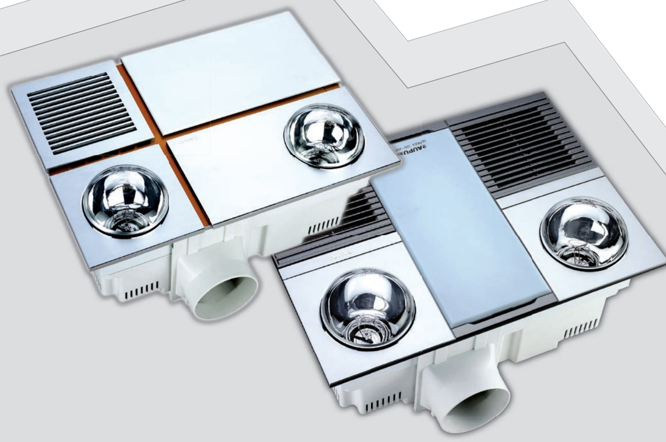
AUPU GROUP HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands as an exempted company with limited liability)
(Stock Code: 477)

INTERIM REPORT 2007



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Fang James（方杰）*(Chairman)*
Fang Shengkang（方勝康）*(CEO)*

Non-executive Directors
Lu Songkang（盧頌康）
Chai Junqi（柴俊麒）

Independent non-executive Directors
Wu Tak Lung（吳德龍）
Shen Jianlin（沈建林）
Cheng Houbo（程厚博）

MEMBERS OF THE AUDIT COMMITTEE
Wu Tak Lung *(Chairman)*
Cheng Houbo
Shen Jianlin
Lu Songkang

MEMBERS OF THE REMUNERATION COMMITTEE
Fang Shengkang *(Chairman)*
Wu Tak Lung
Cheng Houbo
Shen Jianlin

AUDITORS
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Certified Public Accountants
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Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
Leung Wah *(CPA, FCCA)*

AUTHORISED REPRESENTATIVES
Fang James
Fang Shengkang

STOCK CODE
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
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FINANCIAL HIGHLIGHTS

results for the six months period ended 30 June 2007

(RMB'000)	**2007**	2006	Change
Turnover	**227,058**	179,398	+26.6%
Gross Profit	**117,277**	95,416	+22.9%
Profit Before Tax	**41,004**	38,310	+7.0%
Profit Attributable to Equity Holders of the Company	**39,209**	36,565	+7.2%
Basic Earnings per share (RMB)	**0.06**	0.07	-14.3%

The Board of Directors of AUPU Group Holding Company Limited (the "Company") announced the unaudited consolidated interim results and financial position of the Company and its subsidiaries (the "Group") for the six months period ended 30 June 2007, with comparative figures for the same period last year as follows:

These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months period ended 30 June 2007

	NOTES	Six months period ended 30 June **2007** **RMB'000** **(unaudited)**	 2006 RMB'000 (unaudited)
Revenue		**227,058**	179,398
Cost of sales		**(109,781)**	(83,982)
Gross profit		**117,277**	95,416
Other income		**4,412**	2,835
Selling and distribution expenses		**(56,624)**	(42,896)
Administrative expenses		**(18,656)**	(15,162)
Other expenses		**(5,405)**	(1,883)
Profit before tax	*4*	**41,004**	38,310
Income tax expenses	*5*	**(1,795)**	(1,745)
Profit attributable to equity holders of the Company		**39,209**	36,565
Dividends paid	*6*	**28,424**	54,000
		RMB	RMB
Earnings per share	*7*		
– Basic		**0.06**	0.07

CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2007

	NOTES	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**37,001**	35,118
Prepaid lease payments		**15,621**	15,747
Deferred tax assets	*9*	**9,309**	4,448
		61,931	55,313
Current assets			
Prepaid lease payments		**479**	271
Inventories		**54,438**	40,731
Trade and other receivables	*10*	**59,347**	59,568
Bank balances and cash		**310,544**	300,934
		424,808	401,504
Current liabilities			
Trade and other payables	*11*	**93,405**	67,807
Income tax liabilities		**4,332**	5,822
Other tax liabilities		**2,500**	8,625
		100,237	82,254
Net current assets		**324,571**	319,250
Total assets less current liabilities		**386,502**	374,563
Capital and reserves			
Share capital	*12*	**72,023**	72,023
Reserves		**314,479**	302,540
Total equity		**386,502**	374,563

for the six months period ended 30 June 2007

		Reserves						
	Share capital/ paid-in capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000	**Statutory reserves** RMB'000	**Share options reserve** RMB'000 *(Note 13)*	**Retained earnings** RMB'000	**Sub-total** RMB'000	**Total** RMB'000
At 1 January 2006	32,775	–	–	13,864	–	59,673	73,537	106,312
Profit attributable to equity holders of the Company and total recognised income	–	–	–	–	–	36,565	36,565	36,565
Dividends paid	–	–	–	–	–	(54,000)	(54,000)	(54,000)
At 30 June 2006	32,775	–	–	13,864	–	42,238	56,102	88,877
At 1 January 2007	**72,023**	**272,627**	**(73,274)**	**13,864**	**–**	**89,323**	**302,540**	**374,563**
Profit attributable to equity holders of the Company and total recognised income	**–**	**–**	**–**	**–**	**–**	**39,209**	**39,209**	**39,209**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(28,424)**	**(28,424)**	**(28,424)**
Recognition of share-based payment	**–**	**–**	**–**	**–**	**1,154**	**–**	**1,154**	**1,154**
At 30 June 2007	**72,023**	**272,627**	**(73,274)**	**13,864**	**1,154**	**100,108**	**314,479**	**386,502**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months period ended 30 June 2007

	Six months period ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**43,949**	44,980
Investing Activities		
Interest received	**2,164**	472
Purchase of property, plant and equipment	**(6,101)**	(2,300)
Other investing cash flows	**42**	585
Net cash used in investing activities	**(3,895)**	(1,243)
Financing Activities		
Dividends paid	**(28,424)**	(54,000)
Net cash used in financing activities	**(28,424)**	(54,000)
Net increase (decrease) in cash and cash equivalents	**11,630**	(10,263)
Cash and cash equivalents at beginning of the period	**300,934**	69,382
Effect of the foreign exchange rates	**(2,020)**	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	**310,544**	59,119

1. BASIS OF PREPARATION

The Company was incorporated and registered in the Cayman Islands on 14 July 2006 as an exempted company with limited liability under The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 December 2006. The Company's ultimate holding company is SeeSi Universal Limited ("SeeSi"), a company incorporated in the British Virgin Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at 9th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

In preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a group reorganisation (the "Group Reorganisation") on 1 September 2006 pursuant to which the Company became the holding company of the subsidiaries (collectively referred to as the "Group"). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the period. Details of the Group Reorganisation are set out in the prospectus dated 27 November 2006 issued by the Company.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34), Interim Financial Reporting and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. In addition, the Group has applied the following accounting policy for share options granted during the current interim period.

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

for the six months period ended 30 June 2007

2. PRINCIPAL ACCOUNTING POLICIES - continued

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are effective for the Group's financial year beginning 1 January 2007. The adoption of these new IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[2]
IFRIC 12	Service Concession Arrangements[3]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's principal activities are manufacturing and distribution of bathroom masters, exhaust fans and electrical appliances used in bathroom and kitchen. The Group is currently organised into one operating division which is bathroom masters, exhaust fans and electrical appliances used in bathroom and kitchen. This division is the basis on which the Group reports its primary segment information. The production facilities of such division are located in the Peoples' Republic of China (the "PRC") and the products are mainly sold to markets in the PRC.

In addition, more than 90% of the Group's assets and liabilities are located in the PRC and more than 90% of the sales were made in the PRC during the period.

Accordingly, no segment information is presented.

4. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	Six months period ended 30 June	
	2007	2006
	RMB'000	RMB'000
After charging:		
Staff cost, including directors' remuneration		
– salaries, wages and other benefits	**15,435**	13,957
– retirement benefit scheme contributions	**2,768**	2,610
– equity-settled share-based payments	**1,154**	–
Total staff cost	**19,357**	16,567
Research and development expenditure	**2,624**	2,154
Depreciation of property, plant and equipment	**3,367**	2,408
Release of prepaid lease payments	**214**	135
Loss on disposal of property, plant and equipment	**513**	21
Auditors' remuneration	**990**	625
Allowance for inventories obsolescence	**378**	644
Net foreign exchange loss	**2,095**	32
Cost of inventories recognised as an expense	**109,403**	83,338
After crediting:		
Interest income	**2,164**	472
Government grants	**190**	434

5. INCOME TAX EXPENSES

	Six months period ended 30 June	
	2007	2006
	RMB'000	RMB'000
The charge (credit) comprises:		
Current tax	**6,656**	4,306
Deferred tax *(note 9)*	**(4,861)**	(2,561)
	1,795	1,745

PRC enterprise income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. INCOME TAX EXPENSES - continued

No provision for income tax has been made for the Company and group entities established in the British Virgin Islands (the "BVI") and Hong Kong as they are not subject to any income tax and did not have any assessable income during the period, respectively.

AUPU Electrical is a foreign investment enterprise of a manufacturing nature established in coastal economic open zone in the PRC. In accordance with the tax legislations in the PRC applicable to foreign investment enterprises involved in manufacturing, AUPU Electrical was entitled to a preferential enterprise income tax rate of 26.4 per cent, inclusive of 2.4 per cent for local enterprise income tax, and the preferential income tax rate has been applied up to 31 December 2006. Because AUPU Electrical no longer meets the manufacturing criteria for the six months period ended 30 June 2007, the enterprise income tax of 33 per cent is effective for the current period.

AUPU Technology is a foreign investment enterprise of a manufacturing nature established in the national economic and technology development zone in the PRC. In accordance with the tax legislations, AUPU Technology is entitled to a preferential enterprise income tax rate of 16.5 per cent, inclusive of 1.5 per cent for local enterprise income tax. AUPU Technology has obtained approval from the relevant tax authority for an exemption from PRC enterprise income tax for two years starting from its first profit making year of operations, followed by a 50 per cent tax relief for the following three years. 2006 was the first tax exemption year for AUPU Technology. Therefore, no provision for taxation has been made on the estimated assessable profit of AUPU Technology for the six months period ended 30 June 2007.

On 16 March 2007, the National People's Congress approved and promulgated a new tax law, which will take effect beginning 1 January 2008. Under the new tax law, FIEs and domestic companies are subject to a uniform tax rate of 25 per cent. The new tax law provides a five-year transition period from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. As such, AUPU Technology will gradually transition from 16.5 per cent to the uniform tax rate of 25 per cent from 2008 to 2012 and is entitled to 50% tax exemption.

6. DIVIDENDS

The dividends of a subsidiary of RMB54,000,000 for the six months period ended 30 June 2006 were declared to its owner prior to the completion of the Group Reorganisation.

On 29 June 2007, a dividend of RMB0.04 per share was paid to shareholders whose name appeared on the register of members of the Company on 25 May 2007 as the final dividend for 2006.

On 12 September 2007, the directors proposed a special interim dividend of RMB0.04 (2006: Nil) should be paid to the shareholders whose names appear on the register of members of the Company on 27 September 2007.

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months period ended 30 June	
	2007	2006
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders of the Company)	**39,209**	36,565
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**710,600,000**	510,000,000

No diluted earnings per share has been presented for the six months period ended 30 June 2006 and 2007 because no share options were granted during the period and the exercise price of the Company's options was higher than the average market price for shares during the period, respectively.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 June 2007, the Group spent approximately RMB1.8 million on the construction of its new manufacturing premises and RMB4.3 million on additions to motor vehicles and fixtures and equipment in the PRC.

There was no significant disposal of property, plant and equipment for the Group in the current period.

9. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group, and the movements thereon, during the period:

	Unrealised profit on inventory RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2006	2,789	409	3,198
Credit to profit for the period *(note 5)*	888	1,673	2,561
At 30 June 2006	3,677	2,082	5,759
At 1 January 2007	**2,922**	**1,526**	**4,448**
Credit to profit for the period *(note 5)*	**4,945**	**(84)**	**4,861**
At 30 June 2007	**7,867**	**1,442**	**9,309**

Unrealised profit on inventory mainly represents unrealised profit on inter-branches/companies sales while other deductible temporary differences refer to temporary difference on certain accrued charges in accordance with their respective enacted tax rates.

10. TRADE AND OTHER RECEIVABLES

	30 June 2007 RMB'000	31 December 2006 RMB'000
Trade receivables analysed by age:		
Within 90 days	**46,526**	49,053
91 – 180 days	**3,195**	2,903
181 – 365 days	**866**	572
Over 365 days	**119**	73
Total trade receivables	**50,706**	52,601
Other receivables and prepayments	**8,641**	6,967
	59,347	59,568

The average credit period taken on sales of goods ranges from 0 to 90 days.

11. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days.

	30 June 2007 RMB'000	31 December 2006 RMB'000
Trade payable analysed by age:		
Within 90 days	**28,499**	25,012
91 – 180 days	**11,913**	890
181 – 365 days	**1,007**	995
Over 365 days	**247**	276
Total trade payables	**41,666**	27,173
Retention sum due to suppliers	**11,200**	12,592
Advances from customers	**31,219**	12,538
Advertisement accruals	**808**	2,631
Sales commission accruals	**3,697**	4,377
Welfare payables	**2,641**	1,985
Others	**2,174**	6,511
	93,405	67,807

12. SHARE CAPITAL

	Number of shares	**Amounts** HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2006 and 30 June 2007	5,000,000,000	500,000

	Number of shares	**Amounts** RMB'000
Issued and fully paid:		
At 31 December 2006 and 30 June 2007	710,600,000	72,023

13. SHARE OPTIONS RESERVE

The share options reserve of the Group represents the recognition of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.

14. SHARE-BASED PAYMENTS

In the current period, share options were granted on 16 March 2007 and 8 June 2007. The fair values of the options determined at the dates of grant using the Binomial model were RMB7,071,059 and RMB11,243,835, respectively.

15. OPERATING LEASE ARRANGEMENTS

	Six months period ended 30 June	
	2007	2006
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised in the income statement for the period	**2,477**	1,083

At the balance sheet date, the Group had outstanding commitments under operating leases, which fall due as follows:

	30 June 2007	31 December 2006
	RMB'000	RMB'000
Within one year	**2,330**	1,685
In the second to fifth year inclusive	**722**	536
More than five years	**6**	18
	3,058	2,239

Operating lease payments represent rentals payable by the Group for certain branch offices and warehouses. Leases are negotiated for lease term ranging from 1 to 8 years at inception.

16. COMMITMENTS FOR EXPENDITURE

	Six months period ended 30 June	
	2007	2006
	RMB'000	RMB'000
Commitments for operating expenditure	**7,500**	–

BUSINESS AND FINANCE REVIEW

Revenue

The revenue of the Group for the six months period ended 30 June 2006 and 2007 are analyzed as follows:

	Six months period ended 30 June	
	2007	2006
	RMB'000	RMB'000
Bathroom Master 3-in-1		
– Environmental Series	**47,106**	53,735
– Economical Series	**75,203**	62,035
– Colour-Slim Series	**6,236**	18,332
– Deluxe Series	**20,335**	28,435
– Olympic Series	**30,559**	–
Total for Bathroom Master 3-in-1	**179,439**	162,537
Bathroom Roof 1+N	**30,601**	4,447
Others	**17,018**	12,414
Total	**227,058**	179,398

For the six months period ended 30 June 2007, the revenue of the Group amounted to approximately RMB227.1 million, representing an increase of approximately 26.6% as compared with the revenue which amounted to approximately RMB179.4 million for the six months period ended 30 June 2006. The increase in revenue was mainly attributable to the increase in revenue of the Economical Series of AUPU Bathroom Master 3-in-1 and AUPU Bathroom Roof 1+N and the launch of Olympic Series. The revenue of AUPU Bathroom Master 3-in-1 increased from approximately RMB162.5 million for the six months period ended 30 June 2006 to RMB179.4 million for the six months period ended 30 June 2007, representing an increase of approximately RMB16.9 million or approximately 10.4%. The revenue of AUPU Bathroom Master 3-in-1 and AUPU Bathroom Roof 1+N accounted for approximately 93.1% and 92.5% of the Group's total revenue for the six months period ended 30 June 2006 and 2007 respectively.

In particular, the revenue of Economical Series increased from approximately RMB62.0 million for the six months period ended 30 June 2006 to approximately RMB75.2 million for the six months period ended 30 June 2007, representing an increase of approximately RMB13.2 million or approximately 21.3%.

The revenue of AUPU Bathroom Roof 1+N which was launched in April 2006 amounted to approximately RMB30.6 million for the six months period ended 30 June 2007, representing an increase of approximately 595% as compared with the revenue of AUPU Bathroom Roof 1+N which amounted to approximately RMB4.4 million for the six months period ended 30 June 2006.

Costs of sales

For the six months period ended 30 June 2007, the costs of sales of the Group amounted to approximately RMB109.8 million, representing an increase of approximately 30.7% as compared with the costs of sales which amounted to approximately RMB84.0 million for the six months period ended 30 June 2006.

Gross profit and gross profit margin

Gross profit increased from approximately RMB95.4 million for the six months period ended 30 June 2006 to approximately RMB117.3 million for the six months period ended 30 June 2007, representing an increase of approximately 22.9%. Overall gross profit margin slightly decreased from approximately 53.2% for the six months period ended 30 June 2006 to approximately 51.7% for the six months period ended 30 June 2007. There is no material change in the gross profit margin as compared with the average of the past few years.

Other income

Other income increased from approximately RMB2.8 million for the six months period ended 30 June 2006 to approximately RMB4.4 million for the six months period ended 30 June 2007 due to the significant increase in interest income of bank deposits.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB56.6 million for the six months period ended 30 June 2007 when the selling and distribution expenses amounted to approximately RMB42.9 million for the six months period ended 30 June 2006. It was mainly comprised of advertising expenses, sales promotion expenses, salary expenses of sales and marketing staff, after-sales services expenses and transportation expenses.

The increase in selling and distribution expenses for the six months period ended 30 June 2007 compared with the six months period ended 30 June 2006 was mainly due to increase in salary expenses of sales and marketing staff arising from the development of new market and the opening of new branch and increase in sales promotion expenses.

Administrative expenses

The administrative expenses amounted to approximately RMB18.7 million for the six months period ended 30 June 2007 when the administrative expenses amounted to approximately RMB15.2 million for the six months period ended 30 June 2006. It was mainly comprised of salary expenses of general and administrative staff, amortization of equity-settlement share-based payments, depreciation, professional fees and related disbursements and office expenses.

The increase in administrative expenses for the six months period ended 30 June 2007 compared with the six months period ended 30 June 2006 was mainly due to significant increase in salary expenses of general and administrative staff and the amortization of equity-settlement share-based payment.

Other expenses

Other expenses increased from approximately RMB1.9 million for the six months period ended 30 June 2006 to approximately RMB5.4 million for the six months period ended 30 June 2007 mainly due to significant increase in exchange losses.

Profit before tax

Based on the above factors, the Group's profit before tax increased from approximately RMB38.3 for the six months period ended 30 June 2006 to approximately RMB41.0 million for the six months period ended 30 June 2007, representing an increase of approximately 7.0%.

Income tax expenses

Leveraging on the well-known brand name, technology know-how and the well-established distribution network of AUPU, Hangzhou AUPU Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology") was able to generate a remarkable profit immediately following the commencement of its commercial production in both 2006 and 2007.

AUPU Technology is a foreign investment enterprise of a manufacturing nature established in national economic and technology development zone in the PRC. AUPU Technology has obtained approval from the relevant tax authority for an exemption from PRC enterprise income tax for two years starting from its first profit-making year of operations, followed by a 50 per cent tax relief for the following three years. 2006 was the first tax exemption year for AUPU Technology. Therefore, no provision of taxation has been made in respect of the estimated assessable profit of AUPU Technology for both the six months ended 30 June 2006 and 2007. The income tax expenses of the Group for the six months ended 30 June 2006 and 2007 were kept stable when the effective tax rate decreased from approximately 4.6% for the six months ended 30 June 2006 to approximately 4.4% for the six months ended 30 June 2007.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company increased from approximately RMB36.5 million for the six months period ended 30 June 2006 to approximately RMB39.2 million for the six months period ended 30 June 2007. When the net profit margin (stated in its percentage of revenue) decreased from approximately 20.4% for the six month period ended 30 June 2006 to approximately 17.3% for the six months period ended 30 June 2007.

ANALYSIS OF FINANCIAL POSITION

Turnover days of trade receivables, trade payables and inventories

The following table set out the summary of the Group's turnover days of trade receivables, trade payables and inventories for the six months period ended 30 June 2007 and the year ended 31 December 2006:

	Six months ended 30 June 2007	Year ended 31 December 2006
Turnover days of trade receivables	**34**	32
Turnover days of trade payables	**57**	41
Turnover days of inventories	**79**	59

Overall, the Group has no significant change in financial position during the six months period ended 30 June 2007. Turnover days of inventories increased from 59 days for the year ended 31 December 2006 to 79 days for the six months period ended 30 June 2007 due to the increase in inventory level arising from the increase in sales of Bathroom Roof 1+N and new product.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal sources of liquidity and capital resources have been and are expected to continue to be internally generated cash flow. The Group's principal uses of cash have been and are expected to continue to be operational costs, the expansion of production and the Group's sales network.

INDEBTEDNESS

As at the close of business on 30 June 2007, the Group did not have any outstanding borrowings, banking facilities, debt securities, material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at the close of business on 30 June 2007, the Group did not have any pledge of assets.

Save as aforesaid, the directors are not aware of any other materials change from information disclosed in the Company's 2006 annual report.

HUMAN RESOURCES

The Group employed approximately 1,000 people on 30 June 2007 (about 1,016 people on 31 December 2006). The total personnel cost of the Group was approximately RMB19.4 million for the six months ended 30 June 2007 (the six months ended 30 June 2006: RMB16.6 million). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.

On 16 November 2006, a share option scheme was approved by a resolution of the sole shareholder and the Board of Directors of the Company. The purpose of the share option scheme is to encourage the existing eligible employees for making further contributions to the future performance of the Group.

FUTURE PROSPECTS

The Directors consider that the demand for bathroom masters in the PRC will continue to grow in the future. The targeted consumer base for bathroom masters is expected to expand as the product becomes increasingly affordable by the middle class consumers in the PRC and gradually gains acceptance in towns and in villages. The increase in disposable income of consumers in the PRC has also contributed towards the demand for a more comfortable lifestyle and higher-end products. This would mean that consumers in the PRC would readily accept bathroom master as a necessary amenity in the household (which can be used for various purposes throughout the entire year), as opposed to the traditional view that it was a luxury item which could only be used for heating purposes at cold weather.

Apart from bathroom masters, the Directors are of the view that consumers are also looking for other quality household products including exhaust fans and other home appliances. Accordingly, the Group intends to leverage on the strength of its brand, AUPU, to design, manufacture and distribute other quality home electrical appliances that will capture the emerging needs of consumers in the PRC. In addition, the Directors consider that with its leading position and well-recognised brand name in the PRC, the Group will be able to continue to developing overseas markets for its products.

Maintenance of brand name management

The Directors consider that brand name management is crucial to the success of the Group. Since the establishment of Hangzhou AUPU Electrical Appliances Co., Ltd. ("AUPU Electrical") the Group has successfully built a reputation for its AUPU Bathroom Master 3-in-1 as high quality, safe and reliable products. The Group attaches very great importance to marketing and promotion of the AUPU brand and corporate image of the Group, which provides the Group with an important competitive advantage and has helped the Group in building a leading market position in the bathroom master industry in the PRC.

The Group has successfully positioned itself as a brand name manager, as evidenced by its well-established brand name, AUPU, which is known for its high quality and efficient services, its market leadership and its safe and reliable products. The Group intends to develop its brand recognition across the PRC to (i) expand its position in markets in other regions of the PRC where the Directors foresee growth potential, including secondary cities and rural areas in the PRC, and (ii) promote the sale of AUPU Bathroom Roof 1+N which was launched in 2006. The Group will continue to leverage on its strength in providing high quality products and efficient customer services, and will continue to promote the AUPU brand, its corporate image and products through television advertisements and participation in trade fairs.

Establishment of a new production plant

The Directors are optimistic about the business prospects of the Group as the living standard of the people in the PRC is improving. The Group endeavours to increase its production capacity to meet the anticipated increase in demand for its products in the PRC market. The Group will also set up a new production plant in Hangzhou Economic and Technological Development Area with a gross floor area of approximately 80,000 sq.m. for the production of AUPU Bathroom Roof 1+N, AUPU Bathroom Master 3-in-1 and other new products of the Group. The new production plant will include production workshop, showroom, research centre for development of other home electrical appliances, logistic centre and office building. The Group has signed documents with the local government authorities in the PRC in December 2006, regarding the acquisition of a piece of land with a total site area of approximately 38,686 sq.m in Hangzhou Economic and Technological Development Area. The unit purchase costs of the land is approximately of RMB250 per sq.m. and the acquisition costs have been paid from the net proceeds received by the Company from the new issue of shares in December 2006. The construction work has been commenced from July 2007 and is expected to be completed before the year end of 2008. The new production plant will eventually become the head office of the Group and the Directors believe that such expansion plan would enhance the Group's competitiveness in the PRC home electrical appliance industry.

Enhancement and expansion of the Group's sales and distribution network in the PRC

As at 30 June 2007, the Group had over 4,000 point-of-sale outlets in the PRC, covering most major cities. To further explore the PRC home electrical appliance market and to further increase the market share of the Group, the Group intends to enhance and further develop its sales and distribution network by (1) setting up its own stores; (2) establishing retail chain stores by franchise; and (3) increasing the number of points-of-sales, especially in secondary cities in the PRC. The Directors consider that the living standard in the PRC is improving and, accordingly, the demand for bathroom accessories will also increase. As such, the Group is optimistic about the business prospects of chain stores of bathroom accessories in the PRC.

Pursuant to Measures for the Administration of Foreign Investment in the PRC Commercial Sector and Administrative Measures on Commercial Franchising Operations, which were promulgated by the Ministry of Commerce of the PRC in April 2005 and December 2005 respectively, the Group obtained a new business licence recently, which allows AUPU Electrical to engage in the retail business, and the Group further intends to make an application for a licence to carry on franchise business in order to enable it to establish retail chain stores by franchise. As at 30 June 2007, the Group owned and operated one store in Hangzhou. The Group intends to set up a total of approximately 20 stores in the next five years to cover major cities in the PRC as part of its vertical expansion plan.

Also, to reduce the Group's business risks and to speed up the establishment of the Group's chain stores, the Group will also establish retail chain stores by franchise. The Group intends to establish approximately 100 retail chain stores by franchise in the next five years to further cover other major cities in the PRC. As at 30 June 2007, the Group had not granted any franchise in relation to the sales of its products. The Directors' plan is that the chain stores owned or operated by franchise in the future will mainly focus on selling the Group's new products, such as AUPU Bathroom Roof 1+N (which provides customised services such as design and installation), whereas the distributors of the Group will be mainly responsible for the distribution of AUPU Bathroom Master 3-in-1. The Directors also intend to establish approximately 500 new points-of-sales through its authorised agents and distributors in the next five years and to convert some of the existing points-of-sales into franchised stores of the Group.

Enhancement of product development capability

The Directors believe that strong product development capability is one of the key factors for success in the home electrical appliance industry and is important for maintaining the Group's position as the market leader in the PRC bathroom master industry and increasing its market share for other products distributed under its brand, AUPU. In order to develop innovative home electrical appliances, the Group intends to strengthen its product development capability by setting up its own research and development centre and a rapid prototyping centre with computer-assisted technology and equipment to facilitate the designing and developing of new models of bathroom masters and exhaust fans. The Group also intends to recruit approximately 60 additional research and development professionals with relevant skills and expertise in years 2007 and 2008. The Group will also collaborate with or engage universities and professional organisations to develop new products or new technology which will be applied by the Group in product development. With its increased product development capability, the Group intends to further expand its products portfolio and enhance product quality and functionality.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances, trade and other receivables and payables. It is, and has been throughout the period, the Group's policy not to enter into trading of financial instruments. The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The directors review and monitor policies implemented for managing each of these risks are summarized below.

Foreign currency risk

The Group's exposure to foreign currency risk is arising mainly from: (1) the exchange rate movements of Hong Kong Dollars as the Group has significant bank deposits denominated in this currency; and (2) subsidiaries of the Company also have foreign currency sales and trade receivables denominated in currencies other than the functional currency of the relevant subsidiaries, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. In order to mitigate the foreign currency risk, the management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's financial assets are bank balances and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. In order to minimise the credit risk in relation to trade receivables, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced. The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience, their assessment of the current economic environment and future discounted cash flow to receive.

The Group has no significant concentration of credit risk for its trade receivables which are spread over a large number of counterparties and customers. The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate for bank deposits which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Liquidity risk

The Group manages liquidity risk by maintaining adequate level of cash and cash equivalents by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors hereby confirms that the Company has complied with the Code on Corporate Governance Practices ("CG Code") specified in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the period for the six months period ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by the Officers (the "Code"). All directors of the Company have confirmed their compliance during the period under review with the required standards set out in the Model Code and the Code.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an Audit Committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The interim results have been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the CG Code. On the date of this interim report, the Audit Committee consists of three independent non-executive directors, including Mr. Wu Tak Lung (Chairman), Mr. Cheng Houbo and Mr. Shen Jianlin and an non-executive director Mr. Lu Songkang.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors and an executive director of the Company. Mr. Fang Shengkang is the chairman of the Remuneration Committee. The Remuneration Committee is responsible for establishing policies, reviewing and determining the remuneration of the directors and the senior management.

USE OF PROCEEDS FROM THE NEW SHARE ISSUE

As at 30 June 2007, the Group had utilised approximately RMB30.0 million out of the proceeds from the new share issue to purchase a piece of land for new production plant; to construct the new production plant in Hangzhou Economic and Technology Development Area; and to use on research & development, promotion and building sales network. To the extent that the net proceeds from the Company's portion of new share issue are not immediately required for the purposes mentioned in the Company's Prospectus dated 27 November 2006, they were placed on short term interest – bearing deposits with licensed banks in Hong Kong or the PRC.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of its directors, the Company has maintained a sufficient public float as required under the Listing Rules throughout the six months period ended 30 June 2007.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Article of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES

As at 30 June 2007, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Long positions in Shares of the Company

Name of director	Company/name of associated company	Capacity	Number of issued ordinary shares held *(Note 1)*	Approximate percentage of issued share capital of the Company/ Associated company
Mr. Fang James *(Note 2)*	The Company	Interest in a controlled corporation *(note 2)*	476,000,000 (L)	66.99%
Mr. Fang James *(Note 3)*	SeeSi Universal Limited	Beneficial owner	33 shares of US$1.00 each (L)	46.48%
Mr. Fang Shenkang *(Note 2)*	The Company	Interest in a controlled corporation *(note 2)*	476,000,000 (L)	66.99%
Mr. Fang Shenkang *(Note 3)*	SeeSi Universal Limited	Beneficial owner	32 shares of US$1.00 each (L)	45.07%
Mr. Lu Songkang *(Note 3)*	SeeSi Universal Limited	Beneficial owner	5 shares of US$1.00 each (L)	7.04%
Mr. Chai Junqi *(Note 3)*	SeeSi Universal Limited	Beneficial owner	1 share of US$1.00 each (L)	1.41%

Notes:

1. The letter "L" represents the person's long position in such shares.

2. The entire issued share capital of SeeSi Universal Limited is owned as to 46.48%, 45.07%, 7.04% and 1.41% by Mr Fang James, Mr Fang Shengkang, Mr Lu Songkang and Mr Chai Junqi, respectively, who are also directors of the Company. As such, each of Mr Fang James and Mr Fang Shengkang is deemed to be interested in all the shares held by SeeSi Universal Limited in the Company.

3. SeeSi Universal Limited is the holding company of the Company and therefore is an associated corporation of the Company. As such, Mr Fang James, Mr Fang Shengkang, Mr Lu Songkang and Mr Chai Junqi, as directors of the Company, are required to disclose their interests in SeeSi Universal Limited.

(2) Long position in underlying Shares of the Company

Name of director	Company/name of associated company	Capacity	Number of issued ordinary shares held *(Note 1)*	Approximate percentage of issued share capital of the Company/ Associated company
Mr. Wu Tak Lung	The Company	Beneficial owner	share options with rights to subscribe 150,000 shares at subscription price of HK$2.23 per share (L)	0.02%
Mr. Cheng Houbo	The Company	Beneficial owner	share options with rights to subscribe 75,000 shares at subscription price of HK$2.23 per share (L)	0.01%
Mr. Shen Jianlin	The Company	Beneficial owner	share options with rights to subscribe 75,000 shares at subscription price of HK$2.23 per share (L)	0.01%

Notes:

1. The letter "L" represents the person's long position in such shares.

Other than as disclosed above, none of the Director, chief executives had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2007.

Arrangement to enable directors to acquire shares or debentures

Apart from the share options granted to the three independent non-executive directors on 16 March 2007 under the share option scheme that was adopted on 16 November 2006 (the "Share Option Scheme"), at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable any director or the chief executive of the Company to acquire benefits, by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, the chief executive of the Company nor any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for shares in or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the period.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 16 November 2006, a summary of the principal terms of which was set out below:–

(1) the purpose of the scheme:–

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of the Group and to promote the success of the business of the Group.

The Share Option Scheme provides that the Company may specify a minimum holding period and performance conditions which must be satisfied before options can be exercised by the option holders. In addition, the basis for the determination of the exercise price of the options has been set out in the Share Option Scheme. The Board considers that the aforesaid criteria and the terms of the Share Option Scheme will serve to encourage option holders to acquire proprietary interests in the Company.

(2) the participants of the scheme:–

The Board may offer any employee (whether full-time or part-time), director, consultant or adviser of the Group (the "Eligible Person") options to subscribe for Shares at a price calculated in accordance with and subject to the terms of the Share Option Scheme.

(3) the total number of securities available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the interim report:–

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of the Company from time to time.The total number of issued share in the capital of the Company was 710,600,000 shares at the date of this interim report.

(4) the maximum entitlement of each participant under the scheme:–

(i) Any options granted to an Eligible Person who is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates shall be approved by the independent non-executive Directors and in any event if the proposed grantee is an independent non-executive Director, the vote of such grantee shall not be counted for the purposes of approving such grant.

(ii) Any options granted to an Eligible Person who is a substantial shareholder (as defined in the Listing Rules) or independent non-executive Director or their respective associates, which will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options whether exercised, cancelled or still outstanding) to such person in the period of 12 months up to and including the date of such grant:

– representing in aggregate over 0.1% of the issued share capital of the Company; and

– having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000.00,

such further grant of options must be approved by the Shareholders in general meeting by poll convened and held in accordance with the Articles of Association of the Company and Rules 13.39(5), 13.40, 13.41 and 13.42 of the Listing Rules. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting. The aforementioned circular shall contain such information as required under rule 17.04 of the Listing Rules.

(5) the period within which the securities must be taken up under an option:–

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each option holder upon the grant of option, such period not to exceed 10 years from the Date of Grant of the relevant option (the "Exercise Period").

(6) the amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:–

The amount payable for the acceptance of an Option shall be the sum of HK$1.00 which shall be paid upon acceptance of the offer of such Option.

(7) the minimum period, if any, for which an option must be held before it can be exercised:–

the minimum period, if any, for which an option must be held before it can be exercised is subject to such other term as shall be determined by the Board soon such Options shall be offered to the Participants.

(8) the basis of determining the exercise price:–

the amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board and shall be not less than the greater of:

(i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date, which must be a Business Day, of the written notice from the Company granting the option (the "Date of Grant"); and

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant; and

(iii) the nominal value of the Shares.

(9) the remaining life of the scheme:–

the Share Option Scheme has a scheme period not to exceed the period of 10 years for 16 November 2006.

As at 31 December 2006, no options have been granted under the Share Option Scheme.

On 16 March 2007, the directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 5.0 million shares of the Company (representing approximately 0.7% of the total issued share capital of the Company as at the date of this Interim Report) to the three independent non-executive directors of the Company and certain senior management of the Group (collectively the "First Batch of Grantees") as an incentive and reward to the First Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK$2.23 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The share options were granted to the First Batch of Grantees on such terms that the First Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

On 8 June 2007, the directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 6.45 million shares of the Company (representing approximately 0.91% of the total issued share capital of the Company as at the date of this Interim Report) to certain senior and middle management of the Group (collectively referred as the "Second Batch of Grantees") as an incentive and reward to the Second Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK$3.11 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The share options were granted to the Second Batch of Grantees on such terms that the Second Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

During the six months period ended 30 June 2007, 11,450,000 share options were granted to eligible Directors and employees of the Group and details are as follows:

Name or category of participant	Exercise price	Number of shares that may be subscribed under share options: Maximum granted from 1 January 2007 to 30 June 2007	Outstanding as at 30 June 2007	Percentage of total issued share capital	Vesting period	Notes
Directors						
Wu Tak Lung	2.23	150,000.00	150,000.00	0.02%	16/3/2008 – 15/3/2017	1,3,5,6
Shen Jianlin	2.23	75,000.00	75,000.00	0.01%	16/3/2008 – 15/3/2017	1,3,5,6
Cheng Houbo	2.23	75,000.00	75,000.00	0.01%	16/3/2008 – 15/3/2017	1,3,5,6
Other employees in aggregate	2.23	4,700,000.00	4,700,000.00	0.66%	16/3/2008 – 15/3/2017	1,3,5,6
	3.11	6,450,000.00	6,450,000.00	0.91%	8/6/2008 – 7/6/2017	2,4,5,6
Total		11,450,000.00	11,450,000.00	1.61%		

Notes:

1. On 16 March 2007, the directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 5.0 million shares of the Company to the three independent non-executive directors of the Company and certain senior management of the Group (collectively referred as the "First Batch of Grantees") as an incentive and reward to the First Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK$2.23 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The share options were granted to the First Batch of Grantees on such terms that the First Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

2. On 8 June 2007, the directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 6.45 million shares of the Company to certain senior and middle management of the Group (collectively referred as the "Second Batch of Grantees") as an incentive and reward to the Second Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK$3.11 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The share options were granted to the Second Batch of Grantees on such terms that the Second Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

3. Pursuant to the Share Option Scheme, these share options were granted on 16 March 2007 and are exercisable at HK$2.23 per Share from 16 March 2008 to 15 March 2017.

4. Pursuant to the Share Option Scheme, these share options were granted on 8 June 2007 and are exercisable at HK$3.11 per Share from 8 June 2008 to 7 June 2017.

5. These share options represent personal interest held by the relevant participants as beneficial owner.

6. Up to 30 June 2007, none of these share options were exercised, cancelled nor lapsed.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the interests or short positions of every person, other than a Director or chief executive of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
SeeSi Universal Limited *(Note 1)*	Beneficial owner	476,000,000 (L) *(Note 2)*	66.99%
Zhang Shuqing *(Note 3)*	Family interest	476,000,000 (L)	66.99%
Everest Capital Limited	Beneficial owner	60,524,000 (L)	8.52%

Notes:

(1) The entire issued share capital of SeeSi Universal Limited is owned as to 46.48%, 45.07%, 7.04% and 1.41% by Mr Fang James, Mr Fang Shengkang, Mr Lu Songkang and Mr Chai Junqi, respectively, who are also directors of the Company.

(2) The letter “L” represents the person’s long position in such shares.

(3) Madam Zhang Shuqing is the spouse of Mr Fang Shengkang, a director of the Company, Madam Zhang Shuqing is therefore deemed to be interested in the interests of Mr Fang Shengkang.

All the interests stated above represent long positions. Save as disclosed above, as at 30 June 2007, none of the substantial shareholders, other than directors or chief executive, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

INTERIM DIVIDEND

The Board is pleased to declare a special interim dividend of RMB0.04 (approximately equivalent to HK$0.0413) per ordinary share for the six months period ended 30 June 2007 to the shareholders whose names appear on the register of members of the Company (the “Register of Members”) on Thursday, 27 September 2007. The conversion of RMB into Hong Kong dollars is made at the official exchange rate of RMB against Hong Kong dollars as quoted by the People’s Bank of China of HK$1.00 = RMB0.9681 for the week prior to the date of declaration of dividends. The interim dividends will be paid on or before 8 October 2007.

CLOSURE OF THE REGISTER OF MEMBERS

The Company’s Register of Members will be closed from Thursday, 27 September 2007 to Tuesday, 2 October 2007, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Trior Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration, not later than 4:30 p.m. on Tuesday, 25 September, 2007.

By Order of the Board of
AUPU Group Holding Company Limited
Mr. James Fang
Chairman

Hangzhou, the PRC, 12 September 2007