



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 Report
2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 2015:

- The turnover was approximately HK\$11,844,000;
- The loss attributable to owners of the Company was approximately HK\$10,954,000; 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 three months and six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2015 (Expressed in Hong Kong dollars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Continuing operations					
Turnover	2	4,498	3,331	11,844	8,039
Cost of sales		(1,361)	(1,532)	(3,147)	(2,630)
Gross profit		3,137	1,799	8,697	5,409
Other revenue		89	53	253	77
Changes in fair value of consideration payable for business combination		(335)	(1)	(665)	(1)
Administrative expenses		(6,493)	(1,965)	(15,892)	(3,660)
Research and development expenses		(1,535)	(1,262)	(2,502)	(2,419)
Selling and distribution expenses		(838)	(671)	(1,914)	(1,344)
Loss from operations		(5,975)	(2,047)	(12,023)	(1,938)
Finance costs	4	(14)	-	(14)	(189)
Loss before taxation	5	(5,989)	(2,047)	(12,037)	(2,127)
Income tax credit	6	334	25	458	50
Loss for the period from continuing operations		(5,655)	(2,022)	(11,579)	(2,077)
Discontinued operation					
Loss for the period from discontinued operation		-	(2)	-	(4)
Loss for the period		(5,655)	(2,024)	(11,579)	(2,081)
Attributable to:					
- owners of the Company		(5,406)	(2,024)	(10,954)	(2,081)
- non-controlling interests		(249)	-	(625)	-
		(5,655)	(2,024)	(11,579)	(2,081)

Loss per share

From continuing and discontinued operations
– Basic and diluted

From continuing operations
– Basic and diluted

From discontinued operation
– Basic and diluted

Note	Three months ended 30 June		Six months ended 30 June	
	2015 HK cents	2014 HK cents (Restated)	2015 HK cents	2014 HK cents (Restated)
8	<u>(0.135)</u>	<u>(0.067)</u>	<u>(0.288)</u>	<u>(0.069)</u>
8	<u>(0.135)</u>	<u>(0.066)</u>	<u>(0.288)</u>	<u>(0.069)</u>
8	<u>-</u>	<u>(0.001)</u>	<u>-</u>	<u>(0.001)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2015

(Expressed in Hong Kong dollars)

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss for the period	(5,655)	(2,024)	(11,579)	(2,081)
Other comprehensive income/(expense) for the period				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of financial statements of foreign operations, net of nil tax	36	(2)	33	(1)
Total comprehensive expense for the period	(5,619)	(2,026)	(11,546)	(2,082)
Attributable to:				
– owners of the Company	(5,370)	(2,026)	(10,921)	(2,082)
– non-controlling interests	(249)	–	(625)	–
	(5,619)	(2,026)	(11,546)	(2,082)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015 AND 31 DECEMBER 2014
(Expressed in Hong Kong dollars)

	Notes	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	1,471	1,865
Intangible assets	10	30,744	33,478
Goodwill		95,783	95,783
Deferred tax assets		926	926
		128,924	132,052
Current assets			
Inventories		43	38
Trade and other receivables	11	8,086	15,094
Cash and cash equivalents		79,375	21,139
		87,504	36,271
Current liabilities			
Trade and other payables	12	1,279	1,923
Financial assistance from government		196	196
Deferred income		2,991	4,570
Short term borrowing	13	3,000	–
Consideration payable for business combination	14	9,641	–
		17,107	6,689
Net current assets		70,397	29,582
Total assets less current liabilities		199,321	161,634
Non-current liabilities			
Financial assistance from government		346	487
Deferred tax liabilities		5,607	6,277
Consideration payable for business combination	14	17,926	26,902
		23,879	33,666
NET ASSETS		175,442	127,968
Capital and reserves			
Share capital	15	16,800	12,000
Reserves		148,211	104,912
Total equity attributable to owners of the Company		165,011	116,912
Non-controlling interests		10,431	11,056
TOTAL EQUITY		175,442	127,968

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 30 JUNE 2014

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company						Total	Non-controlling interests	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	HK\$'000	HK\$'000
At 1 January 2014 (Audited)	10,000	81,150	2,427	16,699	(74)	(54,418)	55,784	-	55,784
Loss for the period	-	-	-	-	-	(2,081)	(2,081)	-	(2,081)
Exchange differences on translation of financial statements of foreign operations, net of nil tax	-	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive expense for the period	-	-	-	-	(1)	(2,081)	(2,082)	-	(2,082)
At 30 June 2014 (Unaudited)	10,000	81,150	2,427	16,699	(75)	(56,499)	53,702	-	53,702
At 1 January 2015 (Audited)	12,000	142,285	2,427	16,699	(103)	(56,396)	116,912	11,056	127,968
Loss for the period	-	-	-	-	-	(10,954)	(10,954)	(625)	(11,579)
Exchange differences on translation of financial statements of foreign operations, net of nil tax	-	-	-	-	33	-	33	-	33
Total comprehensive income/ (expense) for the period	-	-	-	-	33	(10,954)	(10,921)	(625)	(11,546)
Issue of shares (note 15 (iii))	4,800	54,220	-	-	-	-	59,020	-	59,020
At 30 June 2015 (Unaudited)	16,800	196,505	2,427	16,699	(70)	(67,350)	165,011	10,431	175,442

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 30 JUNE 2014

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(2,455)	625
Net cash used in investing activities	(1,151)	(11,127)
Net cash generated from/(used in) financing activities	61,842	(10,760)
Net increase/(decrease) in cash and cash equivalents	58,236	(21,262)
Cash and cash equivalents at beginning of the period	21,139	44,284
Cash and cash equivalents at end of the period represented by cash and bank balances	79,375	23,022

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 except that contingent consideration payable for business combination is stated at its fair value. 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 2014 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 2015 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 represents the sales value of goods and services supplied to customers from the provision of 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 (2014: 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

- Software platform – developing and marketing of patented server based technology and the provision of communications software platform, software development and sales, network constructions, internet marketing and domestic trading.

3. SEGMENT REPORTING (CONTINUED)

Discontinued operation

- 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 Software platform		Discontinued operation Custom-made solutions		Total	
	Six months ended		Six months ended		Six months ended	
	30 June	30 June	30 June	30 June	30 June	30 June
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue from external customers	11,844	8,039	–	–	11,844	8,039
Reportable segment profit/(loss)	2,074	361	–	(4)	2,074	357
Amortisation of intangible assets	(3,858)	(769)	–	–	(3,858)	(769)
Depreciation of property, plant and equipment	(218)	(127)	–	–	(218)	(127)
Income tax credit	458	50	–	–	458	50
					(1,544)	(489)
Unallocated corporate income and expenses					(10,021)	(1,403)
Finance costs					(14)	(189)
Loss for the period					(11,579)	(2,081)

3. SEGMENT REPORTING (CONTINUED)

(a) *Business segment (continued)*

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Assets		
Reportable segment assets from continuing operations	47,063	50,903
Unallocated corporate assets	169,365	117,420
Consolidated total assets	216,428	168,323
Liabilities		
Reportable segment liabilities from continuing operations	10,134	12,736
Unallocated corporate liabilities	30,852	27,619
Consolidated total liabilities	40,986	40,355

(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 and cash and cash equivalents of head office, short term borrowing and consideration payable for business combination.

4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Continuing operations				
Interest expense on financial liabilities not at fair value through profit or loss				
– Interest on short term borrowing	14	–	14	–
– Imputed interest on interest-free loans from a shareholder	–	–	–	189
	<u>14</u>	<u>–</u>	<u>14</u>	<u>189</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Continuing operations				
Staff costs (including directors' remuneration)				
– Salaries, wages and other benefits	4,662	3,125	9,853	6,163
– Contributions to defined contribution retirement plan	324	110	513	216
	<u>4,986</u>	<u>3,235</u>	<u>10,366</u>	<u>6,379</u>
Auditor's remuneration	131	81	263	181
Acquisition-related costs for business combination	–	282	–	282
Amortisation of intangible assets	1,766	384	3,858	769
Depreciation of property, plant and equipment	180	69	354	130
Operating lease charges:				
– minimum lease payments				
– property rentals	258	125	510	250
Write-off of property, plant and equipment	258	–	258	–
	<u>258</u>	<u>–</u>	<u>258</u>	<u>–</u>

6. INCOME TAX RELATING TO CONTINUING OPERATIONS

Income tax in the condensed consolidated statement of profit or loss represents:

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax				
– Hong Kong Profits Tax				
Provision for the period	–	–	–	–
– PRC				
PRC enterprise income tax (“EIT”) for the period	–	–	212	–
Deferred tax	(334)	(25)	(670)	(50)
Total income tax credit	(334)	(25)	(458)	(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 2015 and 2014.

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.

The subsidiaries established in the People’s Republic of China (the “PRC”) are subject to EIT at tax rates of 25% for the six months ended 30 June 2015.

No provision for EIT of the PRC has been made as its subsidiaries incorporated in the PRC have estimated tax losses for the period ended 30 June 2014.

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: HK\$Nil).

8. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

The calculation of loss per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$10,954,000 (2014: HK\$2,081,000), and the weighted average number of ordinary shares of 3,808,839,779 (2014: restated: 3,000,000,000) in issue during the period.

The calculation of loss per share for the three months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$5,406,000 (2014: HK\$2,024,000), and the weighted average number of ordinary shares of 4,015,384,616 (2014: restated: 3,000,000,000) in issue during the period.

(ii) From continuing operations

The calculation of loss per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$10,954,000 (2014: HK\$2,077,000), and the weighted average number of ordinary shares of 3,808,839,779 (2014: restated: 3,000,000,000) in issue during the period.

The calculation of loss per share for the three months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$5,406,000 (2014: HK\$2,022,000), and the weighted average number of ordinary shares of 4,015,384,616 (2014: restated: 3,000,000,000) in issue during the period.

(iii) From discontinued operation

The calculation of loss per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$Nil (2014: HK\$2,000), and the weighted average number of ordinary shares of 3,808,839,779 (2014: restated: 3,000,000,000) in issue during the period.

The calculation of loss per share for the three months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$Nil (2014: HK\$4,000), and the weighted average number of ordinary shares of 4,015,384,616 (2014: restated: 3,000,000,000) in issue during the period.

The weighted average number of ordinary shares for 2015 and 2014 above has been adjusted for the share subdivision and bonus issue which were completed on 6 January 2015 and 19 January 2015 respectively.

(b) Diluted loss per share

The diluted loss per share for the periods ended 30 June 2015 and 2014 is the same as the basic loss per share as there were no potentially dilutive ordinary shares in issue.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2015, 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 2015, the Group did not have any material acquisitions and disposal of intangible assets.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade receivables	4,875	8,869
Deposits and prepayments	2,245	889
Loan receivables	38	5,262
Other receivables	928	74
	8,086	15,094

(a) Ageing analysis

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 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Within 1 month	846	4,037
More than 1 but less than 3 months	1,210	2,631
More than 3 but less than 6 months	1,902	876
More than 6 but less than 12 months	701	1,116
Over 12 months	216	209
	4,875	8,869

12. TRADE AND OTHER PAYABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade payables	26	—
Other payables and accrued charges	1,253	1,923
	<u>1,279</u>	<u>1,923</u>

The ageing analysis of the trade payables is as follows:

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Current or within 3 months	26	—

13. SHORT TERM BORROWING

At 30 June 2015, a loan of principal amount of HK\$3,000,000 obtained from an independent third party was unsecured, interest-bearing at a fixed rate of 5% per annum and repayable within one year.

14. BUSINESS COMBINATION

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

Pursuant to the sale and purchase agreement dated 23 June 2014 in respect of the KHE Acquisition, the consideration 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 KHE Group of not less than HK\$1,000,000 for the year ending 31 December 2014 and 2015 respectively (the “KHE Guaranteed Amount”). The consideration shall be reduced by an amount equal to the shortfall.

The audited consolidated profit before taxation and any extraordinary or exceptional items of KHE Group exceeds HK\$1,000,000 for the year ended 31 December 2014.

On 17 December 2014, the Group acquired the entire equity interest in Native Hope Limited from an independent third party at a nominal consideration of HK\$90,000,000 (the “NH Acquisition”). Native Hope Limited has the entire interest in Fair Respect International Limited, Shenzhen Xiaoke Internet Technology Company Limited and 51% interest in Shenzhen Zhoufu Internet Technology Company Limited (together, “NH Group”). NH Group is principally engaged in the provision of software platform.

Pursuant to the sale and purchase agreement dated 11 December 2014 in respect of the NH Acquisition (the “NH Acquisition Agreement”), total consideration of HK\$60,000,000 has been settled in cash as at 31 December 2014.

The remaining consideration payable is subject to adjustment based on the audited consolidated profit after taxation but before extraordinary or exceptional items attributable to the owners of the Company of not less than HK\$10,000,000, HK\$13,000,000 and HK\$15,000,000 for the year ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively (the “NH Guaranteed Amount”). The consideration payable shall be reduced by an amount equal to any shortfall.

As at the 30 June 2015, based on the assessment of the directors of the Company, the possibility of shortfall against the KHE Guaranteed Amount and NH Guaranteed Amount are remote, and consequently the fair value of guarantee asset is HK\$Nil.

Details of the Acquisition are set out in note 28 of the annual consolidated financial statements for the year ended 31 December 2014.

15. SHARE CAPITAL

(i) Authorised and issued share capital

	Number of shares '000	Amount HK\$'000
Authorised:		
<i>Ordinary shares</i>		
At 1 January 2015 of HK\$0.02 each	2,000,000	40,000
Share subdivision (note (ii))	8,000,000	—
	<u>10,000,000</u>	<u>40,000</u>
At 30 June 2015 of HK\$0.004 each	<u>10,000,000</u>	<u>40,000</u>
Issued and fully paid:		
<i>Ordinary shares</i>		
At 1 January 2015 of HK\$0.02 each	600,000	12,000
Share subdivision (note (ii))	2,400,000	—
Issue of shares (note (iii))	1,200,000	4,800
	<u>4,200,000</u>	<u>16,800</u>
At 30 June 2015 of HK\$0.004 each	<u>4,200,000</u>	<u>16,800</u>

(ii) Share subdivision

By an ordinary resolution passed at the extraordinary general meeting on 5 January 2015, every issued and unissued ordinary shares of HK\$0.02 each were subdivided into five new ordinary shares of HK\$0.004 each (the "Share Subdivision"). Following the Share Subdivision which became effective on 6 January 2015, the Company's authorised share capital was HK\$40,000,000 divided into 10,000,000,000 shares of HK\$0.004 each, of which 3,000,000,000 ordinary shares were in issue and fully paid.

(iii) Issue of shares

On 19 January 2015, the Company issued 600,000,000 ordinary shares of HK\$0.004 each on the basis of one new share for every five existing shares then held (the "Bonus Issue"). These new shares were credited as fully paid by capitalisation of HK\$2,400,000 standing to the credit of share premium account. Details of the Bonus Issue are set out in the Company's circular and announcement dated 17 December 2014 and 19 January 2015 respectively.

Pursuant to the placing made by the Company on 29 April 2015, the Company issued 600,000,000 ordinary shares of HK\$0.004 each at a subscription price of HK\$0.10 per share, resulting in net proceeds of approximately HK\$58,900,000.

16. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short-term employee benefits	2,533	1,230
Post employment benefits	49	31
	<u>2,582</u>	<u>1,261</u>

(b) Transactions with other related parties

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
IT services charges to KanHan Educational Services Limited*	–	306

* Mr. 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 14.

17. EVENTS AFTER THE REPORTING PERIOD

With effect from 6 July 2015, the head office and principal place of business in Hong Kong of the Company has been changed to 22/F., Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2015, the Group recorded a total turnover from continuing operations of approximately HK\$11,844,000, as compared to that of approximately HK\$8,039,000 for the same financial period in 2014. The increase in turnover was mainly due to the expansion of business after completion of acquisition of Native Hope Limited in December 2014. Loss attributable to owners of the Company amounted to approximately HK\$10,954,000, as compared to loss of approximately HK\$2,081,000 for the same period in 2014. The increase in loss was mainly attributable to, among other things, the increase in the administrative expenses, including the staff costs, the legal and professional fees and the amortisation of intangible assets for the six months ended 30 June 2015.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: HK\$Nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 June 2015, the Group engaged in (i) 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; (ii) the provision of website development, education and communications software platform which focuses on the development of syllabus and contents for Chinese Language teaching and learning in primary and secondary schools and enterprises; and (iii) the custom-made software development services including urban grid management system, internet marketing and other projects.

During the period under review, the Company has entered into a letter of intent with Jiaxing Port Development and Construction Administrative Committee (嘉興港區開發建設管理委員會) (the “Jiaxing Committee”) regarding a proposed development of a scientific research centre in information technology (“IT”) industry (the “Jiaxing Project”). In this regard, the Company has set up a wholly-owned foreign enterprise (the “WOFE”) and paid up all the registered capital in the WOFE. The Company expects to obtain the land use rights of a land located in Jiaxing Port, Zhejiang Province, the PRC (the “Jiaxing Land”), from the Jiaxing Committee through the process of bid invitation, auction and listing on or before September 2015. The Company will develop a real estate on the Jiaxing Land for the purpose of scientific research in the IT industry. Details of which are set out in the announcement dated 9 March 2015.

On 16 March 2015, a letter of intent has been entered into between the Company and Yixing Economic and Technological Development Zone Administrative Committee (宜興經濟技術開發區管理委員會) (the “Yixing Committee”) regarding a proposed development of a scientific research centre in IT industry in Yixing, Jiangsu Province, the PRC. The land use rights of the Yixing have to be obtained from the Land and Resources Bureau of Yixing through the process of bid invitation, auction and listing for the purpose of scientific research in the IT industry. As at date of this report, no agreed timetable has been announced by the relevant authorities for the process of bid invitation, auction and listing of the land in Yixing. Details of which are set out in the announcement dated 16 March 2015.

Based on the Guiding Opinions on the Development of Smart City (關於促進智慧城市健康發展的指導意見) released on August 2014, the PRC government would like to promote the development of “Smart City”, the Company entered into the sales and purchase agreement with 北京艾格瑞德科技有限公司 (the “Vendor”) and its ultimate owners which the Company could conditionally acquire the entire interest of Beijing iPole Smart City Network Technology Company Limited (北京艾普智城網絡科技有限公司) (the “Target Company”) on 7 June 2015. The Target Company is principally engaged in research, development, construction and management of an intelligent platform and related appliances to connect lamp poles to optical fiber network so to convert them into information poles that are under cloud management and capable of providing Wi-Fi and charging electric cars (the “iPole”). The Company considered that the development of iPole is a business with great potential as iPole could provide central management of various utilities under digital network which is essential for the development of smart city in the PRC. Through this acquisition the Company could leverage onto the iPole Patents owned by the Target Company and plans to launch the iPole project by 2016.

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 has also been actively looking for new investments and business opportunities in order to diversify its existing business with a view to achieving better growth potential and enhancing shareholders' return.

Financial Resource and Liquidity

The Group's business operations and investments are in Hong Kong and Mainland China. At 30 June 2015, the Group had cash and bank balances of approximately HK\$79,375,000 (31 December 2014: HK\$21,139,000). Most of the cash and bank balances and the borrowings are denominated in Hong Kong dollars. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

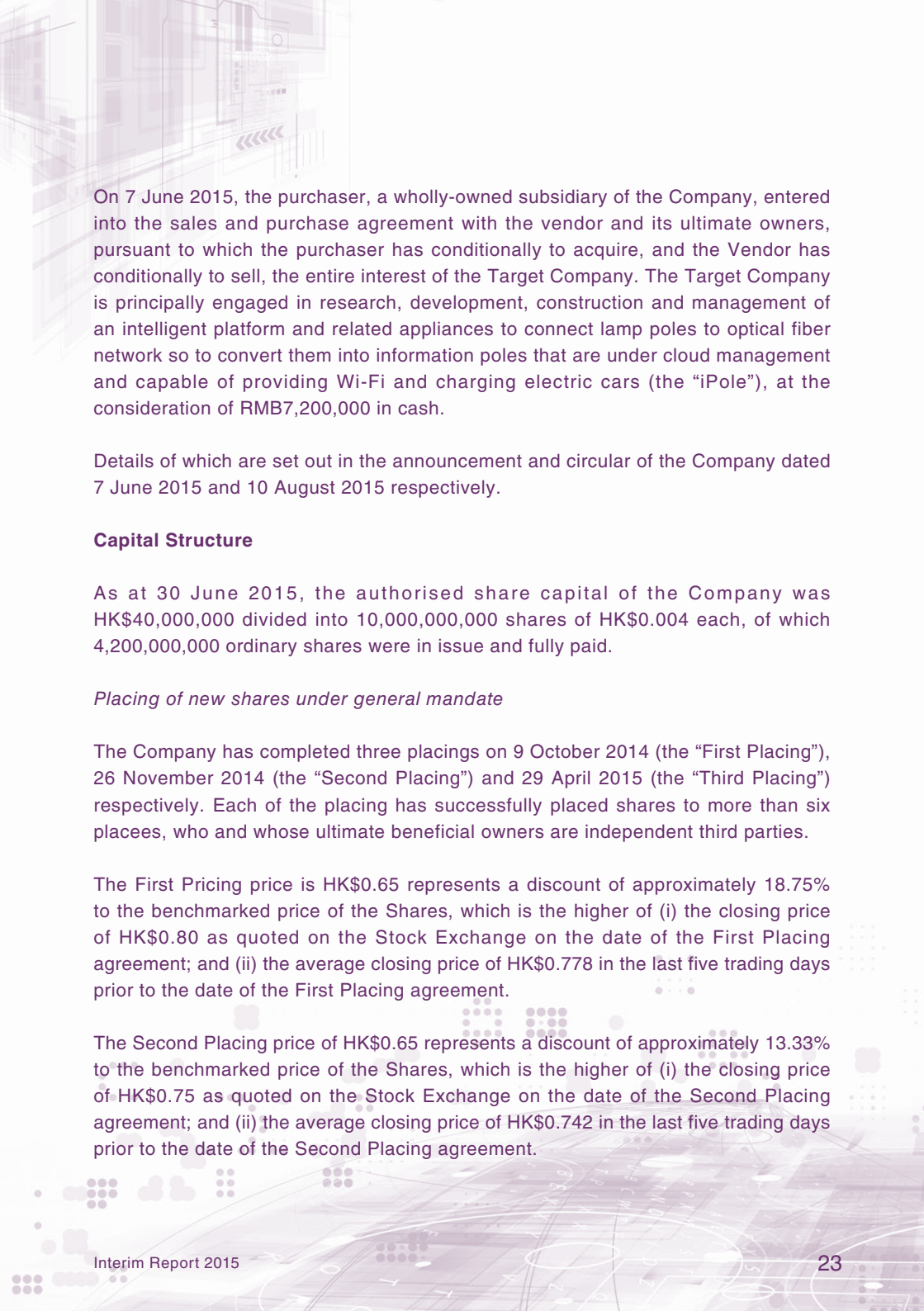
Gearing Ratio

At 30 June 2015, total assets of the Group were approximately HK\$216,428,000 (31 December 2014: HK\$168,323,000) whereas total liabilities were approximately HK\$40,986,000 (31 December 2014: HK\$40,355,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 18.9% (31 December 2014: 24.0%) and the current ratio, calculated as current assets over current liabilities, was 5.1 (31 December 2014: 5.4). The Directors will continue to take measures to further improve the liquidity and gearing position of the Group.

Material Acquisition, Disposal and Significant Investment

On 6 June 2015, the Company entered into a first subscription agreement with Beijing Enterprises Medical and Health Resources Company Limited (the "Subscriber A") and Starry Chance Investments Limited (the "Subscriber B"), the Company has conditionally allot and issue of an aggregate of 5,568,000,000 subscription shares and the Subscriber A and Subscriber B have conditionally agreed to subscribe the 4,800,000,000 and 768,000,000 subscription shares at the subscription price of HK\$0.02 per subscription share respectively.

On 7 June 2015, the Company entered into the second and other subscription agreements with the Apex City International Limited and other subscribers, the Company has conditionally allot and issue of an aggregate of 9,432,000,000 subscription Shares respectively and the subscribers have conditionally agreed to subscribe 3,667,200,000 and 5,764,800,000 subscription shares at the subscription price of HK\$0.02 per subscription share respectively.



On 7 June 2015, the purchaser, a wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with the vendor and its ultimate owners, pursuant to which the purchaser has conditionally to acquire, and the Vendor has conditionally to sell, the entire interest of the Target Company. The Target Company is principally engaged in research, development, construction and management of an intelligent platform and related appliances to connect lamp poles to optical fiber network so to convert them into information poles that are under cloud management and capable of providing Wi-Fi and charging electric cars (the “iPole”), at the consideration of RMB7,200,000 in cash.

Details of which are set out in the announcement and circular of the Company dated 7 June 2015 and 10 August 2015 respectively.

Capital Structure

As at 30 June 2015, the authorised share capital of the Company was HK\$40,000,000 divided into 10,000,000,000 shares of HK\$0.004 each, of which 4,200,000,000 ordinary shares were in issue and fully paid.

Placing of new shares under general mandate

The Company has completed three placings on 9 October 2014 (the “First Placing”), 26 November 2014 (the “Second Placing”) and 29 April 2015 (the “Third Placing”) respectively. Each of the placing has successfully placed shares to more than six placees, who and whose ultimate beneficial owners are independent third parties.

The First Pricing price is HK\$0.65 represents a discount of approximately 18.75% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.80 as quoted on the Stock Exchange on the date of the First Placing agreement; and (ii) the average closing price of HK\$0.778 in the last five trading days prior to the date of the First Placing agreement.

The Second Placing price of HK\$0.65 represents a discount of approximately 13.33% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.75 as quoted on the Stock Exchange on the date of the Second Placing agreement; and (ii) the average closing price of HK\$0.742 in the last five trading days prior to the date of the Second Placing agreement.

The Third Placing price of HK\$0.10 represents a discount of approximately 18.70% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.111 as quoted on the Stock Exchange on the date of the Third Placing agreement; and (ii) the average closing price of HK\$0.123 in the last five trading days prior to the date of the Third Placing agreement.

In the First and Second placings, the Company totally issued 100,000,000 ordinary shares of HK\$0.02 each at a subscription price of HK\$0.65 per share, resulting in total gross proceeds of HK\$65 million and the total net proceeds of approximately HK\$63 million after deducting the placing commission and other related expenses payable by the Company. Amounting to approximately HK\$60 million from the net proceeds of these two placing has been used for the settlement of the NH Acquisition while approximately HK\$3 million has been used as the general working capital of the Group.

In the Third placing, the Company totally issued 600,000,000 placing shares at the placing price of HK\$0.10 per placing share, resulting in total gross proceeds of HK\$60 million and the total net proceeds of approximately HK\$58.9 million after deducting the placing commission and other related expenses payable by the Company. Amounting to approximately HK\$58.9 million from the net proceeds of this placing has been deposited in bank and have not been utilized and will be applied as general working capital of the Group and/or future investments of the Group, including but not limited to the development of the iPole project.

Details of the First, Second and Third Placing are set out in the announcements of the Company dated 29 September 2014, 7 November 2015 and 20 April 2015 respectively.

Foreign Exchange Exposure

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

Pledge of Assets and Contingent Liabilities

At 30 June 2015, the Group did not have any substantial pledge of assets and contingent liabilities.

Event after the Reporting Period

Details of events after the reporting period are set out in note 17 to this report.



Employee Information and Remuneration Policy

At 30 June 2015, after the completion of the Acquisition, the Group had approximately 130 staff (30 June 2014: approximately 80 staff). The staff costs (including directors' remuneration) were approximately HK\$10,366,000 (six months ended 30 June 2014: HK\$6,379,000) 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 2015, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance "SFO", Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enables the Directors and chief executive, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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

Substantial Shareholders

To the best knowledge of Directors, as at 30 June 2015, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were expected to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of substantial shareholders	Capacity	Number of shares (Note 1)	Approximate percentage of shareholding
Mr. Wen Jialong Prime Precision Holdings Limited	Beneficial owner (Note 2)	540,000,000(L)	12.86%
(“Prime Precision”)	Beneficial owner (Note 3)	315,902,200(L)	7.52%
Mr. Lau Man Tak	Corporate interest (Note 3)	<u>315,902,200(L)</u>	<u>7.52%</u>

Notes:

- The letter “L” denotes the entity’s interests in the Shares.
- Mr. Wen Jialong was an executive Director and Co-Chairman and resigned on 7 May 2015. As at the date of this report, Mr. Wen Jialong held 578,580,000 shares, representing 13.78% of the issued shares of the Company.
- Mr. Lau Man Tak was an executive Director and resigned on 10 September 2014. 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. As at the date of this report, Mr. Lau Man Tak/Prime Precision did not hold any shares of the Company.
- The total number of the issued shares of the Company as at 30 June 2015 (that is, 4,200,000,000 Shares) has been used for the calculation of the approximate percentage.

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 2015.

SHARE OPTION SCHEME

On 8 May 2013, the Company passed an ordinary resolution at the annual general meeting to adopt a new share option scheme (the “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 contributions to the Group. The Share Option Scheme is valid for a period of 10 years commencing from 8 May 2013. Details of the Share Option Scheme were set out in the circular of the Company dated 27 March 2013.

As at the period ended 30 June 2015, the Company had no outstanding options under the Share Option Scheme, and a total of 420,000,000 shares (representing 10% of the issued share capital as at the date of the annual general meeting held on 7 May 2015) at par value of HK\$0.004 each, can be issued under the Share Option Scheme. As at the date of last annual report, the Company had no outstanding options under the Share Option Scheme, and a total of 250,000,000 shares at par value of HK\$0.004 each (equivalent to 50,000,000 shares at par value of HK\$0.02 each prior to the share subdivision as announced on 5 December 2014) (representing 10% of the issued share capital as at the date of the annual general meeting held on 8 May 2014), can be issued under the Share Option Scheme, which represented approximately 6.94% of the issued share capital as at the date of last annual report.

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 2015.

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. Chui Chi Yun, Robert, Mr. Chi Chi Hung, Kenneth and Mr. Chui Kwong Kau. Mr. Chui Chi Yun, Robert 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 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2015, 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 2015.

On behalf of the Board
Aurum Pacific (China) Group Limited
Chan Wai Kit
Co-Chairman

Hong Kong, 12 August 2015

As at the date of this report, the Board comprises four executive Directors, Mr. Chan Wai Kit, Mr. Mo Wai Ming, Lawrence, Mr. Zhang Xiaozheng and Ms. Wong Chi Yan and one non-executive Director, Dr. Lan Hong Tsung, David and three independent non-executive Directors, Mr. Chui Chi Yun, Robert, Mr. Chi Chi Hung, Kenneth and Mr. Chui Kwong Kau.