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 2013

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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 2013:

- The turnover was approximately HK$6,072,000;
- The profit attributable to owners of the Company was approximately HK$266,000; 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 2013, together with the unaudited comparative figures for the corresponding period in 2012, as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013	2012	**2013**	2012
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	2	**3,411**	–	**6,072**	97
Cost of sales		**(377)**	–	**(821)**	(70)
Gross profit		**3,034**	–	**5,251**	27
Other revenue	4	**45**	1,125	**45**	1,127
Administrative expenses		**(1,020)**	(2,076)	**(1,971)**	(2,770)
Research and development expenses		**(831)**	–	**(1,543)**	–
Selling and distribution expenses		**(493)**	–	**(1,046)**	–
Profit/(loss) from operations		**735**	(951)	**736**	(1,616)
Finance costs	5	**(161)**	(98)	**(470)**	(217)
Profit/(loss) before taxation	6	**574**	(1,049)	**266**	(1,833)
Income tax	7	**–**	–	**–**	–

	Notes	Three months ended 30 June 2013 HK$'000 (Unaudited)	Three months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2013 HK$'000 (Unaudited)	Six months ended 30 June 2012 HK$'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company		**574**	(1,049)	**266**	(1,833)
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 an overseas subsidiary		**22**	–	**(79)**	–
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company		**596**	(1,049)	**187**	(1,833)
			(Restated)		(Restated)
Profit/(loss) per share — basic and dilute *(HK cents)*		**0.14**	(0.41)	**0.06**	(0.72)

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**342**	243
Intangible assets		**5,202**	4,778
Goodwill		**20,236**	20,236
Deferred tax assets		**1,402**	1,402
		27,182	26,659
Current assets			
Inventories		**99**	69
Trade and other receivables	*11*	**2,869**	5,862
Cash and cash equivalents		**44,656**	1,869
		47,624	7,800
Current liabilities			
Trade and other payables	*12*	**937**	4,514
Financial assistance from government		**356**	322
Deferred income		**1,472**	1,756
Short term borrowing	*13*	**–**	6,554
Loans from a shareholder	*14*	**11,115**	–
Consideration payable for business combination	*15*	**8,989**	14,841
		22,869	27,987
Net current assets/(liabilities)		**24,755**	(20,187)
Total assets less current liabilities		**51,937**	6,472
Non-current liabilities			
Financial assistance from government		**560**	669
Loans from a shareholder	*14*	**–**	4,640
Deferred tax liabilities		**497**	497
Consideration payable for business combination	*15*	**–**	8,989
		1,057	14,795
NET ASSETS/(LIABILITIES)		**50,880**	(8,323)
Capital and reserves			
Share capital	*16*	**10,000**	2,000
Reserves		**40,880**	(10,323)
TOTAL EQUITY/(DEFICIT) ATTRIBUTABLE TO OWNERS OF THE COMPANY		**50,880**	(8,323)

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Restated)	Capital surplus HK$'000 (Restated)	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 December 2011 and 1 January 2012 (Audited)	2,000	30,224	1,569	15,090	–	(53,436)	(4,553)
Loss and total comprehensive loss for the period	–	–	–	–	–	(1,833)	(1,833)
Waiver of amount due to a shareholder	–	–	–	445	–	–	445
Waiver of loans from a shareholder	–	–	–	1,164	–	–	1,164
Balance at 30 June 2012 (Unaudited)	2,000	30,224	1,569	16,699	–	(55,269)	(4,777)

	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Capital surplus HK$'000 (Unaudited)	Exchange reserve HK$'000 (Unaudited)	Accumulated losses HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
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/(loss) for the period	**–**	**–**	**–**	**–**	**(79)**	**266**	**187**
Capital contribution by a shareholder in the form of interest-free loans	**–**	**–**	**390**	**–**	**–**	**–**	**390**
Shares issued upon open offer *(note 16)*	**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**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(94)**	(3,262)
Net cash (used in)/generated from investing activities	**(15,670)**	2
Net cash generated from financing activities	**58,551**	–
Net increase/(decrease) in cash and cash equivalents	**42,787**	(3,260)
Cash and cash equivalents at beginning of the period	**1,869**	4,860
Cash and cash equivalents at end of the period represented by cash and bank balances	**44,656**	1,600

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed 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 2012 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 2013 annual financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements, except for the following:

The amendments to HKAS 1 (Revised) require entities to classify items within other comprehensive income under two categories: (i) item which may be reclassified to profit or loss in the future and (ii) item which would never be reclassified to profit or loss. The adoption of these amendments only affects the presentation of the consolidated statement of comprehensive income.

The Group has also applied the following accounting policy which became relevant since 1 January 2013:

Revenue recognition

Provision of communications software platform

Provision of communications software platform includes:

(i) Sales of licensed software, which are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and titles has been passed, provided that the group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

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

(iv) Income from website development and Putonghua learning platform deriving from providing software application to customers, which is recognised when services are rendered. Revenue is also recognised in the statement of comprehensive income in respect of the deferred income over the term of the service contract.

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

2. TURNOVER

Turnover represents revenue from provision of communications software platform and custom-made solutions. The amount of each significant category of revenue recognised in turnover during the periods is as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Provision of communications software platform	**6,072**	–
Provision of custom-made solutions	**–**	97
	6,072	97

3. SEGMENT REPORTING

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

The Group has 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:

— 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.

— Communications software platform — developing and marketing of patented server based technology and the provision of communications software platform and software related services.

3. SEGMENT REPORTING (CONTINUED)

(a) Business Segment

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

	Custom-made solutions Six months ended 30 June		Communications software platform Six months ended 30 June		Consolidated Six months ended 30 June	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from external customers	**–**	97	**6,072**	–	**6,072**	97
Reportable segment profit/(loss)	**(15)**	16	**2,077**	–	**2,062**	16
Amortisation of intangible assets	**–**	–	**(102)**	–	**(102)**	–
Depreciation of property, plant and equipment	**–**	(47)	**(85)**	–	**(85)**	(47)
Income tax	**–**	–	**–**	–	**–**	–
					1,875	(31)
Unallocated corporate income and expenses					**(1,139)**	(1,585)
Finance costs					**(470)**	(217)
Profit/(loss) for the period					**266**	(1,833)

3. SEGMENT REPORTING (CONTINUED)

(a) Business Segment (continued)

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Assets		
Reportable segment assets	**14,037**	11,780
Unallocated corporate assets	**60,769**	22,679
Consolidated total assets	**74,806**	34,459
Liabilities		
Reportable segment liabilities	**(3,194)**	(3,697)
Unallocated corporate liabilities	**(20,732)**	(39,085)
Consolidated total liabilities	**(23,926)**	(42,782)

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

The unallocated corporate income and expenses mainly include staff costs and legal and professional fees of head office and the unallocated corporate assets and liabilities mainly include prepayments, cash and cash equivalents, short term borrowings, consideration payable for business combination and loans from a shareholder respectively.

3. SEGMENT REPORTING (CONTINUED)

(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.

	Revenue from external customers Six months ended 30 June		Specified non-current assets	
	2013	2012	**At 30 June 2013**	At 31 December 2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**6,059**	97	**25,764**	25,237
Mainland China	**13**	–	**16**	20
	6,072	97	**25,780**	25,257

For the custom-made solutions business, revenue from the Group's largest customer amounted to HK$Nil (2012: HK$97,000), being Nil (2012: 100%) of the Group's total revenue from this segment.

For the communications software platform business, revenue from the Group's largest customer amounted to HK$939,000 (2012: HK$Nil), being 15% (2012: Nil) of the Group's total revenue from this segment.

4. OTHER REVENUE

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Bank interest income	**43**	2
Waiver of amount due from a related company	**–**	1,125
Others	**2**	–
	45	1,127

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expense on financial liabilities not at fair value through profit or loss		
— Interest on short term borrowing	**78**	200
— Imputed interest on interest-free loans from a shareholder	**233**	17
— Imputed interest on consideration payable for business combination	**159**	–
	470	217

6. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' remuneration)		
— Salaries, wages and other benefits	**2,716**	398
— Contributions to defined contribution retirement plan	**130**	6
	2,846	404
Auditor's remuneration	**156**	210
Amortisation of intangible assets	**102**	–
Depreciation of property, plant and equipment	**88**	52
Operating lease charges: minimum lease payment for property rental	**13**	108

7. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group companies did not have any estimated assessable profit subject to Hong Kong Profits Tax or sustained estimated tax losses during the periods ended 30 June 2013 and 2012.

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 period ended 30 June 2013 and 2012.

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: HK$Nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss)per share

The calculation is based on the profit attributable to owners of the Company of HK$266,000 (2012: loss of HK$1,833,000) and the weighted average number of ordinary shares of 422,561,362 (2012 (restated): 254,098,361) in issue during the period.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the periods ended 30 June 2013 and 2012 is the same as the basic earnings/(loss) per share as there were no potentially dilutive ordinary shares in issue.

The weighted average number of ordinary shares for the six months ended 30 June 2012 above has been adjusted for the share consolidation and open offer which were completed on 22 January 2013 and 27 February 2013 respectively.

10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2013 and 2012, the Group did not have any material acquisitions and disposal of property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Trade receivables	**2,363**	4,586
Other receivables, deposits and prepayments	**506**	1,276
	2,869	5,862

Trade receivables are due within 30 days from the date of billing. All trade and other receivables are expected to be recovered or recognised as expenses within one year. 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 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Within 30 days	**1,054**	3,165
31–90 days	**939**	887
91–180 days	**188**	317
181–365 days	**10**	45
Over 365 days	**172**	172
	2,363	4,586

12. TRADE AND OTHER PAYABLES

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Trade payables	**111**	5
Other payables and accrued charges	**826**	4,509
	937	4,514

All trade and other payables are expected to be settled or recognised as income within one year or repayable on demand. The ageing analysis of the trade payables is as follows:

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Current or less than 30 days	**24**	–
More than 30 days	**87**	5
	111	5

13. SHORT TERM BORROWING

At 31 December 2012, a loan of principal amount of HK$5,000,000 obtained from an independent third party was unsecured, interest-bearing at 3% over the Hong Kong prime rate per annum plus an arrangement fee. The loan and the accrued interest of $1,554,000 as at 31 December 2012 were repayable in May 2013.

On 1 March 2013, the Company entered into a deed of assignment with the independent third party and the controlling shareholder, Prime Precision Holdings Limited, pursuant to which the loan and the accrued interest as at that date of HK$6,632,000 were reassigned as loans from a shareholder. The amount is deemed as drawn down from the loan facilities letters with the controlling shareholder (see note 14).

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 2012: HK$5,000,000) from the Facilities. These loans are unsecured, interest-free and repayable on or before 11 April 2014.

15. BUSINESS COMBINATION

On 31 December 2012, the Group acquired the entire equity interest in KanHan Technologies Limited ("KanHan") and its subsidiary (together, "KanHan 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 date on which the Resumption was effected. The remaining consideration payable of HK$9,000,000, in the opinion of the Company's directors, shall be settled in cash in March 2014.

The consideration is subject to adjustment based on the consolidated profit before interest, taxes, depreciation and amortisation of KanHan Group of not less than HK$5,500,000 for the year ended 31 December 2012 (the "2012 Guaranteed Amount")and not less than HK$8,500,000 for the year ending 31 December 2013. The consideration payable shall be reduced by an amount equal to the shortfall. For the year ended 31 December 2012, the 2012 Guaranteed Amount has been met and no adjustment has been made thereon.

Details of the Acquisition are set out in note 30 of the annual consolidated financial statements for the year ended 31 December 2012.

16. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares		
At 31 December 2012 of HK$0.01 each	4,000,000	40,000
Share consolidation *(Note i)*	(2,000,000)	–
At 30 June 2013 of HK$0.02 each	2,000,000	40,000
Issued and fully paid:		
Ordinary shares		
At 31 December 2012 of HK$0.01 each	200,000	2,000
Share consolidation *(Note i)*	(100,000)	–
Issue of shares *(Note ii)*	400,000	8,000
At 30 June 2013 of HK$0.02 each	500,000	10,000

Notes:

(i) Share consolidation

By an ordinary resolution passed at the extraordinary general meeting on 21 January 2013, every two issued and unissued ordinary shares of HK$0.01 each were consolidated into one new ordinary share of HK$0.02 each. Following the share consolidation which became effective on 22 January 2013, the Company's authorised share capital was HK$40,000,000 divided into 2,000,000,000 shares of HK$0.02 each, of which 100,000,000 ordinary shares were in issue and fully paid.

(ii) Issue of shares

Pursuant to an open offer made by the Company on 27 February 2013, the Company issued 400,000,000 ordinary shares of HK$0.02 each at a subscription price of HK$0.15 per share on the basis of four new shares for every existing share held (the "Open Offer"), resulting in gross proceeds of approximately HK$60,000,000. The proceeds are intended to be applied to settle the consideration payable for business combination, repay the short term borrowing and loans from a shareholder, and increase the Group's general working capital. Details of the Open Offer were set out in the Company's prospectus dated 1 February 2013.

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**982**	398
Post employment benefits	**19**	6
	1,001	404

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2013, the Group recorded a total turnover of approximately HK$6,072,000, as compared to that of approximately HK$97,000 for the same financial period in 2012. Profit attributable to owners of the Company amounted to approximately HK$266,000, as compared to loss of approximately HK$1,833,000 in 2012.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013.

BUSINESS REVIEW AND PROSPECT

After the completion of acquisition of KanHan Technologies Limited ("KanHan") and its subsidiary (together, "KanHan Group") on 31 December 2012 (the "Acquisition"), KanHan Group became the wholly-owned subsidiaries of the Company. Under the sales and purchase agreement of the Acquisition (the "S&P Agreement"), the 1st vendor and the guarantor have irrevocably warranted and guaranteed that the 2012 EBITDA would not be less than HK$5.5 million (the "2012 Guaranteed Amount"); while the 2013 EBITDA would not be less than the HK$8.5 million. The 2012 Guaranteed Amount has been met and no adjustment on the 1st promissory note was made. Details of the Acquisition were set out in the Company's circular dated 10 December 2012 and announcements dated 31 December 2012 and 22 July 2013.

For the six months ended 30 June 2013, the Group mainly focused on developing and marketing of the patented server based technology and the provision of communications service platform and software related services with primary focus in the government industry sector. The products and services can 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.

We intend to continue taking efforts in developing and upgrading our products and solutions 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

On 27 February 2013, the Company has completed the open offer and resulted in gross proceeds of HK$60,000,000. The proceeds from the open offer will be used as intended. Details of the open offer were set out in the Company's prospectus and announcement dated 1 February 2013 and 26 February 2013 respectively. At 30 June 2013, the Group had cash and bank balances of approximately HK$44,656,000 (31 December 2012: HK$1,869,000). In addition, a loan facility of up to HK$40,000,000 was granted by the controlling shareholder, Prime Precision Holdings Limited. As at 30 June 2013, principal amount of approximately HK$11,632,000 (31 December 2012: HK$5,000,000) had been drawn. This shareholder's loan is unsecured, interest free and not repayable before April 2014. Most of the cash and bank balances and the borrowings are denominated in Hong Kong dollars.

Gearing Ratio

At 30 June 2013, total assets of the Group were approximately HK$74,806,000 (31 December 2012: HK$34,459,000) whereas total liabilities were approximately HK$23,926,000 (31 December 2012: HK$42,782,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 32.0% (31 December 2012: 124.2%) and the current ratio, calculated as current assets over current liabilities, was 2.1 (31 December 2012: 0.3). 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

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

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

On 24 April 2013, the Buyer informed KanHan that the Audited Profits of KanHan Educational Services Limited for the year ended 31 December 2012 were less than the Guaranteed Profits. The Buyer has therefore requested KanHan to settle the shortfall amount.

No contingent or actual liabilities aroused as Mr. Mo Wai Ming, Lawrence would indemnify the loss from this guarantee and settle the shortfall amount directly to the Buyer. The shortfall amount has been settled by Mr. Mo Wai Ming, Lawrence, in cash on 13 June 2013.

KanHan Educational Services Limited is a related party of the Group as Mr. Mo Wai Ming, Lawrence, is a common director of the Company and KanHan Educational Services Limited.

Material Acquisition, Disposal and Significant Investment

The Group did not have any other material acquisition, disposal and significant investment during the period ended 30 June 2013 and 2012.

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 2013, the Group employed approximately 30 staff. The staff costs (including directors' remuneration) were approximately 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 2013, 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

Name of Director	Capacity	Number of shares held	Approximate percentage of shareholding
Mr. Lau Man Tak	Corporate interest *(Note)*	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 2013, 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
Prime Precision	Beneficial owner *(Note 2)*	357,483,700(L)	71.50%
Mr. Lau Man Tak	Corporate interest *(Note 2)*	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 2013.

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 period ended 30 June 2013 and up to date of this 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 (the "CG Code") as contained in Appendix 15 of the GEM Listing Rules throughout the period ended 30 June 2013 except for the deviation from code provision A.4.1 which is explained below.

Pursuant to A.4.1 of the CG Code, non-executive directors should be appointed for specific terms, subject to re-election. For the period from 1 January 2013 to 28 February 2013, all the existing independent non-executive directors (the "INEDs") were not appointed for a specific term but are subject to retirement and re-election at the forthcoming annual general meeting of the Company (the "AGM") and retirement by rotation and re-election at least once every three years at the AGM in accordance with the provisions of the Company's articles of association. On 1 March 2013, the terms of appointment of the INEDs were revised. Each of the INEDs has entered into a service contract with the Company for an initial term of three years commencing from 1 March 2013, unless terminated by not less than three months' notice in writing served by either party on the other. The code provision A.4.1 has been complied with thereafter.

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 period ended 30 June 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2013, 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 2013.

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
Lau Man Tak
Chairman

Hong Kong, 8 August 2013

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.