First Quarterly Report 2011

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

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

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 three months ended 31 March 2011:

- the turnover from continuing operations was approximately HK$186,000;
- the loss attributable to owners of the Company was approximately HK$346,000; and
- the Directors do not recommend the payment of any interim dividend.

FIRST QUARTERLY UNAUDITED RESULTS

The board of directors of the Company (the "Board") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2011, together with the comparative figures for the corresponding period in 2010 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 31 March **2011** **HK$'000** **(Unaudited)**	 2010 HK$'000 (Unaudited and restated)
Continuing operations			
Turnover	2	**186**	516
Cost of sales		**(101)**	(412)
Gross profit		**85**	104
Other revenue		**1**	—
Administrative expenses		**(544)**	(473)
Profit from operations		**(458)**	(369)
Finance costs	3	**(252)**	(117)
Loss before income tax expense from continuing operations	4	**(710)**	(486)
Income tax expense	5	**—**	—
Loss for the period from continuing operations		**(710)**	(486)
Discontinuing operations			
Profit for the period from discontinuing operations	6	**364**	570
(Loss)/profit for the period		**(346)**	84
Other comprehensive income		**—**	—
Total comprehensive income for the period		**(346)**	84
(Loss)/profit attributable to owners of the Company		**(346)**	84

Condensed Consolidated Statement of Comprehensive Income (Continued)

	Notes	Three months ended 31 March **2011** **HK$'000** **(Unaudited)**	 2010 HK$'000 (Unaudited and restated)
Total comprehensive income attributable to owners of the Company		**(346)**	84
(Loss)/earnings per share from continuing and discontinuing operations — basic	8	**HK(0.17) cents**	HK0.04 cents
Loss per share from continuing operations — basic	8	**HK(0.36) cents**	HK(0.24) cents

Condensed Consolidated Statement of Changes in Equity

	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Capital surplus (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000
Balance at 1 January 2010 (Audited)	2,000	30,224	2,964	15,090	(50,453)	(175)
Total comprehensive income for the period	–	–	–	–	84	84
Balance at 31 March 2010 (Unaudited)	2,000	30,224	2,964	15,090	(50,369)	(91)
Balance at 1 January 2011 (Audited)	**2,000**	**30,224**	**1,569**	**15,090**	**(50,334)**	**(1,451)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(346)**	**(346)**
Balance at 31 March 2011 (Unaudited)	**2,000**	**30,224**	**1,569**	**15,090**	**(50,680)**	**(1,797)**

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2010 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 adopted for the first time for the current period's 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 and discontinuing operations represents the revenue from sale of goods after allowances for goods returned and provision of custom-made solutions. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Three months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Continuing Operations		
Provision of custom-made solutions	**120**	516
Service income	**66**	—
	186	516
Discontinuing Operations		
Trading of computer equipment and accessories	**5,118**	9,488

3. FINANCE COSTS

	Three months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Continuing Operations		
Interest expense on financial liabilities not at fair value through profit or loss		
— Interest on other loan wholly repayable within five years	**236**	—
— Imputed interest on interest-free loans from a shareholder	**16**	117
	252	117

4. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Three months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Continuing Operations		
Staff costs (including directors' emoluments)		
— Salaries, wages and allowances	**274**	487
— Contributions to pension schemes	**3**	9
	277	496
Auditor's remuneration	**68**	68
Depreciation of property, plant and equipment	**27**	25
Office rental	**54**	95
Discontinuing Operations		
Auditor's remuneration	**38**	38

5. INCOME TAX EXPENSE

Continuing Operations

No provision has been made for Hong Kong profits tax as the Group does not have any estimated assessable profits subject to Hong Kong profits tax during the period.

Discontinuing Operations

Income tax expense from discontinuing operations represents provision for Hong Kong profits tax calculated at 16.5% on the estimated assessable profits for the three months ended 31 March 2011 and 2010.

6. PROFIT FOR THE PERIOD FROM DISCONTINUING OPERATIONS

On 31 March 2011, the Company entered into a sale and purchase agreement with an independent third party pursuant to which the Company agreed to dispose of and the purchaser agreed to purchase the entire equity interest in Max Honour International Limited, a wholly owned subsidiary. The disposal has not yet completed as at the end of reporting period. Details of the disposal were set out in the announcement of the Company dated 12 April 2011. The profit for the period from discontinuing operations was as follows:

	Three months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Turnover	**5,118**	9,488
Cost of sales	**(4,300)**	(7,970)
Selling and distribution expenses	**(205)**	(380)
Administrative expenses	**(177)**	(456)
Profit before income tax expense	**436**	682
Income tax expense (Note 5)	**(72)**	(112)
Profit after income tax expense	**364**	570

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2011 (2010: HK$Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

(i) From continuing and discontinuing operations

The calculation is based on the loss attributable to owners of the Company of HK$346,000 (2010: profit of HK$84,000) and the number of ordinary shares of 200,000,000 (2010: 200,000,000) in issue during the period.

(ii) From continuing operations

The calculation is based on the loss for the period from continuing operations of HK$710,000 (2010: HK$486,000) and the number of ordinary shares of 200,000,000 (2010: 200,000,000) in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is not presented as there were no dilutive potential ordinary shares in issue during the three months ended 31 March 2011 and 2010.

9. COMPARATIVE FIGURES

As a result of the separate presentation of the discontinuing operations, certain comparative figures have been adjusted or re-classified to conform with changes in disclosures in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

For the three months ended 31 March 2011, the Group recorded a total turnover from continuing and discontinuing operations of approximately HK$5,304,000, representing a decrease of 47% as compared with approximately HK$10,004,000 for the same period in 2010. Loss attributable to owners of the Company amounted to approximately HK$346,000, as compared with profit of approximately HK$84,000 for the same period in 2010.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2011.

BUSINESS REVIEW

For the three months ended 31 March 2011, the Group is principally engaged in two business segments, trading of computer equipment and related accessories, and provision of custom-made solutions. On 31 March 2011, the Company entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in a subsidiary which engages in trading business (the "**Disposal**"). The trading business segment was then classified as discontinuing operations for the period under review. Details of the Disposal were set out in the announcements of the Company dated 12 April 2011.

In view of the keen competition and poor operating environment of the Group's trading business of computer equipment and related accessories, its turnover and gross profit decreased from HK$9,488,000 and HK$1,518,000 for the three months ended 31 March 2010 respectively to HK$5,118,000 and HK$818,000 for current period respectively.

Continuing operations comprise the segment of custom-made solutions contributed a turnover and gross profit of approximately HK$186,000 and HK$85,000 to the Group for the three months ended 31 March 2011 respectively. The Group will continue to expand the customer range and improve the service quality in order to highlight to current business profile.

Financial Resource and Liquidity

At 31 March 2011, the Group had cash and bank balances of approximately HK$2,982,000 (31 December 2010: HK$3,225,000), and loans from the controlling shareholder with a carrying amount of HK$1,095,000 (31 December 2010: HK$1,078,000), which are unsecured, interest free and not repayable before 31 August 2013. In addition, a loan with principal amount of HK$5,000,000 (31 December 2010: HK$5,000,000) was advanced from an independent third party. The loan is unsecured, bearing interest rate at 3% over the Hong Kong prime rate per annum plus an arrangement fee. The loan is repayable within one year. All the cash and bank balances and the borrowings are denominated in Hong Kong dollars.

Gearing Ratio

As at 31 March 2011, total assets of the Group were approximately HK$8,668,000 (31 December 2010: HK$12,014,000) whereas total liabilities was approximately HK$10,465,000 (31 December 2010: HK$13,465,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 120.7% (31 December 2010: 112.1%) and the current ratio, calculated as current assets over current liabilities, was 0.9 (31 December 2010: 1.0). 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

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

Prospects

The Company has submitted a resumption proposal dated 30 June 2010 (the "**Resumption Proposal**") to the Stock Exchange which has proposed several transactions including a very substantial acquisition of a target company from an independent third party (the "**Target Company**"). The Target Company is principally engaged in provision of custom-made solutions which is in line with the principal business of the Company. The Resumption Proposal is currently under consideration by the Stock Exchange and the Company has not yet proceeded with the proposed transactions. The Directors believe that the Target Company could enrich the business segment in the provision of custom-made solutions and could subsequently strengthen the financial position and maintain a sustainable business operation of the Group. Meanwhile, the Board will continue to review its overall strategy to improve the existing operations and to explore means to improve the Group's performance so as to provide maximum investment return to the shareholders. With the Group's initiatives, trading of the Company's shares could be resumed hopefully in the near future.

Material Acquisition, Disposal and Significant Investment

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

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

As at 31 March 2011, 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:

(i) Long positions in the shares of the Company

Name of Directors	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Cheung Yu Ping	Interest of a controlled corporation *(Note 1)*	142,651,965	71.33%

(ii) Long positions in the shares of associated corporation

Name of Directors	Name of associated Corporation	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Cheung Yu Ping	Hong Sheng Group Limited ("Hong Sheng")	Interest of a controlled corporation *(Note 1)*	510	51%

Note:

1. The interest in the Shares of Cheung Yu Ping is held through Hong Sheng, the entire issued share capital of which is beneficially and ultimately owned as to 51% by Cheung Yu Ping and as to 49% by Cai Dongmei. By virtue of the SFO, Cheung Yu Ping is deemed to be interested in the shares held by Hong Sheng.

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

Substantial Shareholders

To the best knowledge of Directors, as at 31 March 2011, 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 10% 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	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Hong Sheng	Beneficial owner *(Note 2)*	142,651,965(L)	71.33%
Cai Dongmei	Interest of a controlled corporation *(Note 2)*	142,651,965(L)	71.33%
Simplex Technology Investment (Hong Kong) Co. Limited ("Simplex")	Beneficial owner *(Note 3)*	16,896,363(L)	8.45%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation *(Note 3)*	16,896,363(L)	8.45%
Shanghai Jiao Tong University	Interest of a controlled corporation *(Note 3)*	16,896,363(L)	8.45%
Kingston Finance Limited ("Kingston")	Person having a security interest *(Note 4, 5 & 6)*	142,651,965(L)	71.33%
Ample Cheer Limited ("Ample Cheer")	Interest of a controlled corporation *(Note 6)*	142,651,965(L)	71.33%

Name	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Best Forth Limited ("Best Forth")	Interest of a controlled corporation *(Note 6)*	142,651,965(L)	71.33%
Chu Yuet Wah	Interest of a controlled corporation *(Note 6)*	142,651,965(L)	71.33%

Notes:

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

2. The interest in the Shares of Cai Dongmei is held through Hong Sheng, the entire issued share capital of which is beneficially and ultimately owned as to 51% by Cheung Yu Ping and as to 49% by Cai Dongmei. By virtue of the SFO, Cai Dongmei is deemed to be interested in Shares held by Hong Sheng.

3. The interest in the Shares is held through Simplex, the entire issued share capital of which is beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group is owned as to 96.735% by Shanghai Jiao Tong University and 3.265% by Shanghai Jiaoda Enterprise Management Centre (上海交大企業管理中心), an entity wholly owned by Shanghai Jiao Tong University.

4. The entire Shares held by Hong Sheng is charged with Kingston.

5. Kingston has a security interest in the entire Shares held by Hong Sheng as mentioned in Note 4 above.

6. The interest in the Shares is held through Kingston, the entire issued share capital of which is owned by Ample Cheer. The registered capital of Ample Cheer is owned as to 80% by Best Forth, an entity which is beneficially and wholly owned by Chu Yuet Wah. Accordingly, Chu Yuet Wah is deemed to be interested in the Shares in which Kingston is deemed to be interested as mentioned in Note 5 above.

Save as disclosed above, the Company has not been notified of other interests or short positions of any other person (other than the Directors and chief executives and the substantial shareholders of the Company) in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2011.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted on 25 November 2003 whereby the Directors of the Company may at their discretion invite any employees, directors, suppliers, customers, advisers, consultants, joint venture partners, and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any member of the Group or any invested entities, to take up options to subscribe for Shares. The Scheme became effective upon the listing of the Company's shares on the GEM of the Stock Exchange on 9 January 2004.

Pursuant to the Scheme, the Company had granted options at the exercise price of HK$0.45 per share and HK$0.14 per share on 17 January 2005 and 10 October 2005 respectively, all the options granted had been lapsed in the past years. As at 31 March 2011, the Company had no outstanding options.

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 has applied the principles and complied with the code provisions, and where applicable, the recommended best practices of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the period ended 31 March 2011 except for the deviations from code provisions A.2.1 and A.4.1 which are explained below.

Code provision A.2.1

Mr. Cheung Yu Ping is the Chairman and the Chief Executive Officer of the Company. Pursuant to A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board considers that vesting the roles of both chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

Code provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The existing independent non-executive directors were not appointed for a specific term as required under code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Article of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

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 independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth, Mr. Chan Wai Fat and Mr. Chui Kwong Kau. Mr. Chi Chi Hung, Kenneth is the chairman of the audit committee.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed with the Board the internal controls and financial reporting matters, including a review of the unaudited first quarterly report for the period ended 31 March 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2011, 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 noncompliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2011.

SUFFICIENCY OF PUBLIC FLOAT

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

On behalf of the Board
Aurum Pacific (China) Group Limited
Cheung Yu Ping
Chairman

Hong Kong, 9 May 2011

As at the date of this report, Board comprises two executive Directors, who are Mr. Cheung Yu Ping and Mr. Lee Ah Sang, and three independent non-executive Directors, who are Mr. Chi Chi Hung, Kenneth, Mr. Chan Wai Fat and Mr. Chui Kwong Kau.