best interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The applicable percentage ratios in respect of the Acquisition are greater than 5% but less than 25%. Therefore, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirements but exempt from shareholders’ approval requirement under the GEM Listing Rules.

As at the date of this announcement, Mr. Mo is an executive Director and a director of the Purchaser, and hence is a connected person of the Company. Mr. Mo is also the sole director of the Target, and hence the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios in respect of the Acquisition are less than 25% and the Consideration is less than HK\$10,000,000, pursuant to Rule 20.32(2) of the GEM Listing Rules, the Acquisition is only subject to reporting and announcement requirements and is exempt from the independent Shareholders’ approval.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms of the Agreement;
“Agreement”	the conditional sale and purchase agreement dated 23 June 2014 entered into between the Purchaser, the Vendor and the Guarantor in respect of the Acquisition;
“Board”	the board of Directors;

“Business Day”	means any day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong;
“Company”	Aurum Pacific (China) Group Limited, a company incorporated in the Cayman Islands, the shares of which are listed on GEM;
“Completion”	completion of the Acquisition pursuant to the terms of the Agreement;
“Completion Date”	means the third Business Day after the last outstanding conditions precedent of the Agreement shall have been fulfilled or waived (or such other date as the Purchaser and the Vendor shall agree in writing) on which Completion is to take place;
“connected person”	the meaning ascribed to it in the GEM Listing Rules;
“Consideration”	HK\$6,500,000, being the consideration payable for the Sale Shares by the Purchaser to the Vendor;
“Director(s)”	the director(s) of the Company;
“Encumbrances”	means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any person or entity, including without limitation any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable laws, (ii) any proxy, power of attorney, voting trust agreement, trust interest, option, right of first offer, negotiation or refusal or transfer restriction in favour of any person and (iii) any adverse claim or third party rights as to title, votes, dividends, ownership, possession or use;
“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”	Mr. Wong Tai Wai David, the sole director and the ultimate shareholder of the Vendor;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Mr. Mo”	Mr. Mo Wai Ming, Lawrence, an executive Director and the connected person under the transaction contemplated under the Acquisition;

“PRC”	The People’s Republic of China;
“Promissory Note(s)”	the two promissory notes with principal amount of HK\$1,000,000 each will be issued by the Vendor to the Purchaser and guaranteed by the Guarantor on the Completion Date, with maturity on 30 April 2015 and 30 April 2016 respectively;
“Purchaser”	Star Regal Investments Limited, a company incorporated in Hong Kong, being a wholly-owned subsidiary of the Company;
“Sale Shares”	5,010,000 ordinary shares representing all the issued shares of the Target which is wholly-owned by the Vendor;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	the shares of the Company;
“Shareholder(s)”	holders(s) of the Shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	廣州看普軟件科技有限公司, the subsidiary of the Target and a wholly owned foreign enterprise established in the PRC with limited liability
“Target”	KanHan Educational Services Limited (formerly known as China Rise Investment Limited), a company incorporated in Hong Kong with limited liability and as at the date of this announcement, with the paid up capital of HK\$5.01million divided into 5,010,000 ordinary shares;
“Target Group”	the Target and the Subsidiary;
“Vendor”	Refine Skill Limited, a company incorporated in the British Virgin Islands with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 23 June 2014

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

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

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