

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



Interim **2014**
Report

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This report, for which the directors (the “Directors”) of Aurum Pacific (China) Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



SUMMARY

For the six months ended 30 June 2014:

- The turnover was approximately HK\$8,039,000;
- The loss attributable to owners of the Company was approximately HK\$2,081,000; and
- The Directors do not recommend the payment of any interim dividend.

INTERIM RESULTS

The board of directors of the Company (the “Board”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Continuing operations					
Turnover	2	3,331	3,411	8,039	6,072
Cost of sales		(1,532)	(587)	(2,630)	(1,296)
Gross profit		1,799	2,824	5,409	4,776
Other revenue		53	45	77	45
Changes in fair value of consideration payable for business combination		(1)	—	(1)	(159)
Administrative expenses		(1,965)	(1,020)	(3,660)	(1,956)
Research and development expenses		(1,262)	(621)	(2,419)	(1,068)
Selling and distribution expenses		(671)	(493)	(1,344)	(1,046)
(Loss)/profit from operations		(2,047)	735	(1,938)	592
Finance costs	4	—	(161)	(189)	(311)
(Loss)/profit before taxation	5	(2,047)	574	(2,127)	281
Income tax credit	6	25	—	50	—
(Loss)/profit for the period from continuing operations		(2,022)	574	(2,077)	281
Discontinued operation					
Loss for the period from discontinued operation		(2)	—	(4)	(15)
(Loss)/profit for the period attributable to owners of the Company		(2,024)	574	(2,081)	266
Other comprehensive income/(loss) for the period					
Items that may be reclassified subsequently to profit or loss:					
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		(2)	22	(1)	(79)
Total comprehensive income/(loss) for the period attributable to owners of the Company		(2,026)	596	(2,082)	187

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		HK cents (Unaudited)	HK cents (Unaudited)	HK cents (Unaudited)	HK cents (Unaudited)
(Loss)/earnings per share					
From continuing and discontinued operations — Basic and diluted	8	(0.41)	0.14	(0.42)	0.06
From continuing operations — Basic and diluted	8	(0.41)	0.14	(0.42)	0.06
From discontinued operation — Basic and diluted	8	—	—	—	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	744	448
Intangible assets	10	9,455	5,217
Goodwill	11	21,666	20,236
Deferred tax assets		1,823	1,660
		33,688	27,561
Current assets			
Inventories		32	81
Trade and other receivables	12	4,292	5,597
Cash and cash equivalents		23,022	44,284
		27,346	49,962
Current liabilities			
Trade and other payables	13	875	962
Financial assistance from government		438	477
Deferred income		4,286	2,074
Loans from a shareholder	14	—	11,339
Consideration payable for business combination	15	—	6,052
Bank loans	16	1,000	—
		6,599	20,904
Net current assets		20,747	29,058
Total assets less current liabilities		54,435	56,619
Non-current liabilities			
Financial assistance from government		245	438
Deferred tax liabilities		488	397
		733	835
NET ASSETS		53,702	55,784
Capital and reserves			
Share capital	17	10,000	10,000
Reserves		43,702	45,784
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		53,702	55,784

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total
	Share capital	Share premium	Capital reserve	Capital surplus	Exchange reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2012 and 1 January 2013 (Audited)	2,000	30,224	2,035	16,699	—	(59,281)	(8,323)
Profit for the period	—	—	—	—	—	266	266
Other comprehensive loss	—	—	—	—	(79)	—	(79)
Total comprehensive income for the period	—	—	—	—	(79)	266	187
Capital contribution by a shareholder in the form of interest-free loans	—	—	390	—	—	—	390
Shares issued	8,000	50,626	—	—	—	—	58,626
Balance at 30 June 2013 (Unaudited)	10,000	80,850	2,425	16,699	(79)	(59,015)	50,880
Balance at 31 December 2013 and 1 January 2014 (Audited)	10,000	81,150	2,427	16,699	(74)	(54,418)	55,784
Loss for the period	—	—	—	—	—	(2,081)	(2,081)
Other comprehensive loss	—	—	—	—	(1)	—	(1)
Total comprehensive loss for the period	—	—	—	—	(1)	(2,081)	(2,082)
Balance at 30 June 2014 (Unaudited)	10,000	81,150	2,427	16,699	(75)	(56,499)	53,702

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	625	(94)
Net cash used in investing activities	(11,127)	(15,670)
Net cash (used in)/generated from financing activities	(10,760)	58,551
Net (decrease)/increase in cash and cash equivalents	(21,262)	42,787
Cash and cash equivalents at beginning of the period	44,284	1,869
Cash and cash equivalents at end of the period represented by cash and bank balances	23,022	44,656

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are expected to be reflected in the 2014 annual financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

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

2. TURNOVER

Turnover from continuing operations represents the sales value of goods and services supplied to customers from the provision of communications software platform.

3. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker which are used to make strategic decisions.

The Group has two (2013: two) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. No operating segments identified by the chief operating decision-maker have been aggregated in arriving at the reportable segments of the Group. The following summary describes the operations in each of the Group's reportable segments:

Continuing Operations

- Communications software platform — developing and marketing of patented server based technology, the provision of website development, education communications software platform and software related services.

3. SEGMENT REPORTING (CONTINUED)

Discontinued Operations

- Custom-made solutions — developing and implementing custom-made solutions which are specifically designed and developed for the specific needs and requirements of a particular customer and providing technical support services.

Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' result that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business Segment

The following is an analysis of the Group's revenue and results by business segment for the period under review:

	Continuing operations		Discontinued operation		Total	
	Communications software platform		Custom-made solutions			
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	8,039	6,072	—	—	8,039	6,072
Reportable segment profit/(loss)	361	2,077	(4)	(15)	357	2,062
Amortisation of intangible assets	(769)	(102)	—	—	(769)	(102)
Depreciation of property, plant and equipment	(127)	(85)	—	—	(127)	(85)
Income tax credit	50	—	—	—	50	—
					(489)	1,875
Unallocated corporate income and expenses					(1,403)	(1,139)
Finance costs					(189)	(470)
(Loss)/profit for the period					(2,081)	266

3. SEGMENT REPORTING (CONTINUED)

Discontinued Operations (continued)

(a) *Business Segment (continued)*

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Assets		
Reportable segment assets from continuing operations	20,460	18,650
Segment assets from discontinued operation	199	203
Unallocated corporate assets	40,375	58,670
Consolidated total assets	61,034	77,523
Liabilities		
Reportable segment liabilities from continuing operations	6,755	3,801
Unallocated corporate liabilities	577	17,938
Consolidated total liabilities	7,332	21,739

(b) *Reconciliation of reportable segment revenue, profit or loss, assets and liabilities*

The unallocated corporate income and expenses mainly include changes in fair value of consideration payable for business combination, staff costs and legal and professional fees of head office. The unallocated corporate assets and liabilities mainly include goodwill, prepayments, cash and cash equivalents of head office, loans from a shareholder, and consideration payable for business combination.

(c) *Geographical information and major customers*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets, in case of property, plant and equipment, and the location of the operation to which they are allocated, in case of intangible assets and goodwill.

3. SEGMENT REPORTING (CONTINUED)

Discontinued Operations (continued)

(c) Geographical information and major customers (continued)

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	8,034	6,059	31,801	25,878
Mainland China	5	13	64	23
	8,039	6,072	31,865	25,901

For the communications software platform business, revenue from the Group's largest customer amounted to HK\$1,733,000 (2013: HK\$939,000), being 22% (2013: 15%) of the Group's total revenue from this segment.

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest expense on financial liabilities not at fair value through profit or loss		
— Interest on other short term borrowing	—	78
— Imputed interest on interest-free loans from a shareholder	189	233
	189	311

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Staff costs (including directors' remuneration)		
— Salaries, wages and other benefits	6,163	2,716
— Contributions to defined contribution retirement plan	216	130
	6,379	2,846
Auditor's remuneration	181	156
Acquisition-related costs for business combination	282	—
Amortisation of intangible assets	769	102
Depreciation of property, plant and equipment	130	88
Operating lease charges:		
— minimum lease payment for property rental	250	13

6. INCOME TAX RELATING TO CONTINUING OPERATIONS

Taxation in the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Deferred tax		
Reversal of temporary differences	50	—

No provision for Hong Kong Profits Tax has been made as the Group companies comprising continuing operations has either tax losses brought forward in excess of the assessable profits for the period or do not have any estimated assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2014 and 2013.

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

No provision for Enterprise Income Tax of the People's Republic of China (the "PRC") has been made as its subsidiary incorporated in the PRC has estimated tax losses for the six months ended 30 June 2014 and 2013.

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: HK\$Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

(i) *From continuing and discontinued operations*

The calculation is based on the loss for the period attributable to owners of the Company of HK\$2,081,000 (2013: profit of HK\$266,000) and the weighted average number of ordinary shares of 500,000,000 (2013: 422,561,362) in issue during the period.

(ii) *From continuing operations*

The calculation is based on loss for the period from continuing operations attributable to owners of the Company of HK\$2,077,000 (2013: profit of HK\$281,000) and the weighted average number of ordinary shares of 500,000,000 (2013: 422,561,362) in issue during the period.

(iii) *From discontinued operation*

The calculation is based on loss for the period from the discontinued operation attributable to owners of the Company of HK\$4,000 (2013: HK\$15,000) and the weighted average number of ordinary shares of 500,000,000 (2013: 422,561,362) in issue during the period.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for the periods ended 30 June 2014 and 2013 is the same as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares in issue.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2014, save as disclosed in note 15 regarding business combination, the Group did not have any material acquisitions and disposal of property, plant and equipment.

10. INTANGIBLE ASSETS

For the six months ended 30 June 2014, save as disclosed in note 15 regarding business combination, the Group did not have any material acquisitions and disposal of intangible assets.

11. GOODWILL

Additions to goodwill for the six months ended 30 June 2014 represent goodwill arising on the business combination as disclosed in note 15.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Trade receivables	3,422	4,948
Deposits and prepayments	830	619
Other receivables	40	30
	4,292	5,597

Trade receivables are due within 30 days from the date of billing. As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Within 1 month	1,219	2,968
1 to 3 months	1,067	1,304
3 to 6 months	939	509
6 to 12 months	179	148
Over 12 months	18	19
	3,422	4,948

13. TRADE AND OTHER PAYABLES

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Trade payables	19	—
Other payables and accrued charges	856	962
	875	962

The ageing analysis of the trade payables is as follows:

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Current or within 3 months	19	—

14. LOANS FROM A SHAREHOLDER

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, to the extent of HK\$40,000,000 (the "Facilities") for the purpose of general working capital of the Company.

At 30 June 2013, the Company has drawn down approximately HK\$11,632,000 (31 December 2013: HK\$11,528,000) from the Facilities. These loans were unsecured, interest-free and had been fully repaid during the six months ended 30 June 2014.

15. BUSINESS COMBINATION

- a) On 27 June 2014, the Group acquired the entire equity interest in KanHan Educational Services Limited and its subsidiary (together, "KanHan Education Group") from an independent third party at a nominal consideration of HK\$6,500,000. KanHan Education Group was principally engaged in the provision of communications software platform.

Pursuant to the sale and purchase agreement dated 23 June 2014 in respect of the acquisition (the "S&P Agreement"), the consideration would be satisfied by cash and was settled in cash on 27 June 2014.

The consideration is subject to adjustment based on the audited consolidated profit before taxation and any extraordinary or exceptional items of KanHan Education Group of not less than HK\$1,000,000 for the year ending 31 December 2014 and 2015 respectively (the "Guaranteed Amount"). The consideration shall be reduced by an amount equal to the shortfall.

On 30 June 2014, based on the assessment of the directors of the Company, the possibility of shortfall against the Guaranteed Amount is remote, and consequently the fair value of guarantee asset is HK\$Nil.

The fair value of the identifiable assets and liabilities of KanHan Education Group acquired as at its date of acquisition is as follows:

	HK\$'000
Property, plant and equipment	119
Intangible assets	5,007
Deferred tax assets	163
Trade and other receivables	648
Cash and cash equivalents	1,658
Trade and other payables	(51)
Deferred income	(2,333)
Deferred tax liabilities	(141)
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Fair value of net identifiable assets acquired	5,070
Goodwill arising on acquisition	1,430
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Total consideration, satisfied by cash	6,500
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Net cash outflow arising on acquisition:	
Consideration paid in cash	(6,500)
Cash and cash equivalents acquired	1,658
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	(4,842)
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15. BUSINESS COMBINATION (CONTINUED)

a) (continued)

The goodwill is attributable to the synergies of the acquired business expected to arise after the Group's acquisition of KanHan Education Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Acquisition-related costs amounting to HK\$282,000 for the six-months ended 30 June 2014 have been excluded from the consideration transferred and have been recognised as "administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

Included in the revenue for the six-months ended 30 June 2014 is approximately HK\$14,000 attributable to the additional business generated by KanHan Education Group. Loss for the period includes loss of HK\$13,000 contributed by KanHan Education Group.

Had this business combination been taken place on 1 January 2014, the directors of the Company estimate that the condensed consolidated turnover and the condensed consolidated loss for the six-months ended 30 June 2014 would have been HK\$9,542,000 and HK\$1,601,000 respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014.

b) On 31 December 2012, the Group acquired the entire equity interest in KanHan Technologies Limited and its subsidiary (together, "KanHan Technologies Group") from independent third parties at a nominal consideration of HK\$28,000,000 (the "Acquisition"). The consideration will be satisfied in the manner as set out in the sale and purchase agreement dated 26 June 2012 in respect of the Acquisition.

The first payment of HK\$4,000,000 was settled in cash on 3 July 2012. The 1st Promissory Notes were issued on 31 December 2012 and redeemed by paying HK\$15,000,000 in cash on 28 February 2013. The remaining consideration payable of HK\$6,053,000, being the remaining nominal consideration payable of HK\$9,000,000 less the shortfall amount of HK\$2,947,000, was settled in cash during the six months ended 30 June 2014.

Details of the Acquisition are set out in note 30 of the annual consolidated financial statements for the year ended 31 December 2013.

16. BANK LOANS

On 14 January 2014, KanHan Technologies Limited has entered into a facility letter with a financial institution for a revolving loan facility to the extent of HK\$12,000,000 (the "Bank Facility"). The Bank Facility is secured by personal guarantees and mortgaged properties owned by independent third parties. As at 30 June 2014, KanHan Technologies Limited has drawn down HK\$1,000,000 which carries an interest rate of HIBOR plus 3.5% per annum and repayable within 1 year.

17. SHARE CAPITAL

Authorised and issued share capital

	Number of shares '000	Amount HK\$'000
Authorised:		
<i>Ordinary shares</i>		
At 1 January 2014 and 30 June 2014 of HK\$0.02 each	2,000,000	40,000
Issued and fully paid:		
<i>Ordinary shares</i>		
At 1 January 2014 and 30 June 2014 of HK\$0.02 each	500,000	10,000

18. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors is as follow:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short-term employee benefits	1,230	982
Post employment benefits	31	19
	1,261	1,001

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other related parties

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Printing charges to a related company*	—	230
Management fee to KanHan Educational Services Limited*	—	120
IT services charges to KanHan Educational Services Limited*	306	—

* Lau Man Tak is the director of the related company.

* Mo Wai Ming, Lawrence is the sole director of KanHan Educational Services Limited which became an indirect wholly-owned subsidiary of the Company subsequent to the completion of business combination as disclosed in note 15(a).

19. COMPARATIVE FIGURES

As a result of the separate presentation of the discontinued operation, certain comparative figures, including figures in condensed consolidated statement of comprehensive income and their related notes, have been re-presented to conform to changes in disclosure in this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2014, the Group recorded a total turnover from continuing operations of approximately HK\$8,039,000, as compared to that of approximately HK\$6,072,000 for the same financial period in 2013. Loss attributable to owners of the Company amounted to approximately HK\$2,081,000, as compared to profit of approximately HK\$266,000 for the same period in 2013. The loss was mainly attributable to, among other things, the increase in headcount and the staff cost to approximately HK\$6,379,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$2,846,000).

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: HK\$Nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 June 2014, the Group mainly focused on developing and marketing of the patented server based technology and the provision of communications software platform and software related services with primary focus in the government industry sector. The products and services can be mainly divided into five categories, namely, (i) HanPHONE supported Client Management Infrastructure; (ii) KanHan Client Management Infrastructure; (iii) HanWEB; (iv) solutions to expand business through creative promotions; and (v) voice system service to the under-privileged groups.

On 27 June 2014, the Group completed the acquisition of the entire equity interest in KanHan Educational Services Limited and its subsidiary (together “KanHan Education Group”) from an independent third party at a nominal consideration of HK\$6,500,000 (the “Acquisition”). KanHan Education Group became the indirectly wholly-owned subsidiaries of the Company. KanHan Education Group principally engages in the provision of website development, education and communication software platforms. It focuses on the development of syllabus and contents for Chinese Language teaching and learning in primary and secondary schools and enterprises. KanHan Education Group has built a solid business organization selling into the Hong Kong education market. More than 100 primary and secondary schools are subscribing to the web based courseware serving students in learning Putonghua, Chinese Language for native and non-Chinese speakers. The Board considers that the Acquisition would have a synergy effect to our existing business

by creating a one-stop shop for e-learning solutions and school administration system that could be seamlessly integrated. Details of the Acquisition were set out in the announcements of the Company dated 23 and 27 June 2014 and note 15(a) of this interim report.

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

Financial Resource and Liquidity

At 30 June 2014, the Group had cash and bank balances of approximately HK\$23,022,000 (31 December 2013: HK\$44,284,000). During the six months ended 30 June 2014, the loan from the controlling shareholder, Prime Precision Holdings Limited, with principal amount of approximately HK\$11,528,000 had been fully repaid. And also, the outstanding balance of consideration of HK\$6,053,100 for the acquisition of the entire equity interest in KanHan Technologies Limited and its subsidiary had been fully settled. Details of which were set out in the Company's announcement dated 19 March 2014. In addition, KanHan Technologies Limited has entered into a facility letter with a financial institution for a revolving loan facility to the extent of HK\$12,000,000 (the "Bank Facility"). The Bank Facility is secured by personal guarantees and mortgaged properties owned by independent third parties. At 30 June 2014, KanHan Technologies Limited has utilized the revolving Bank Facility of HK\$1,000,000, which carries an interest of HIBOR plus 3.5% per annum and repayable within 1 year. Most of the cash and bank balances and the borrowings are denominated in Hong Kong dollars.

Gearing Ratio

At 30 June 2014, total assets of the Group were approximately HK\$61,034,000 (31 December 2013: HK\$77,523,000) whereas total liabilities were approximately HK\$7,332,000 (31 December 2013: HK\$21,739,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 12.0% (31 December 2013: 28.0%) and the current ratio, calculated as current assets over current liabilities, was 4.1 (31 December 2013: 2.4). 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 2014, the Group did not have any substantial pledge of assets and contingent liabilities.

Material Acquisition, Disposal and Significant Investment

Save as disclosed in note 15 of this interim report, the Group did not have any other material acquisition, disposal and significant investment during the six months ended 30 June 2014.

Event after End of Reporting Period

The Group did not have any other significant events after the end of the reporting period.

Employee Information and Remuneration Policy

At 30 June 2014, after the completion of the Acquisition, the Group had approximately 80 staff (30 June 2013: approximately 30 staff). The staff costs (including directors' remuneration) were approximately HK\$6,379,000 (six months ended 30 June 2013: HK\$2,846,000) 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the shares of the Company

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

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

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Substantial Shareholders

To the best knowledge of Directors, as at 30 June 2014, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were expected to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Notes:

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

Save as disclosed above, the Company has not been notified of other interests or short positions of any other person (other than the Directors and chief executives and the substantial shareholders of the Company) in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2014.

SHARE OPTION SCHEME

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

For the six months ended 30 June 2014 and up to date of this interim report, the Company had no outstanding options under the Old Share Option Scheme or the New Share Option Scheme.

COMPETING INTERESTS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2014.

AUDIT COMMITTEE

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

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed with the Board the internal controls and financial reporting matters, including a review of the unaudited interim report for the six months ended 30 June 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2014, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

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

Hong Kong, 8 August 2014

As at the date of this report, 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.