AUPU

AUPU GROUP HOLDING COMPANY LIMITED

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

ANNUAL REPORT 2008

CONTENT

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Fang James（方杰）
Fang Shengkang（方勝康）
Sun Lijun（孫立軍）
Chai Junqi（柴俊麒）(redesignated as an executive director on 5 February 2009)

Non-executive Directors

Lu Songkang（盧頌康）
Shi Minglei（石明磊）

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

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
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COMPANY SECRETARY

Leung Wah *(CPA, ACA, FCCA)*

AUTHORISED REPRESENTATIVES

Fang James
Fang Shengkang

STOCK CODE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Executive Director
Chairman of the board
Fang James

I hereby on behalf of the Board of Directors (the "Board" or "the "Directors") presented the report of AUPU Group Holding Company Limited and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2008, and expressed my heartfelt gratitude on behalf of the Board to the shareholders and everyone that cares about the development of the Group.

2008 was the third year of the Group's listing on the Main Board of the Stock Exchange. The Group experienced unprecedented pressure and challenges as the overall macro-economy of China weakened amid the global financial tsunami. Needless to say, the Group's sales results and net profit experienced a certain degree of downturn during the year, however, in general, we still maintained stable financial and operational conditions, a satisfactory cash flow position, and were confident that we could overcome such a difficult time.

Financial Review

The Group's results recorded a certain degree of decline during the past year. Turnover of the Group for the year ended 31 December 2008 was approximately RMB528,006,000, representing a decrease of 13% compared with the corresponding period of the previous year. Profit attributable to equity holders was approximately RMB61,098,000, representing a decrease of 41% over last year. Basic earnings per share were approximately RMB0.09. The Board recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2008. The Group's financial condition remained healthy and stable, free from any enterprise and syndicated debts. For the year ended 31 December 2008, the Group's cash and cash equivalents amounted to approximately RMB204,649,000. Inventory of the Group was effectively controlled at RMB49,352,000, which was 28.4% lower compared with RMB68,921,000 during the first half of 2008. Trade receivables amounted to RMB48,248,000, accounting for only 9.1% of total sales, and the turnover ratio was 28 days. Hence, the Group will be able to weather the negative impact brought by the global financial crisis in 2009 and capture any opportunities when the global economic environment turns better.

Business Review

During the second half of the year, China's economy was not spared from the economic downturn as the financial tsunami swept across the world from the United States. Among all sectors, manufacturing and real estate industries suffered more, and led to a slowdown or even a negative growth in domestic economic growth. Under such difficult external conditions, the Group promptly adjusted its development strategies, making use of the advantage of its strong liquidity to further regulate the enterprise with international management standards. The Group also adopted an effective cost control strategy, optimized its product structure and adjusted its sales channels with a view to creating new business opportunities.

As at 31 December 2008, the Group had 10 branches covering major cities and municipalities in the PRC. Our strategic business, the Bathroom Roof, recorded satisfactory growth and we actively sought business cooperation with property developers and decoration houses. We have already established 813 Bathroom Roof sales points with agents, of which 592 are our exclusive outlets, 221 are shop-in-shops. Sales of our bathroom roofs increased by 48%, allowing us to maintain our leading position in the sector.

While maintaining our leading position in sales volume and sales amount of bathroom products, the Group also strived for innovation in the expansion of marketing channels. In addition to the household appliances mega stores (KA), AUPU also started to build up channels in areas such as home decoration and online selling. Agents of the Group were responsible for the diversification work, and the Group will provide guidance and training on selecting store location, store decoration and designs, product display and selling and after-sales services. In 2008, AUPU became the first foreign-invested enterprise to have obtained a franchise license in Zhejiang.

AUPU's brand image was also widely recognized. AUPU debuted on the list of the "China's 500 Most Influential Brands" in 2007 ranking No. 376 according to the World Brand Laboratory, this represented a recognition of AUPU's brand value by perception and sales evaluation. AUPU's ranking on the list rose to No. 372 in 2008. In addition, AUPU was also one of the iconic brands in the bathroom master industry in China published in July 2008.

AUPU has enhanced its product research and development in 2008. As of 31 December 2008, AUPU has obtained 204 patents, of which 4 were invention patents and 32 were utility new model patents and 168 were appearance design patents. At the 2009 agents meeting, the product combinations and concepts suggested by AUPU were supported by the agents. AUPU will continue to focus on developing its Bathroom Master 3-in-1 (point), bathroom roof (surface) and bathroom component sets (space) businesses.

AUPU's brand image, diversified marketing channels and product combinations will become the definite characteristics of AUPU's sustainable development.

Prospects

The global economic crisis will continue to pose influence on the marketing environment worldwide in the near future. If the recession lengthens or deteriorates, especially when the purchasing power contracts, and the consumers delay their home decoration plans or lower their decoration standards, AUPU, as an interior decoration and electrical appliances enterprise, its business will unavoidably experience a certain degree of adverse effect. As the future is full of uncertainties and changes, the Board and the management of the Group will put shareholders' interest as the top priority, adopt a prudent approach in cash management and maintain costs and business structure at a minimum level, as well as slow down the expansion plan in line with market conditions, so as to ensure the Group's advantage on cash flow. The Group will not recklessly invest in projects irrelevant to the major businesses and will successfully overcome such hard times. The Group will adhere to its philosophy "Guided by market; Relied on products; Focused on services", to identify the changing environment with its customers, suppliers and employees, and maintain its strength for emerging growth opportunities when the economic conditions turn better.

Appreciation

Last but not least, on behalf of the Board, I would like to take this opportunity to express my gratitude to the management and the staff for their valuable contribution and dedication. I would also like to extend my deepest appreciation to the Group's shareholders and business partners for their unwavering support. I am committed to using my best endeavours to maintain business growth of the Group, and adhere to the policy of distributing no less than 35% of net profit as dividends every year, so as to bring attractive return for the shareholders.

By order of the Board
Fang James
Chairman

Hong Kong, The PRC,
25 March 2009

Executive Director/President/
Chairman of the Remuneration Committee
Fang Shengkang

First of all, I would like to express my sincere appreciation to the shareholders and business partners of the Group, and our employees for their support and dedication to AUPU during 2008.

2008 was an unusual year for AUPU as the Group's results experienced the first downturn in its 16 years of operation. Such decline was inevitable due to several objective factors, including the rapid changing macroeconomic conditions and the industry-specific environment, especially in the home decoration market resulting from the financial crisis, which had all adversely affected our business. On the other hand, AUPU's inadequate awareness in the establishment of marketing channels accounted for the subjective reason for such downward in results. Key account marketing channels represented a large proportion in AUPU's overall sales while other distribution channels had not been properly established. As an enterprise's development shall follow closely the market trend, when AUPU's major sales channels suffered a downturn as a result of changing economic conditions caused by the financial turmoil, alternate channels were unable to readily make up the gap. This was the most valuable lesson AUPU had to learn in 2008. Economic conditions and market environment were just external factors, whilst lack of proactive thinking and awareness was the key internal cause. Our management personnel were lack of awareness of crisis and competitiveness in market competition. They should be more crisis-sensitive, as awareness of competitiveness is built on the understanding of the importance of preparing for danger in times of safety. As some of our agents, such as the agents in Wuxi and Hefei, succeeded in countering the downward trend through channel development, AUPU should conduct an earnest review and reflection in this regard.

In 2008, AUPU did make some attempts in improving its profit model by opening self-operated specialty stores. Notwithstanding that higher profit margin was achieved comparing with engaging agents, these stores were exposed to greater degree of risk, particularly in the flexibility of operation, inventory management and utilization of funds. Through such attempts and reviews, AUPU became more determined to implement a profit model with engagement of agents. As compared with self-operation, the Group was more secured, dynamic and with a stronger capability on risk aversion in engaging agents.

AUPU's leading position in the industry remained intact despite its setback in results in 2008. AUPU also took some decisive measures in confronting the economic crisis. In light of the increase of inventory in the first half of 2008, AUPU adopted some decisive measures to clear the stock in September, cutting the inventory back to a reasonable level. During the second half of the year, AUPU started to gradually reduce its expenses and control its costs by terminating the employment of some staff. We were also closely concerned about our main customers and had adopted corresponding measures which helped to control the products delivered and account receivables at a reasonable level.

As for the marketing activities in 2009, AUPU has already formulated a plan and schedule of work. We should be committed to developing innovative ideas, actively compete with other enterprises and strive for a larger market share. AUPU has fully recognised the importance of the six major channels, namely, key accounts, construction material market, new building projects in rural areas, home decoration, electronic commerce, etc., and considered the year 2009 as the "Year of Channel Development". This year, AUPU will emphasize the importance of channel development and use its best endeavours to expand the networks of various channels by taking into account the market competition dynamics, as playing an active role persistently and following its business direction in the market will enable a company to be stronger in the competition in the long run. At the same time, sales and market share will increase following the opening up of operating channels and solving of its operational concerns. In addition, the development of diversified channels will be further strengthed and more sustainable. Besides the expansion of the six major channels, AUPU will also place emphasis on and coordinate the "Five Forces", namely, products, marketing, services, channels and brands, so as to promote our business development. The Company will provide all-round support to the "Five Forces", such as supporting the sales teams on the front-line, in an effort to fully leverage on the agents' capability. AUPU is still the best platform that supports agents' development.

$$\begin{tikzcd} & \text{Products} \arrow[d] & \\ \text{Marketing} \arrow[r] & \text{Channels} \arrow[d] & \text{Services} \arrow[l] \\ & \text{Brands} & \end{tikzcd}$$

AUPU should transform itself from a passive enterprise to a more active one which responds and adjusts promptly to the changing environment. As the market is undergoing fundamental changes, competition will become more intense, as such, AUPU should also seek for new growth opportunities in addition to developing in the existing sectors.

Fang Shengkang
President

25 March 2009

ANALYSIS OF OPERATING RESULTS

Year 2008		Sales	Sales	Cost of sales	Gross profit margin
		Unit	Rmb'000	Rmb'000	
Bathroom	USP≤300	655,793	182,286	87,768	51.9%
Master and	300<USP≤400	124,022	44,567	19,521	56.2%
exhaust fan	400<USP≤500	137,771	64,751	27,161	58.1%
by unit selling	500<USP≤600	1,879	1,171	500	57.3%
price ("USP")	USP>600	177,819	84,925	35,268	58.5%
Subtotal		1,097,284	377,700	170,218	54.9%
Export		57,101	9,467	6,288	33.6%
Bathroom Roof 1+N		N/A	140,839	66,837	52.5%
Total		N/A	528,006	243,343	53.9%

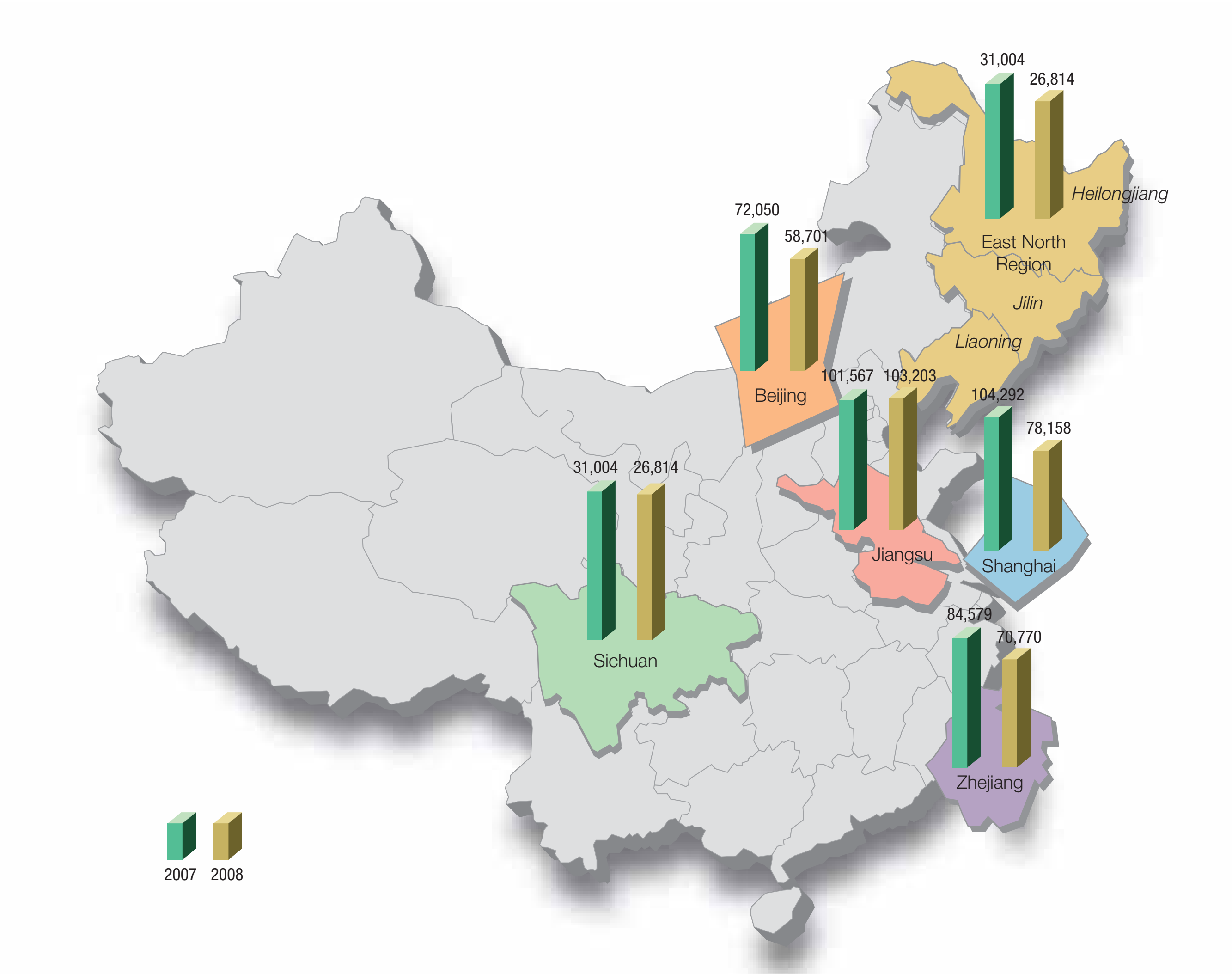
Year 2007		Sales	Sales	Cost of sales	Gross profit margin
		Unit	Rmb'000	Rmb'000	
Bathroom	USP≤300	1,128,469	199,513	96,680	51.5%
Master and	300<USP≤400	136,106	55,359	26,433	52.3%
exhaust fan	400<USP≤500	175,946	95,265	43,232	54.6%
by unit selling	500<USP≤600	14,303	4,275	2,023	52.7%
price ("USP")	USP>600	185,328	138,558	61,996	55.3%
		1,640,152	492,970	230,365	53.3%
Export		125,196	18,831	15,271	18.9%
Bathroom Roof 1+N		N/A	94,949	55,144	41.9%
Total		N/A	606,750	300,780	50.4%

Revenue

For the year ended 31 December 2008, the revenue of the Group amounted to approximately RMB528,006,000, representing decrease of approximately 13.0% as compared with the revenue which amounted to approximately RMB606,750,000 for the year ended 31 December 2007. The decrease in revenue was mainly attributable to the decrease in revenue of AUPU Bathroom Master 3-in-1. The revenue of AUPU Bathroom Master 3-in-1 and exhaust fans decreased from approximately RMB492,970,000 for the year ended 31 December 2007 to RMB377,700,000 for the year ended 31 December 2008, representing an decrease of approximately RMB115,270,000 or approximately 23.4%. The revenue of AUPU Bathroom Master 3-in-1 and exhaust fans accounted for approximately 81.3% and 71.5% of the Group's total revenue for the year ended 31 December 2007 and 2008 respectively.

However, the revenue of AUPU Bathroom Roof 1+N increased from approximately RMB95 million for the year ended 31 December 2007 to approximately RMB141 million for the year ended 31 December 2008, accounting for approximately 26.7% of the Group's total revenue for the year ended 31 December 2008 and representing increase of approximately 48.4% as compared with that of the year ended 31 December 2007.

(Note: Since the classification of product series for AUPU Bathroom Master 3-in-1 were adjusted, the analysis of revenue for AUPU Bathroom Master 3-in-1 by product series may not be comparable between the two years ended 31 December 2007 and 2008. Hence, the breakdown of revenue for AUPU Bathroom Master 3-in-1 is analysed by unit selling price that is considered to be more useful and relevant, rather than by product series.)



Cities/Provinces	Year of 2008 Amount (RMB"000)	Year of 2008 % in sales	Year of 2007 Amount (RMB"000)	Year of 2007 % in sales
Shanghai	**78,158**	**14.8%**	104,292	17.2%
Jiangsu	**103,203**	**19.5%**	101,567	16.7%
Beijing	**58,701**	**11.1%**	72,050	11.9%
Zhejiang	**70,770**	**13.4%**	84,579	13.9%
East North Region	**26,814**	**5.1%**	31,004	5.1%
Sichuan	**28,676**	**5.4%**	29,237	4.8%
Outside China (Export)	**9,467**	**1.8%**	18,832	3.1%
Others	**152,217**	**28.9%**	165,189	27.3%
Total	**528,006**	**100.0%**	606,750	100.0%

Moreover, Shanghai, Jiangsu, Beijing, Zhejiang, East North Region and Sichuan were still the major markets of the Group for the year ended 31 December 2008, accounting for 69.3% (Year 2007: 69.7%) of the Group's sales.

Cost of sales

For the year ended 31 December 2008, the costs of sales of the Group amounted to approximately RMB243,343,000, and the costs of parts and components, direct labour and overhead represented approximately 94.9% and 5.1% of the total costs of sales respectively while for the year ended 31 December 2007, the costs of sales of the Group amounted to approximately RMB300,780,000, and the costs of parts and components, direct labour and overhead represented approximately 96.8% and 3.2% of the total costs of sales respectively. The reason for the change was a decrease in costs of parts and components arising from the decrease in sales.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB305,970,000 for the year ended 31 December 2007 to approximately RMB284,663,000 for the year ended 31 December 2008, representing decrease of approximately 7.0%. Overall gross profit margin increased from approximately 50.4% for the year ended 31 December 2007 to approximately 53.9% for the year ended 31 December 2008 because of the policy of raising price about 5-7% at the beginning of the year and increase in proportion of sales of AUPU Bathroom Roof 1+N, and high end Bathroom Master with unit selling price over RMB300 that the profit margins are higher than that of low end Bathroom Master.

Other income

Other income increased from approximately RMB14,951,000 for the year ended 31 December 2007 to approximately RMB19,618,000 for the year ended 31 December 2008 due to reinvoicing the marketing costs paid to a major customer that should be undertook by distributors or agents.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB164,572,000 for the year ended 31 December 2008. It mainly comprised advertising expenses of approximately RMB47,757,000, sales promotion expenses of approximately RMB28,248,000, salaries expenses of sales and marketing staff of approximately RMB40,775,000, after sales service expenses of approximately RMB5,783,000 and transportation expenses of approximately RMB13,778,000. The selling and distribution expenses amounted to approximately RMB141,705,000 for the year ended 31 December 2007. It mainly comprised advertising expenses of approximately RMB33,630,000, sales promotion expenses of approximately RMB29,529,000, salaries expenses of sales and marketing staff of approximately RMB34,248,000, after sales service expenses of approximately RMB6,110,000 and transportation expenses of approximately RMB13,575,000. The increase in selling and distribution expenses for the year ended 31 December 2008 compared with the year ended 31 December 2007 was mainly due to significant increase in salaries expenses of sales and marketing staff and advertising expenses.

Administrative expenses

The administrative expenses amounted to approximately RMB47,799,000 for the year ended 31 December 2008. It mainly comprised salaries expenses of general and administrative staff of approximately RMB19,914,000, depreciation of approximately RMB2,796,000, professional fees of approximately RMB9,326,000, office expenses of approximately RMB4,057,000 and option premium of approximately RMB6,748,000. The administrative expenses amounted to approximately RMB48,557,000 for the year ended 31 December 2007. It mainly comprised salaries expenses of general and administrative staff of approximately RMB23,087,000, depreciation of approximately RMB2,735,000, professional fees of approximately RMB8,615,000, office expenses of approximately RMB4,877,000 and option premium of approximately RMB4,930,000. Although there is an increase in option premium in the amount of approximately RMB1,818,000 for the year ended 31 December 2008, the administrative expenses for the year ended 31 December 2008 compared with the year ended 31 December 2007 is only slightly decreased by RMB758,000 mainly due to significant decrease in salaries expenses of general and administrative staff that offset the effect of increase in option premium.

Other expenses

Other expenses increased from approximately RMB10,894,000 for the year ended 31 December 2007 to approximately RMB12,410,000 for the year ended 31 December 2008 due to the increase in marketing costs paid to a major customer that should be undertook by distributors or agents over the decrease in exchange loss in the income statement.

Profit before tax

Based on the above factors, the Group’s profit before tax decreased from approximately RMB119,765,000 for the year ended 31 December 2007 to approximately RMB79,473,000 for the year ended 31 December 2008, representing an decrease of approximately 33.6%.

Income tax expenses

Hangzhou Aupu Electrical Appliances Co., Ltd. ("AUPU Electrical") was applied enterprise income tax at 33% for the year ended 31 December 2007.

Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("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%, inclusive of 1.5% 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% tax relief for the following three years. 2007 was the second tax exemption year for AUPU Technology. Therefore, no provision for taxation has been made on the estimated assessable profit of AUPU Technology for the year ended 31 December 2007.

On 16 March 2007, the National People's Congress approved and promulgated a new PRC Enterprise Income Tax Law (the "New Law"), which took effect on 1 January 2008. Under the New Law, foreign-invested enterprise and domestic companies are subject to a uniform tax rate of 25%. The New Law provides a five-year transition period from its effective date for those enterprises which were established before the promulgation date of the New Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law under which the applicable tax rate for AUPU Technology are 9%, 10%, 11%, 24% and 25% for the years ending from 2008 to 2012, respectively, while the applicable income tax rate of AUPU Electrical is 25% from 1 January 2008 onwards.

In accordance to PRC tax circular (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuihan [2008] 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the profits arisen during the year of PRC subsidiaries, which are available for distribution to Tricosco Limited.

The income tax expenses of the Group increased from approximately RMB16,211,000 for the year ended 31 December 2007 to approximately RMB18,375,000 for the year ended 31 December 2008 and the effective tax rate increased from approximately 13.5% for the year ended 31 December 2007 to approximately 23.1% for the year ended 31 December 2008, both mainly arising from the withholding tax on retained earnings to be distributed mentioned above.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company decreased from approximately RMB103,554,000 for the year ended 31 December 2007 to approximately RMB61,098,000 for the year ended 31 December 2008. The net profit margin (stated in its percentage of revenue) decreased from approximately 17.1% for the year ended 31 December 2007 to approximately 11.6% for the year ended 31 December 2008.

ANALYSIS OF FINANCIAL POSITION

Inventory turnover

The following table sets out the summary of the Group's inventory turnover days during the two years ended 31 December 2007 and 2008:

	Year ended 31 December 2008	Year ended 31 December 2007
Inventory turnover days (Note)	**69**	51

Note:

The inventory turnover period is arrived at by dividing average inventories by cost of sales and then multiplying by 365 for the two years ended 31 December 2008. Average inventories is arrived at by dividing the sum of the inventories at the beginning of year and that at the end of the year by 2.

Inventory primarily comprised parts and components and finished goods. For the year ended 31 December 2007, inventory turnover period was 51 days. For the year ended 31 December 2008, inventory turnover period increased to 69 days due to the increase in inventory level arising from slow down of market around the year end of 2008.

Turnover days of trade receivables

The following table set out the summary of the Group's turnover days of trade receivables during the two years ended 31 December 2007 and 2008:

	Year ended 31 December 2008	Year ended 31 December 2007
Turnover days of trade receivables (Note)	**28**	27

Note:

The turnover days of trade receivables is arrived at by dividing average trade receivables by revenue and then multiplying by 365 for the two years ended 31 December 2007. Average trade receivables is arrived at by dividing the sum of the trade receivables at the beginning of year and that at the end of the year by 2.

The turnover days of trade receivables just increased from 27 days for the year ended 31 December 2007 to 28 days for the year ended 31 December 2008 as the management take more active actions to maintain the level of overdue debts at a reasonable level around the year end of 2008.

Aging analysis of trade receivables

The aging analysis of trade receivables of the Group during the two years ended 31 December 2007 and 2008 is as follows:

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2007 RMB'000
Trade receivables analysed by age:		
Within 90 days	**44,242**	69,340
91 – 180 days	**2,944**	1,928
181 – 365 days	**913**	72
Over 365 days	**149**	253
Total trade receivables	**48,248**	71,593

Most of the authorised agents of the Group are required to place deposits or pay upon delivery of the Group's products. The balances of trade receivables are mainly related to retail chain stores which are usually granted credit terms ranging from 0 to 90 days, depending on several factors such as the length of relationship, financial strength and settlement history of each customer.

As at 31 December 2008, the Group factored one note receivable to a bank with full recourse and the note receivable was fully settled in February 2009.

The average credit period granted on sales of goods ranges from 0 to 90 days. No interest is charged on the overdue trade receivables. The Group provides allowance for doubtful debts on a case-by-case basis, if any. In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB4,006,000 (2007: RMB2,253,000) which are past due as at the reporting date for which the Group has not provided impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

For the remaining trade receivables which are neither past due nor impaired, the management considers that no bad and doubtful debts were necessary based on the good payment history of the related debtors from historical experience. No allowance has been made for each of the years ended 31 December 2008 and 2007.

Other receivables

The following table sets out the breakdown of other receivables of the Group during the two years ended at 31 December 2007 and 2008:

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2007 RMB'000
Prepayments	**3,190**	2,586
Utilities and rental deposits	**485**	610
Staff advances	**1,021**	310
Others	**3,666**	4,377
Total other receivables	**8,362**	7,883

The balance of other receivables as at 31 December 2008 when comparing with 31 December 2007 increased.

Turnover days of trade payables

The following table sets out the summary of the Group's turnover days of trade payables during the two years ended 31 December 2007 and 2008:

	Year ended 31 December 2008	Year ended 31 December 2007
Turnover days of trade payables *(Note)*	**46**	45

Note:

The turnover days of trade payables is arrived at by dividing average trade payables by cost of sales and then multiplying by 365 for the two years ended 31 December 2008. Average trade payables is arrived at by dividing the sum of the trade payables at the beginning of year and that at the end of the year by 2.

The turnover days of trade payables slightly increased from 45 days for the year ended 31 December 2007 to 46 days for the year ended 31 December 2008.

Aging analysis of trade payables

The aging analysis of trade payables of the Group for the two years ended 31 December 2007 and 2008 is as follows:

	At 31 December 2008 RMB'000	At 31 December 2007 RMB'000
Trade payables analysed by age:		
Within 90 days	**10,340**	45,879
91 – 180 days	**1,538**	823
181 – 365 days	**951**	410
Over 365 days	**644**	426
Total trade payables	**13,473**	47,538

Trades payables are mainly related to purchases from suppliers. Invoices would generally be received from suppliers upon delivery of goods and the average credit period taken for trade purchases is 90 days. Trade payables are generally settled by cheques, bank drafts and bank transfers. The Group continuously supervises the level of trade payable balances.

Other financial liabilities

Other financial liabilities mainly include retention sum due to suppliers, notes payable advance from customers, payable for the acquisition of property, plant and equipment, sales commission accruals and other accruals.

Retention sum due to suppliers

To ensure the products quality of suppliers, the Group retains a deposit representing 7% to 12% of the annual purchases by the Group from the respective suppliers. The retention sum due to suppliers will be released to respective suppliers 30 days after receipt of the goods and completion of satisfactory quality check by the Group.

Advance from customers

The advances from customers mainly represents sales made to authorised agents and distributors who are required to pay in advance before the delivery of goods.

Other accruals

Other accruals mainly included deposits received, unpaid land premium cost, payroll payables, union and education fees and accruals.

The increase of the balance of other payables as at 31 December 2008 comparing with that of 31 December 2007 is mainly due to the increase in advances from customers.

Current ratio, quick ratio and gearing ratio

The current ratio and gearing ratio of the Group for the two years ended 31 December 2007 and 2008 was as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Current ratio	**2.75**	3.23
Quick ratio	**2.33**	2.94
Gearing ratio	**0.00**	0.00

Note:

Current ratio is arrived at by dividing the current assets by current liabilities at the end of the corresponding year. Quick ratio is calculated as total current assets excluding inventories divided by total current liabilities at end of the year. Gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year. The numbers in the above table are expressed in the form of ratio and not as a percentage.

The current ratio and quick ratio are both reduced as at 31 December 2007 and 31 December 2008 but are still kept at a healthy position.

The Group had a zero gearing ratio as at 31 December 2007 as the Group did not have external bank loans as at 31 December 2007 when the gearing ratio is 0.0024 as at 31 December 2008 due to a short-term bank loan arising from a discounted note receivable.

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 and the expansion of production and the Group's sales network.

Cash flow

The table below summarises the Group's cash flow during the two years ended 31 December 2007 and 31 December 2008:

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2007 RMB'000
Net cash from operating activities	**42,932**	128,998
Net cash used in investing activities	**(284,606)**	(13,910)
Net cash used in financing activities	**(92,851)**	(56,848)

The Group's working capital mainly comes from net cash from operating activities during the year ended 31 December 2008. The Directors expect that the Group will rely on net cash from operating activities and the net proceeds from the Share Offer to meet its working capital and other capital expenditure requirements in the near future. In the long run, the Group will be funded by net cash from operating activities and if necessary, by additional equity financing or bank borrowings.

Operating activities

Cash inflow from operations is mainly derived from cash receipt from sales of the Group's products. Cash outflow from operations is principally generated for the purchase of parts and components, staff costs, selling and distribution expenses and administrative expenses. Net cash from operating activities was approximately RMB128,998,000 and RMB42,932,000 for the year ended 31 December 2007 and 31 December 2008 respectively.

Net cash from operating activities for the year ended 31 December 2008 was approximately RMB42,932,000, while profit before tax was approximately RMB79,473,000 for the same period. The difference of approximately RMB36,541,000 was mainly caused by the adjustments of approximately RMB4,845,000 made on the depreciation of property, plant and equipment and equity-settled share-based payments expenses in the amount of approximately RMB6,748,000, interest income approximately totaling RMB8,586,000 and movements in working capital in the amount of approximately RMB41,583,000.

Net cash from operating activities for the year ended 31 December 2007 was approximately RMB128,998,000, while profit before tax was approximately RMB119,765,000 for the same year. The difference of approximately RMB9,233,000 was mainly caused by the adjustments of approximately RMB5,513,000 made on the depreciation of property, plant and equipment and equity-settled share-based payments expenses in the amount of approximately RMB4,935,000, interest income approximately totaling RMB10,188,000 and movements in working capital in the amount of approximately RMB7,159,000.

Investing activities

Net cash used in investing activities was approximately RMB284,606,000 for the year ended 31 December 2008 which was primarily attributable to purchases of property, plant and equipment in the amount of approximately RMB96,769,000 while net cash used in investing activities were approximately RMB13,910,000 for the year ended 31 December 2007 which was primarily attributable to purchases of property, plant and equipment in the amount of approximately RMB23,415,000.

Financing activities

Net cash from financing activities was approximately RMB92,851,000 for the year ended 31 December 2008, mainly including approximately RMB92,266,000 for dividends paid during the year ended 31 December 2008. Net cash used in financing activities was approximately RMB56,848,000 for the year ended 31 December 2007. Such decrease was fully attributable to dividends paid.

INDEBTEDNESS

Borrowing

As at the close of business on 31 December 2008, the Group had outstanding borrowing in the amount of approximately RMB1,230,000. During the year ended 31 December 2008, the Group factored note receivable of RMB1,230,000 to a bank with full recourse. The finance charge in relation to factorisation of the note receivable was borne by the debtor of factored receivable as agreed by the Group and the debtor. The related bank loan of RMB1,230,000 was fully settled in February 2009 and was classified as current liability.

Bank facilities

As at the close of business on 31 December 2008, the Group did not have any banking facilities.

Debt securities

As at the close of business on 31 December 2008, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 31 December 2008, the Group did not have any material contingent liabilities or guarantees.

Capital commitments and other commitments

As at 31 December 2008, the future aggregate minimum lease payments under non-cancellable operating lease in respect of rental properties amounted to approximately RMB6,231,000 and the Group had capital commitment amounted to approximately RMB24,445,000 in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statement.

HUMAN RESOURCES

The Group employed approximately 1,296 people as at 31 December 2008 (about 1,513 people as at 31 December 2007). The total personnel cost of the Group was RMB57,259,000 for the year ended 31 December 2008 (2007: RMB51,020,000). Employees' remuneration packages are based on individual experience and job duties. The packages are reviewed annually by the management who takes into account the overall performance of the 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. Options entitling holders to subscribe for a total of 19,550,000 share have been granted under the share option scheme as at the end of 2008.

FUTURE PROSPECTS

The Directors consider that the demand for bathroom masters in the PRC will continue to grow in the future. It is estimated that the annual sales volume of bathroom masters amounts to approximately 10 million units. AUPU enjoys a leading position in primary cities in terms of sales. Due to the fast development in towns and villages in the PRC, consumption power of rural residents has reached the same level as that of residents in urban areas ten years ago. Increase in disposable income of consumers in the PRC will create huge demand for products that improve the quality of living, as such, it is expected that market capacity in rural areas will be expanded, and the Company as well as its competitors are now actively opening up the market.

Some consumers have delayed their home decoration plans and consumption as a result of the financial crisis, however, the Directors are confident that, with the turnaround of the economy, these consumers will become part of our new customers in the coming few years.

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 bathroom, kitchen and home electrical appliances that will capture the emerging needs of consumers in the PRC. The Group has formulated the future direction for product development, i.e. products will be developed in line with the Bathroom Master 3-in-1 (point), bathroom roof (surface) and bathroom component sets (space) businesses. As the Group will provide more services such as design and installation, its future products will have higher added value, making it easier for the Company to maintain the current profit margin. In addition, the Directors consider that with its leading position and well-recognised brand name in the PRC, the Group will gradually expand its markets in Hong Kong and Southeast Asia, etc.

Maintenance of brand name management

The Directors consider that brand name management is crucial to the success of the Group. Since the establishment of 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 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 (the Company's advertisements were broadcasted on CCTV in 2008 to promote the AUPU brand nationwide) and products through television advertisements (the Company's advertisements were broadcasted on CCTV in 2008 to promote the AUPU brand nationwide) and participation in trade fairs.

The Group will also strengthen its training and management on staff responsible for product selling and after-sales services, and improve the quality on pre-sales, sales, and after-sales services, so as to enhance the reputation of the AUPU brand.

Reasonable use of newly built production plant and existing plants

Construction of the new production plant in Hangzhou Economic and Technological Development Zone invested by the Group with the use of funds raised upon the share listing has been completed. The plant, with gross floor area of approximately 96,000 m^2, will be used for producing AUPU Bathroom Roof 1+N, AUPU Bathroom Master 3 in-1 and other new products of the Group. The new production plant will comprise a production workshop, a showroom, a research centre for developing other home appliances, a logistic centre and an office building. To date, the production division and the logistic centre of the Group have already moved to the new production plant, which will become the headquarters of the Group in the future.

At present, the Group has already had two production bases, one in Shangcheng Industrial Park at No. 1418, Moganshan Road, Hangzhou, and the other in Hangzhou Xiasha Economic and Technological Development Zone, both are basically ready for production. As the recent production is still well below its designed capacity, part of the plant may be leased out to a third party or used for other purposes by the Group, so as to ensure the plant is reasonably utilized.

Reasonable distribution and expansion of the marketing network in China

The Group attempted to strengthen and further establish its marketing network through (1) setting up self-operated stores; (2) establishing chain stores by way of franchises; and (3) increasing points-of-sale, particularly in secondary cities in China. In order to achieve the above goals, the Group opened a number of branches in China in 2008, with an effort to further expand its market share. As of the end of 2008, 10 branches have been set up.

After two years of efforts, the Directors are of the view that, when carrying out the business through self-operated stores, although higher profit margins can be generated compared with selling through agents, additional costs are incurred and the Group will be exposed to more risks, particularly in the flexibility of operation, inventory control and utilization of funds. Through such attempt, the Directors conclude that a profit model with engagement of agents would enable the Group to be more secured, dynamic and with stronger capability on risk aversion when comparing with self-operation. Furthermore, in respect of brand reputation, there is no obvious difference between conducting business through franchised shops and self-operated stores.

In 2008, the Group successfully obtained a franchise license, and hence, chain stores requiring such license for operation could be opened. AUPU will further develop its business model with engagement of agents in the future. The Directors still have the intention to increase the number of points of sale through agents in various cities, and turn certain points of sale currently operated by agents into franchised shops of the Group. AUPU will reduce its scope of direct operation, and offer such area to the operation by agents. The Group is planning to reduce the number of branches and marketing centres in 2009, with a target of maintaining 6 branches, so as to expand the scope of management while reducing its operating costs.

Through investigation and research, the Group has divided its product marketing channels into 6 categories, namely, mega stores (such as Suning, Guomei, etc.), construction material markets (such as B&Q), new markets in the rural areas, electronic commerce, home decoration, and project decoration. The Directors believe that although AUPU has positioned itself as a leader in the mainstream market, and channels such as mega stores and construction material markets, more efforts shall be made in developing other channels. As such, AUPU plans to expand other marketing channels whilst strengthening the established ones, such as mega stores and construction material markets.

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. The Group will also continue to 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. The Group intends to further expand its products portfolio and enhance product quality and functionality.

AUPU also has the intention to enhance the value of service provision during the product selling process. Such added value will be created through providing services in connection with designs and installation.

EXECUTIVE DIRECTORS

Mr. Fang James (方杰), aged 45, is an executive Director and the chairman of the Company, AUPU Electrical and AUPU Technology. Mr. Fang directs the strategic growth and development of the Group, with responsibility for reviewing implementation of the Board's policies and decisions and representing the Group in communications with the media and external parties. Mr. Fang founded AUPU Electrical in 1993. Mr. Fang has been a director of AUPU Electrical and AUPU Technology since 1993 and 2004 respectively. Mr. Fang holds a bachelor degree in History from Shanghai Normal University, the PRC and a Foreign Experts Certificate (外國專家證) (Foreign Experts Working in the Fields of Economics and Technology) issued by the State Administration of Foreign Experts Affairs, the PRC (國家外國專家局). He is also the president of the Hangzhou Overseas Chinese Chamber of Commerce (杭州市僑商協會). Mr. Fang was awarded a "Certificate of West Lake Friendship" (西湖友誼獎) by Zhejiang Provincial People's Government and "First Award for Outstanding Achievements of Overseas Chinese Professionals" (首屆華僑華人專業人士傑出創業獎) by Overseas Chinese Affairs Office of the State Council of the PRC (國務院僑務辦公室) in 2004 and 2005 respectively. Mr. Fang is a cousin of Mr. Fang Shengkang.

Mr. Fang is a director of SeeSi Universal Limited which has interests in the shares of the Company which fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO").

Mr. Fang Shengkang (方勝康), aged 56, is an executive Director, President of the Company, chairman of the remuneration committee and the general manager of AUPU Electrical and AUPU Technology. Mr. Fang is responsible for overseeing the day-to-day operations of the Group and the implementation of the Board's policies and decisions, including execution of annual business plan and investment plan. Mr. Fang has been with the Group since its establishment in 1993 and has been a director and general manager of AUPU Electrical and AUPU Technology since 1993 and 2004 respectively. In 2000, he received commendation from the Hangzhou City People's Government as a "Model Employee" and served as the Hangzhou Deputy to the 10th National People's Congress (杭州市第十屆人大代表). Mr. Fang is a cousin of Mr. Fang James. Mr. Fang is also a senior economist of the Zhejiang province.

Mr. Fang is a director of SeeSi Universal Limited which has interests in the shares of the Company which fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO.

Sun Lijun (孫立軍), aged 38, is an executive director of the Company and the executive president（執行總裁）of Hangzhou Aupu Electrical Appliances Co., Ltd. (“AUPU Electrical”) a subsidiary of the Company from January 2007 to February 2009. He was responsible for managing and co-ordinating the marketing activities of the Company and its subsidiaries (together, the "Group") and the management of the sales, after-sales, marketing, the branch offices and the sales and distribution centres of the Group. Mr. Sun joined AUPU Electrical in 1996 and was the manager of the Wuhan sales and distribution center from August 1996 to February 1998 and manager of the sales management department of AUPU Electrical from March 1998 to January 2001. He was the manager of the sales management department of AOPU Kitchen Appliances Co., Ltd. ("AOPU Kitchen") during the period from February 2001 to November 2003. Mr. Sun was promoted to manager of the Beijing Branch of AOPU Kitchen and deputy general manager of AUPU Electrical in June 2004. He was the deputy general manager of Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology"), a subsidiary of the Company, from December 2005 to January 2007. Mr. Sun graduated at the Zhejiang Economic School of Higher Learning in 1994 studying Investment and Economics. Mr. Sun was appointed as an executive director of the Company on 7 January 2008.

Mr. Chai Junqi (柴俊麒), aged 58, is a non-executive Director and is responsible for providing advice on production and product development of the Group. Mr. Chai first joined the Group in 1994 and has been responsible for production and product development of the Group. He was an assistant general manager of AUPU Electrical in April 2000 and resigned in October 2000 based on personal grounds. Mr. Chai re-joined the Group in January 2003 and was a deputy general manager of AUPU Electrical from April 2003 to January 2006. Mr. Chai has been a director of AUPU Electrical and AUPU Technology since November 2004 and September 2004 respectively. Mr. Chai was appointed as the executive president of Hangzhou Aupu Electrical Appliances Co., Ltd. in February 2009 and was re-designated from a non-executive Director to an executive Director. Mr. Chai holds a master degree in Technology from Zhejiang University, the PRC.

Mr. Chai is a director of SeeSi Universal Limited which has interests in the shares of the Company which fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO.

NON-EXECUTIVE DIRECTORS

Mr. Lu Songkang (盧頌康), aged 57, is a non-executive Director and is responsible for providing advice on financial matters of the Group. Mr. Lu is a member of the Audit Committee. He joined AUPU Electrical in August 1994 as an accountant of AUPU Electrical and was promoted to manager of the finance department and chief financial officer of AUPU Electrical in July 1999 and May 2001 respectively. Mr. Lu was a director of AUPU Electrical from May 2000 to November 2004. Mr. Lu was responsible for overseeing and managing financial matters of AUPU Electrical until August 2004 when Mr. Lu resigned as the chief financial officer of AUPU Electrical. Mr. Lu became a consultant of AUPU Electrical in January 2005 and stayed in this position until July 2006 when he was appointed as a non-executive Director. Mr. Lu passed the Chinese Institute of Certified Public Accountants ("CICPA") National Uniform Examination of Certified Public Accountants in May 1995 and is a member of the CICPA.

Mr. Lu is a director of SeeSi Universal Limited which has interests in the shares of the Company which fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO.

Mr. Shi Minglei (石明磊), aged 33, is a non-executive director and he has about 2 years of experience in auditing and corporate consulting in China. Prior to joining the Company, Mr. Shi was with Ernst & Young, Shanghai during 1997 to December 1998 engaging in auditing activities. From March 1999 to July 1999, he was a senior consultant of Arthur Andersen (Shanghai) Business Consulting Co., Ltd. (安達信(上海)企業諮詢有限公司). From September 2000 to April 2004, he was an investment analyst and chief representative of Templeton China Research Ltd. (鄧普頓中國研究有限公司), Shanghai representative office. From May 2004 onward, Mr. Shi has been an executive director of Everest Capital Pte Ltd. (常豐資本有限公司), which held 34,728,000 shares of the Company as of 19 February 2009, representing approximately 4.90% of the Company's issued capital. Mr. Shi received a master degree in accounting and finance from the London School of Economics in 2000. He is also a fellow member of the Association of Chartered Certified Accountants, a member of the Chinese Institute of Certified Public Accountants and a chartered financial analyst. Mr. Shi was appointed as a non-executive Director of the Company on 7 January 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Lung (吳德龍), aged 43, is an independent non-executive Director. He is currently a director of the Corporate Finance Division of CSC Asia Limited. Mr. Wu is also an independent non-executive director of China Water Industry Group Limited, Finet Group Limited, Neo-Neon Holdings Limited, iMerchants Limited and RBI Holdings Limited, all of which are listed on the Stock Exchange of Hong Kong Limited. Mr. Wu is a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. He is also member of the Hong Kong Securities Institute and fellow member of the Hong Kong Institute of Certified Public Accountants. He was appointed as an independent non-executive Director on 16 November 2006.

Mr. Cheng Houbo (程厚博), aged 46, is an independent non-executive Director. He is currently a vice-president of Shenzhen Capital Group Co., Ltd. (深圳創新投資集團有限公司). Mr. Cheng is also a Director of Xi'an Jiefang Group Co., Ltd. (西安解放百貨股份有限公司), a listed company in the PRC. From February 2007, he became an independent non-executive director of Hundsun Electronics Co., Ltd. He was also an independent director of Leshan Electric Power Co., Ltd. (樂山電力股份有限公司) from June 2003 to August 2004, a company listed in the PRC. Mr. Cheng graduated from Zhejiang University with a bachelor degree in Optical Instrumentation and Engineering in 1982 and obtained a master degree in Engineering in 1989. Mr. Cheng has extensive experience in investment and corporate finance. Mr. Cheng is a committee member of Investment Information Committee of Investment Association of China (中國投資協會) and was ranked first amongst the China Top 10 Venture Capital Investment Managers (中國十佳基金投資人第一名) in 2002. He was appointed as an independent non-executive Director on 16 November 2006.

Mr. Shen Jianlin (沈建林), aged 41, is an independent non-executive Director. He is also the responsible person of the Hangzhou branch of Shulun Pan Certified Public Accountants Co., Ltd. (上海立信長江會計師事務所有限公司杭州分所) and an independent director of two listed companies in the PRC, namely Zhejiang Int'l Group Co., Ltd. (浙江英特藥業集團股份有限公司) and Zhejiang China Light & Textile Industrial City Co., Ltd. (浙江中国輕纺城股份有限公司). Mr. Shen was an independent director of Jishan Holdings Limited (稽山控股有限公司), a company listed in Singapore, from March 2004 to May 2005. Mr. Shen graduated from the Institute of Hangzhou Electronic Industry (杭州電子工業學院) with a bachelor degree in Industrial Accounting. He has extensive experience in auditing and corporate finance. Mr. Shen is a member of the CICPA. He was appointed as an independent non-executive Director on 16 November 2006.

SENIOR MANAGEMENT

Leung Wah (梁華), aged 44, is the company secretary and chief financial officer of the Company. Mr. Leung joined the Group on 14 July 2006. He graduated with a degree of Bachelor of Science from the University of Hong Kong in 1987. Mr. Leung has experience in finance and accounting including working experience in international accounting firms. He is a member of the Hong Kong Institute of Certified Public Accountants, a member of Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

Fan Yirun (范毅潤), aged 47, is the administrative general manager (行政管理總監) of AUPU Electrical and is responsible for administration, human resources, legal matters, Information Center and infrastructure work of the Group. Mr. Fan has extensive experience in office administration. Mr. Fan joined the Group in June 1999 as the manager of administration department and was the deputy general manager of AUPU Electrical from October 2005 to January 2007. Mr. Fan is qualified as an assistant statistician. Mr. Fan was also received commendation as a "Model Employee of Hangzhou" in 2007.

Li Ruishan (李瑞山), aged 39, is the R&D general manager (研發總監)of AUPU Electrical is responsible for the research and development and international business of the Group. Mr. Li has about 15 years' experience in management and has served as general manager of two other companies in the PRC. Mr. Li joined the Group in November 2005 as an assistant general manager of AUPU Electrical and was the deputy general manager of AUPU Electrical from January 2006 to January 2007. Mr. Li was a deputy general manager of AUPU Technology from January 2006 to January 2007. Mr. Li holds a bachelor degree in Industrial Electrical Automation from the Northeast China Institute of Heavy Machinery (東北重型機械學院).

Dai Changyin (戴昌銀), aged 44, is the finance general manager(財務總監) of AUPU Electrical and is responsible for overseeing the finance and audit of AUPU Electrical. Mr. Dai has experience in accounting and finance. Mr. Dai joined AUPU Electrical in January 2000 and was the deputy manager of the finance department of AUPU Electrical from September 2000 to May 2001. He was the manager of the finance department of AUPU Electrical from May 2001 to August 2004 and was the chief financial controller of AUPU Electrical from August 2004 to October 2005. Mr. Dai was a deputy general manager of the finance department of AUPU Electrical from October 2005 to January 2007. Mr. Dai completed the studies of Accountancy at the Zhejiang University of Finance and Economics in 2001 and has been registered with the Chinese Institute of Certified Public Accountants (CICPA) since June 2000.

COMPANY SECRETARY

Leung Wah (梁華) is the company secretary and chief financial officer of the Company. For details regarding Mr. Leung's experience please refer to the sub-section headed "Senior Management" above.

The Directors present the annual report for 2008 and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 48. The Directors recommend the payment of a final dividend of RMB0.05 per share to the shareholders whose names appear on the Company's register of members on 8 May 2009.

OPERATING RESULT

The Group's consolidated profit for the year amounted to approximately RMB61,098,000, which represents a decrease of 41% over the consolidated profit of approximately RMB103,554,000 for the year 2007. The decrease is principally attributable to lower revenue from our principal activities.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the year are set out below:

In 2008, the Group's largest supplier accounted for 25.61% (2007: 25.1%) and the 5 largest suppliers combined accounted for 48.66% (2007: 53.0%) of the total purchase of the Group.

Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2007 and 2008.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at HK$1.1 each for 1,600,000 shares. The shares were cancelled upon repurchase. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had a profit in the amount of RMB42,779,922 for the period ended 31 December 2008 and has an accumulated loss of RMB52,979,460 as at 31 December 2008 and no other reserves were available for distribution to shareholders as at 31 December 2008. In order to ensure that there will be sufficient distributable reserves for payment of the final dividends declared, the Company requested its subsidiaries to make profit distribution before 31 May 2009.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Fang James
Mr. Fang Shenkang
Mr. Sun Lijun
Mr. Chai Junqui (re-designated as an executive Director on 5 February 2009)

Non-executive Directors
Mr. Lu Songkang
Mr. Shi Minglei

Independent non-executive Directors
Mr. Wu Tak Lung
Mr. Cheng Houbo
Mr. Shen Jianlin

In accordance with the provisions of the Company's Articles of Association, Mr. Lu Songkang, Mr. Cheng Houbo and Mr. Shen Jianlin will retire by rotation, all three of them being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. A circular containing the biographical details of the director candidates and the notice of the annual general meeting will be sent to Shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, and Mr. Fang James and Mr. Fang Shenkang are appointed for an initial term of three years commencing from 16 November 2006, while Mr. Chai Junqui, executive Director, is appointed for an initial term of three years commencing from 5 February 2009. Each of these service contracts may be terminated by either party thereto giving to the other not less than three months' prior notice in writing.

The non-executive Directors, Mr. Lu Songkang is appointed for an initial term of three years commencing from 14 July 2006 and Mr. Shi Minglei is appointed for an initial term of three years commencing from 7 January 2008.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 December 2008, 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:

I. Interests in the Company and associated corporations

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
Mr. Fang James (Note 2)	The Company	Interest in controlled corporation (note 2)	476,000,000 (L)	67.14%
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 controlled corporation (note 2)	476,000,000 (L)	67.14%
Mr. Fang Shenkang (Note 3)	SeeSi Universal Limited	Beneficial owner	32 shares of US$1.00 each (L)	45.07%
Mr. Fang Shenkang (Note 4)	The Company	Beneficial owner	720,000	0.10%
Mr. Lu Songkang (Note 3)	SeeSi Universal Limited	Beneficial owner	5 shares of US$1.00 each (L)	7.04%
Mr. Chai Junqui (Note 3)	SeeSi Universal Limited	Beneficial owner	1 share of US$1.00 (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.
4. Mr. Fang Shenkang purchased 720,000 shares of the Company in the open market at an average price of HK$1.35 per share on 22 October 2007.

II. 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. Sun Lijun	The Company	Beneficial owner	a. share options with rights to subscribe 700,000 shares at a subscription price of HK$2.23 per share (L)	0.10%
			b. share options with rights to subscribe 700,000 shares at a subscription price of HK$1.55 per share (L)	0.10%
Mr. Wu Tak Lung	The Company	Beneficial owner	a. share options with rights to subscribe 150,000 hares at a subscription price of HK$2.23 per share (L)	0.02%
			b. share options with rights to subscribe 100,000 shares at a subscription price of HK$1.55 per share (L)	0.01%
Mr. Cheng Houbo	The Company	Beneficial owner	a. share options with rights to subscribe 75,000 shares at a subscription price of HK$2.23 per share (L)	0.01%
			b. share options with rights to subscribe 50,000 shares at a subscription price of HK$1.55 per share (L)	0.01%
Mr. Shen Jianlin	The Company	Beneficial owner	a. share options with rights to subscribe 75,000 shares at a subscription price of HK$2.23 per share (L)	0.01%
			b. share options with rights to subscribe 50,000 shares at a subscription price of HK$1.55 per share (L)	0.01%

Note:

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

Other than as disclosed above, none of the Directors or 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 31 December 2008.

SHARE OPTION SCHEME

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

(1) 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) 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) 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 annual 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 representing 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 709,000,000 shares as at the date of this Annual Report.

(4) 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 remained 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 shall not exceed 10 years from the Date of Grant of the relevant option (the "Exercise Period").

(6) 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:

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) 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 terms as shall be determined by the Board soon such Options shall be offered to the Participants.

(8) 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) Remaining life of the scheme:–

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

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 5,000,000 shares of the Company (representing approximately 0.71% of the total issued share capital of the Company as at the date of this Annual Report) to the three independent non-executive Directors of the Company and certain senior management of the Group (collectively the "First Batch Grantees") as an incentive and reward to the First Batch 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 Grantees on such terms that the First Batch Grantees may exercise the options on the first anniversary from the date of the grant and 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 entitling the holders to subscribe for a total of 6,450,000 shares of the Company (representing approximately 0.91% of the total issued share capital of the Company as at the date of this Annual Report) to middle and senior management of the Company (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 the options on the first anniversary from the date of the grant and 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 3 January 2008, the Board granted additional share options entitling the holders to subscribe for a total of 8,100,000 shares of the Company (representing approximately 1.14 % of the total issued share capital of the Company as at the date of this Annual Report) to the three independent non-executive Directors and the management of the Company (collectively the "Third Batch of Grantees"). The share options were granted at an exercise price of HK$1.55 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 Third Batch of Grantees on such terms that the Third 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.

As at 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 16,850,000, representing 2.38% of the share of the Company in issue as at that date. Among the share options granted, Directors were granted options entitling them 1,900,000 shares of the Company. Details of the options granted to the Directors as at 31 December 2008 are set out in the section headed "Directors' and Chief Executives' interests and Short Positions".

During the period ended 31 December 2008, 19,550,000 share options were granted to eligible Directors and employees of the Group and details are as follows:

Name or category of participant	Exercise price (HK$)	Maximum number of shares that may be subscribed under share options: Number of options granted as at 1 January 2008	Number of options granted in 2008	Exercised in 2008	Cancelled or lapsed	Outstanding as at 31 December 2008	Percentage of total issued share capital	Vesting period	Notes
Directors									
Sun Lijun	2.23	700,000	0	0	0	700,000	0.10%	16/3/2008–15/3/2017	1,4,7,8
	1.55	0	700,000	0	0	700,000	0.10%	3/1/2008–2/1/2017	3,6,7,8
Wu Tak Lung	2.23	150,000	0	0	0	150,000	0.02%	16/3/2008–15/3/2017	1,4,7,8
	1.55	0	100,000	0	0	100,000	0.01%	3/1/2008–2/1/2017	3,6,7,8
Shen Jianlin	2.23	75,000	0	0	0	75,000	0.01%	16/3/2008–15/3/2017	1,4,7,8
	1.55	0	50,000	0	0	50,000	0.01%	3/1/2008–2/1/2017	3,6,7,8
Cheng Houbo	2.23	75,000	0	0	0	75,000	0.01%	16/3/2008–15/3/2017	1,4,7,8
	1.55	0	50,000	0	0	50,000	0.01%	3/1/2008–2/1/2017	3,6,7,8
Other employees in aggregate for First Batch Share Options	2.23	4,000,000	0	0	1,200,000	2,800,000	0.39%	8/6/2008–15/3/2017	1,4,7,8
Other employees in aggregate for Second Batch Share Options	3.11	6,450,000	0	0	200,000	6,250,000	0.88%	16/3/2008–7/6/2017	2,5,7,8
Other employees in aggregate for Third Batch Share Options	1.55	0	7,200,000	0	1,300,000	5,900,000	0.83%	3/1/2008–2/1/2017	3,6,7,8
Total		11,450,000	8,100,000	0	2,700,000	16,850,000	2.38%		

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 closing price of the Company's shares was HK$2.18 on 15 March 2007. 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 closing price of the Company's shares was HK$3.02 on 7 June 2007. 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. On 3 January 2008, the Board granted additional share options entitling the holders to subscribe for a total of 8.1 million shares of the Company (representing approximately 1.14 % of the total issued share capital of the Company as at the date of this Annual Report) to the three independent non-executive Directors and the management of the Company (collectively the "Third Batch of Grantees"). The share options were granted at an exercise price of HK$1.55 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 Third Batch of Grantees on such terms that the Third 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.

4. 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. The closing price per share immediately before the date on which the options were granted was HK$2.18.

5. 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. The closing price per share immediately before the date on which the options were granted was HK$3.02.

6. Pursuant to the Share Option Scheme, these share options were granted on 3 January 2008 and are exercisable at HK$1.55 per share from 3 January 2008 to 2 January 2017. The closing price per share immediately before the date on which the options were granted was HK$1.55.

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

8. Up to 31 December 2008, none of these share options were exercised or cancelled. An aggregate 2.7 million share options were lapsed due to the resignation of the relevant staff.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance (i) between the Company or its subsidiary and its holding company, its controlling shareholder, or any of its fellow subsidiaries or (ii) subsidiaries in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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 Note	Approximate percentage of issued share capital of the Company
SeeSi Universal Limited (Note 1)	Beneficial owner	476,000,000 (L) (Note 2)	67.14%
Zhang Shuqing (Note 3)	Family interest	476,000,000 (L)	67.14%
Everest Capital Limited	Beneficial owner	60,524,000 (L)	8.54%

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 31 December 2008, none of the substantial shareholders, other than Directors or chief executives, 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS

The Group has not engaged in any connected transactions (as defined in the Listing Rules) with the controlling shareholders, Directors or chief executives of the Company or their respective associates during the year.

INTERESTS IN COMPETITORS

No Directors or chief executives of the Company holds any interest in entities which compete with the Group in any aspects of its business.

EMOLUMENT POLICY

The emolument policy of the Group for its employees is formulated by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in the Section headed "Share Option Scheme" in Appendix Six of the Prospectus of the Company dated 27 November 2006.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2008.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and cost charged to the consolidated income statement represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its Directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained a sufficient public float throughout the period from 1 January 2008 to 31 December 2008.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2008 to shareholders whose names appear on the register of members of the Company on 8 May 2009. The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 8 May 2009 and will be payable on or before 1 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 5 May 2009 to 8 May 2009 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attending the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 4 May 2009.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at HK$1.1 each for 1,600,000 shares. The shares were cancelled upon repurchase. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors hereby confirms that the Company has complied with the Code on Corporate Governance Practices specified in Appendix 14 to the Listing Rules throughout the year ended 31 December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, 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 year with the required standards set out in the Model Code and the Code.

REVIEW BY THE 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 financial results for the year ended 31 December 2008 have been reviewed by the audit committee of the Company. On the date of the result announcement for the year ended 31 December 2008, the audit committee consists of three independent non-executive directors, including Mr. Wu Tak Lung (Chairman), Mr. Cheng Houbo and Mr. Shen Jianlin and one non-executive director, Mr Lu Songkang.

USE OF PROCEEDS FROM THE NEW SHARE ISSUE

As at 31 December 2008, the Group had utilised approximately of RMB217.6 million out of the proceeds from the new share issue for the construction of new production plants (including the acquisition of a piece of land for new production plant) in the amount of approximately RMB115.4 million, product research and development in the amount of approximately RMB13 million, advertising & promotion in the amount of approximately RMB83.4 million and installation & implementation of the new ERP system in the amount of approximately RMB5.8 million. 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.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By order of the Board of Directors

Fang James
Chairman

Hong Kong, the PRC
25 March 2009

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. In accordance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Audit Committee has been established in compliance with the Code on Corporate Governance Practices set forth in Appendix 14 to the Listing Rules.

The Group has also appointed a qualified accountant to oversee the financial reporting procedures and internal controls of the Group so as to ensure compliance with the Listing Rules. In addition, the internal audit division of the Group has followed and analyzed the specific progress of the reforms being carried out in various departments according to the internal review report prepared by CCIF Corporate Consultancy Limited, which directly reports to the Audit Committee of the Board. The Group will select various parts of the management process during different periods of time and engage external bodies to conduct analysis and review.

To further enhance the Group's corporate governance and its transparency, the Company has established the Remuneration Committee to review the implementation of the then remuneration policy and formulate new one for subsequent period.

The Group has also implemented a compliance manual which covers areas such as ongoing compliance obligations of the Company and the Directors, business operations of the Group, financial management systems, human resources management systems, internal control systems, quality assurance and property management systems.

THE BOARD

Board Functions

The Board is responsible for the promotion of the success of the Company by directing and guiding its affairs in an accountable and effective manner. Board members have a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. The types of decisions which are to be taken by the Board include:

1. Setting the Company's mission and values;
2. Formulating strategic directions of the Company;
3. Reviewing and guiding corporate strategy; setting performance objectives and monitoring implementation and corporate performance;
4. Monitoring and managing potential conflicts of interest of management and Board members; and
5. Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of internal control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "CG Code") for regulating the functions and responsibilities of shareholders, Directors, management and staff and has made arrangement for the convening of general meetings and its process, meetings of Board of Directors and meetings of the committees of the Board of Directors. It also provides for the remunerations of the Directors and senior management, internal controls, external auditors, financial reporting and financial management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive Officer be separated and not performed by the same individual. During the year under review, Mr. Fang James, who took a leading role in formulating the direction for the strategic growth and development of the Group, with responsibility for reviewing implementation of the Board's policies and decisions and representing the Group in communications with the media and external parties, was the Chairman of the Group while Mr. Fang Shengkang was responsible for overseeing the day-to-day operations of the Group and the implementation of the Board's policies and decisions, including execution of annual business plan and investment plan. The role of the Chairman (Mr. Fang James) is separated from that of the President (Mr. Fang Shengkang) in order to reinforce their respective independence, accountability and responsibility. The role of the President of the Group is similar to that of Chief Executive Officer.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors is appointed for a fixed period, of which the appointment of Mr. Lu Songkang and Mr. Chai Junqui commenced from 14 July 2006 with specific terms of three years. Mr. Chai Junqui was re-designated as an executive Director of the Company on 5 February 2009. The appointment of Mr. Shi Minglei commenced from 7 January 2008 for a term of three years. Each of the independent non-executive Directors is appointed for a fixed period of three years commencing from 16 November 2006.

BOARD COMPOSITION

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgement. The Company is also committed to the view that the independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. The independent non-executive Directors, biographical details of whom are set out in the Section headed "Directors and Senior Management" in this annual report, are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgement.

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it for effective implementation of its functions, namely, the Executive Committee, Audit Committee, and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

The Board delegates specific tasks to the Group's management including the implementation of strategies and decisions approved by the Board and the preparation of accounts for approval by the Board before public reporting.

The Chairman is responsible for developing strategic direction and development of the Group and the President (performing the role of Chief Executive Officer), working with and supported by the Directors, is responsible for managing the Group's business affairs, including the implementation of strategies adopted by the Board and attending to the formulation and successful implementation of the Group's policies and assuming full accountability to the Board for all the Group's operations.

The independent non-executive Directors contribute to the Company with diversified industry expertise, advise the management on strategy development and ensure that the Board maintains high standards of financial and other mandatory reporting as well as provides adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of directors.

Mr. Fang James is the cousin of Mr. Fang Shengkang. Save as disclosed above and in the Section headed "Directors and Senior Management" of this report, none of the Directors of the Company has any financial, business, family or other material/relevant relationships with one another.

ATTENDANCE OF MEETINGS OF BOARD OF DIRECTORS

Five meetings of Board of Directors were held on 3 January 2008, 1 April 2008, 27 May 2008, 6 August 2008 and 3 September 2008 during the period from 1 January 2008 to 31 December 2008. The attendance of each Director is as follows:

Name of Director	Full Meeting of the Board of Directors	Remuneration Committee of the Board of Directors	Audit Committee of the Board of Directors
	No. of on-site Attendance/ No. of Meetings	No. of on-site Attendance/ No. of Meetings	No. of on-site Attendance/ No. of Meetings
Fang James *(Chairman and executive Director)*	5/5	N/A	N/A
Fang Shengkang *(President and executive Director)*	5/5	1/1	N/A
Lu Songkang *(non-executive Director)*	5/5	N/A	2/2
Chai Junqi *(non-executive Director)*	5/5	N/A	N/A
Wu Tak Lung *(independent non-executive Director)*	2/5	1/1	2/2
Cheng Houbo *(independent non-executive Director)*	1/5	0/1	1/2
Shen Jianlin *(independent non-executive Director)*	1/5	0/1	1/2
Sun Lijun *(appointed as executive Director from 7 January 2008)*	5/5	N/A	N/A
Shi Minglei *(appointed as non-executive Director from 7 January 2008)*	2/5	N/A	N/A

Note: For the Board meetings convened on 3 January 2008, 27 May 2008 and 6 August 2008, some of the Directors did not attend the meeting on-site, but the Company arranged teleconference for their communication with Directors attended on-site.

NOMINATION OF DIRECTORS

The Company has not established any Nomination Committee. It is the responsibility of the Board of Directors to identify suitable candidates to be appointed to the Board of Directors whenever there is any vacancy of Directors or when it is considered appropriate. Generally speaking, the Chairman of the Board of Directors will recommend suitable candidates to the Board of Directors. The Board of Directors will then review the qualifications of the candidate and determine whether he/she is suitable to the Group based on his/her qualifications, experience and background. The Board of Directors will submit the proposal of appointing of suitable candidates to the shareholders for their approval at the general meeting of the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 16 November 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes and internal control systems of the Group. Messrs Wu Tak Lung, Shen Jianlin and Cheng Houbo, all being independent non-executive Directors, and Mr. Lu Songkang, a non-executive Director, are members of the Audit Committee with Mr. Wu Tak Lung being the chairman. Two meetings of Audit Committee were held on 1 April 2008 and 3 September 2008 respectively. The major businesses of the meetings were to review the internal control review report and the interim and annual reports of the Group before forwarding the same to the Board of Directors for approval.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 16 November 2006 with written terms of reference. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. Messrs. Wu Tak Lung, Shen Jianlin, Cheng Houbo, all being independent non-executive Directors, and Mr. Fang Shengkang, an executive Director, are members of the Remuneration Committee with Mr. Fang Shengkang as the chairman. The Remuneration Committee held one meeting on 1 April 2008 during the reporting period and reviewed the remuneration policy of 2007 and planned the remuneration policy of 2008.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, and after having made specific enquiry with regard to securities transactions after listing by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding securities transactions by the Directors.

Mr. Fang Shenkang purchased 720,000 shares of the Company in the open market at an average price of HK$1.35 per share on 22 October 2007, and Mr. Fang informed the Board before he purchased the shares in compliance with the Model Code.

INDEPENDENT AUDITOR'S REMUNERATION

The independent auditors of the Company, Deloitte Touche Tohmatsu, received audit fees amounting to approximately RMB1,950,000 for the year under review.

FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Company Ordinance.

The statement by the independent auditors of the Company about their responsibilities for the financial statements is set out in the Report of the Independent Auditors contained in this Annual Report.

INTERNAL CONTROL

The internal audit division of the Group has been established under our subsidiary Hangzhou Aupu Electrical Appliances Co., Ltd. The main functions of the internal audit division are to audit the operating efficiencies of each of the operating units, to carry out audit upon resignation of any key management personnel and to review internal controls of business flows and project based auditing (such as auditing of trade receivables and issuance of commodities auditing report).

The Group placed the division under the Audit Committee of the Board which reports directly to the Audit Committee to enhance its independence in internal auditing. The board has conducted an annual review of the internal control system of the Group during the year.

INVESTOR RELATIONSHIPS AND SHAREHOLDERS' COMMUNICATION

The Group maintains the investor relationships and shareholders' communication through the following methods:

To disclose information on a timely basis: The Company will use various channels like financial report, announcement and website of the Company to disclose relevant public information to the public and the shareholders.

To communicate with shareholders and investors: The Company maintains effective communications with shareholders and investors through annual general meeting, presentation conference of company results, company visit and visiting institutional investors.

Web-based reporting: The website of the Company will open an Investor Relationships Forum which would contain, among others, the following contents:

a. relevant systems of the Company, such as manual of corporate governance practices, system of disclosure of price sensitive information and articles of association;

b. information on the annual general meeting of the Company;

c. the annual report and interim report of the Company;

d. the biographical details of the Directors and senior management of the Company;

TO THE MEMBERS OF AUPU GROUP HOLDING COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Aupu Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 85, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and the true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 March 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Revenue	5	**528,006**	606,750
Cost of sales		**(243,343)**	(300,780)
Gross profit		**284,663**	305,970
Other income		**19,618**	14,951
Selling and distribution expenses		**(164,572)**	(141,705)
Administrative expenses		**(47,799)**	(48,557)
Other expenses		**(12,410)**	(10,894)
Finance cost		**(27)**	–
Profit before tax	7	**79,473**	119,765
Income tax expenses	8	**(18,375)**	(16,211)
Profit attributable to equity holders of the Company		**61,098**	103,554
Dividends paid	9	**92,266**	56,848
		RMB	RMB
Earnings per share – basic	10	**0.09**	0.15

	NOTES	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	12	**167,838**	67,118
Prepaid lease payments	13	**17,342**	15,363
Deferred tax assets	14	**11,359**	10,498
		196,539	92,979
Current assets			
Prepaid lease payments	13	**530**	498
Inventories	15	**49,352**	42,631
Trade and other receivables	16	**56,610**	79,476
Time deposits	17	**184,464**	–
Pledged bank deposits	16	**10,862**	862
Bank balances and cash	16	**24,649**	359,174
		326,467	482,641
Current liabilities			
Trade and other payables	18	**105,149**	120,369
Income tax liabilities		**7,193**	15,247
Other tax liabilities	19	**5,247**	13,800
Short-term bank loan	20	**1,230**	–
		118,819	149,416
Net current assets		**207,648**	333,225
Total assets less current liabilities		**404,187**	426,204
Capital and reserves			
Share capital	21	**71,860**	72,023
Reserves		**328,136**	354,181
Total equity		**399,996**	426,204
Non-current liability			
Deferred tax liability	14	**4,191**	–
		404,187	426,204

The consolidated financial statements on pages 48 to 85 were approved and authorised for issue by the board of directors on 25 March 2009 and are signed on its behalf by:

Fang James	**Fang Shengkang**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

		Reserves						
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 22)	Statutory reserves RMB'000 (Note 22)	Share options reserve RMB'000 (Note 22)	Retained earnings RMB'000	Sub-total RMB'000	Total RMB'000
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	–	–	–	–	–	103,554	103,554	103,554
Transfer	–	–	–	14,563	–	(14,563)	–	–
Dividends paid	–	–	–	–	–	(56,848)	(56,848)	(56,848)
Recognition of equity-settled share-based payments	–	–	–	–	4,935	–	4,935	4,935
At 31 December 2007	72,023	272,627	(73,274)	28,427	4,935	121,466	354,181	426,204
Profit attributable to equity holders of the Company and total recognised income	–	–	–	–	–	61,098	61,098	61,098
Transfer	–	–	–	12,717	–	(12,717)	–	–
Purchase of own shares	(163)	(1,625)	–	–	–	–	(1,625)	(1,788)
Dividends paid	–	–	–	–	–	(92,266)	(92,266)	(92,266)
Recognition of equity-settled share-based payments	–	–	–	–	6,748	–	6,748	6,748
At 31 December 2008	**71,860**	**271,002**	**(73,274)**	**41,144**	**11,683**	**77,581**	**328,136**	**399,996**

	2008 RMB'000	2007 RMB'000
Operating activities		
Profit before tax	79,473	119,765
Adjustments for:		
Equity-settled share-based payments expenses	6,748	4,935
Depreciation of property, plant and equipment	4,845	5,513
Allowance for inventories obsolescence	856	918
Release of prepaid lease payments	583	550
Loss on disposal of property, plant and equipment	569	346
Finance cost	27	–
Interest income	(8,586)	(10,188)
Operating cash flows before movements in working capital	84,515	121,839
Increase in inventories	(7,577)	(2,818)
Decrease (Increase) in trade and other receivables	22,866	(19,908)
(Decrease) Increase in trade and other payables	(25,220)	37,546
(Decrease) Increase in other tax liabilities	(8,553)	5,175
Cash generated from operations	66,031	141,834
Income taxes paid	(23,099)	(12,836)
Net cash from operating activities	42,932	128,998
Investing activities		
Interest received	4,122	10,188
Proceeds from disposal of property, plant and equipment	635	572
Purchases of property, plant and equipment	(96,769)	(23,415)
Prepaid lease payments made	(2,594)	(393)
Increase in time deposits	(180,000)	–
Increase in pledged bank deposits	(10,000)	(862)
Net cash used in investing activities	(284,606)	(13,910)
Financing activities		
Proceeds from short-term bank loan	1,230	–
Dividends paid	(92,266)	(56,848)
Payment on repurchase of own shares	(1,788)	–
Finance cost	(27)	–
Net cash used in financing activities	(92,851)	(56,848)
Net (decrease) increase in cash and cash equivalents	(334,525)	58,240
Cash and cash equivalents at beginning of year	359,174	300,934
Cash and cash equivalents at end of year		
Bank balances and cash	24,649	359,174

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The directors of the Company consider that its parent and ultimate holding company is SeeSi Universal Limited ("SeeSi"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is an investment holding company. The activities of its subsidiaries are disclosed in note 30.

The consolidated financial statements are presented in Renminbi ("RMB"), the functional currency of the Company, which is also the currency in which the majority of the Group's transactions are denominated.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[3]
IFRIC 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered seperately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of the individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing cost

All borrowing cost are recognized as and included in finance cost in the income statements in the period in which they are incurred.

Government grants

Government grants that are unconditional are recognised as income when it is received or there is reasonable assurance that the grants will be received. Government grants are included in ‘other income’.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production of goods, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, time and pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. They are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

The objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liability and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities
Financial liabilities (including trade and other payables and short-term bank loan) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issued costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase or cancellation of the Company's own equity instruments.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions

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 impact of the revision of the estimates during the vesting period, 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 the 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 earnings.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation

The carrying value of the Group's property, plant and equipment as at 31 December 2008 was RMB167,838,000 (2007: RMB67,118,000). The Group depreciates the property, plant and equipment over their estimated useful lives, using the straight-line method commencing from the date the property, plant and equipment is available for use. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Income tax expenses

Deferred tax assets of RMB11,359,000 (2007: RMB10,498,000) mainly relates to unrealised profits on inter-branches/companies and other deductible temporary differences as set out in note 14. The directors of the Company determine the deferred tax assets based on the enacted tax rates and laws and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company will review the assumptions and profit projections by the balance sheet date. In cases where the actual future profits generated are less than expected, a reversal of deferred tax assets would be recognised in the combined income statement for the year in which such a reversal takes place.

Inventories

Note 3 describes that inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all the estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. Procedurewise, the management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories is carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified.

Allowance for doubtful receivables

Allowance for trade and other receivable is made based on the evaluation of collectability and ageing analysis of accounts and on directors' judgment by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss should be recognised.

5. REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received and receivable for goods sold to outside customers during the year, less returns and discount, if any, and net of value-added tax.

6. SEGMENT INFORMATION

The Group's principal activities are manufacturing and distribution of bathroom masters, exhaust fans and electrical appliances used in bathroom and kitchen which is considered as one division by the directors of the Company. This division is the basis on which the Group reports its primary segment information internally. The production facilities of such division are located in the Peoples' Republic of China (the "PRC") while the products are mainly sold to the 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 year.

Accordingly, no segment information is presented.

7. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	2008 RMB'000	2007 RMB'000
After charging:		
Staff cost, including directors' remuneration (note 11)		
– salaries, wages and other benefits	**45,750**	42,100
– retirement benefit scheme contributions (note 26)	**4,761**	3,985
– equity-settled share-based payments (note 23)	**6,748**	4,935
Total staff cost	**57,259**	51,020
Cost of inventories recognised as an expense	**242,010**	300,780
Research and development expenditure	**3,100**	2,142
Depreciation of property, plant and equipment	**4,845**	5,513
Net foreign exchange loss	**2,421**	6,036
Auditors' remuneration	**1,950**	1,969
Allowance for inventories obsolescence	**856**	918
Release of prepaid lease payments	**583**	550
Loss on disposal of property, plant and equipment	**569**	346
After crediting:		
Interest income	**8,586**	10,188
Government grants (note)	**3,236**	2,682

Note: Government grants are unconditional grants received from the local government to recognise the eminence of certain design, research and development of new products of the Group which contributes positively to the local industry environment.

8. INCOME TAX EXPENSES

	2008 RMB'000	2007 RMB'000
The charge (credit) comprises:		
Current tax	**15,045**	22,261
Deferred tax (note 14)		
– current year	**3,334**	(6,601)
– attributable to a change in tax rate	**(4)**	551
	18,375	16,211

PRC enterprise income tax is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

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 have no assessable income during the year.

Hangzhou Aupu Electrical Appliances Co., Ltd. ("AUPU Electrical") was subject to enterprise income tax at 33% for the year ended 31 December 2007.

Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("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%, inclusive of 1.5% for local enterprise income tax for the year ended 31 December 2007. 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% tax relief for the following three years. 2007 was the second tax exemption year for AUPU Technology. Therefore, no provision for taxation has been made on the estimated assessable profit of AUPU Technology for the year ended 31 December 2007.

On 16 March 2007, the National People's Congress approved and promulgated a new PRC Enterprise Income Tax Law (the "New Law"), which took effect on 1 January 2008. Under the New Law, foreign-invested enterprise and domestic companies are subject to a uniform tax rate of 25%. The New Law provides a five-year transition period from its effective date for those enterprises which were established before the promulgation date of the New Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law under which the applicable tax rate for AUPU Technology are changed to 9%, 10%, 11%, 24% and 25% for the years ending from 2008 to 2012, respectively, while the applicable income tax rate of AUPU Electrical is 25% from 1 January 2008 onwards.

8. INCOME TAX EXPENSES – continued

The tax charge for the year can be reconciled to the profit per the consolidated income statements as follows:

	2008		2007	
	RMB'000	%	RMB'000	%
Profit before tax	79,473		119,765	
Tax at the domestic rates applicable to profit in the jurisdiction concerned	19,868	25.00	39,522	33.00
Tax effect of expenses not deductible for tax purpose	4,150	5.22	7,795	6.51
Tax exemption/concession of a subsidiary	(9,830)	(12.37)	(31,657)	(26.43)
Withholding tax on retained earnings to be distributed (note)	4,191	5.28	–	–
Effect on deferred tax balances due to the change in income tax rate	(4)	(0.01)	551	0.46
Tax charge and effective tax rate for the year	18,375	23.12	16,211	13.54

Note: In accordance to PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuihan [2008] 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the profits arisen during the year of PRC subsidiaries, which are available for distribution to Tricosco Limited.

9. DIVIDENDS

On 30 May 2008, a dividend of RMB0.06 (2007: RMB0.04) per share was paid to shareholders whose names appeared on the register of members of the Company on 9 May 2008, amounting to RMB42,636,000 (2007: RMB28,424,000) as the final dividend for 2007.

On 6 October 2008, a special interim dividend of RMB 0.07 (2007: RMB0.04) per share was paid to the shareholders whose names appeared on the register of members of the Company on 22 September 2008, amounting to RMB49,630,000 (2007: RMB28,424,000).

Subsequent to the balance sheet date, the final dividend of RMB0.05 (2007: RMB0.06) per share was proposed by the directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

10. EARNINGS PER SHARE

Basic earnings per share

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

	2008 RMB'000	2007 RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**61,098**	103,554

	Number of ordinary shares 2008	2007
Weighted average number of ordinary shares for the purpose of basic earnings per share	**709,732,603**	710,600,000

Diluted earnings per share

Diluted earnings per share has not been presented for both 2007 and 2008 because the exercise price of the Company's options was higher than the average market price during the period when they were outstanding.

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of directors are analysed as follows:

Year ended 31 December 2008

	Basic salaries, bonus and allowances RMB'000	Retirement benefit contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:				
Fang James	350	–	–	350
Fang Shengkang	350	14	–	364
Sun Lijun	221	–	371	592
	921	14	371	1,306
Non-executive directors:				
Chai Junqi	60	–	–	60
Lu Songkang	60	10	–	70
Shi Minglei (note)	–	–	–	–
	120	10	–	130
Independent non-executive directors:				
Cheng Houbo	40	–	34	74
Shen Jianlin	40	–	34	74
Wu Tak Lung	88	–	68	156
	168	–	136	304
	1,209	24	507	1,740

Note: Shi Minglei was newly appointed as non-executive director on 7 January 2008.

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS – continued

Year ended 31 December 2007

	Basic salaries, bonus and allowances RMB'000	Retirement benefit contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:				
Fang James	2,150	–	–	2,150
Fang Shengkang	2,150	13	–	2,163
	4,300	13	–	4,313
Non-executive directors:				
Chai Junqi	80	–	–	80
Lu Songkang	80	13	–	93
	160	13	–	173
Independent non-executive directors:				
Cheng Houbo	38	–	32	70
Shen Jianlin	38	–	32	70
Wu Tak Lung	94	–	65	159
	170	–	129	299
	4,630	26	129	4,785

The emoluments of the five highest paid individuals were as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries and allowances	**1,364**	1,727
Directors' bonus (note)	**–**	3,600
Retirement benefit contributions	**28**	63
Equity-settled share-based payments	**697**	862
	2,089	6,252
Included in above are numbers of:		
– Directors	**3**	2
– Employees	**2**	3
	5	5

Note: The bonus is determined by the Board of Directors based on the financial performance of the Group.

The emoluments of each of the five highest paid individuals, other than the directors of the Company, for the year were less than RMB1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Fixtures and equipment RMB'000	Properties under construction RMB'000	Total RMB'000
COST						
At 1 January 2007	25,944	4,564	12,309	12,564	123	55,504
Additions	–	1,068	300	3,930	33,133	38,431
Disposals	–	(714)	(1,345)	(2,565)	–	(4,624)
At 31 December 2007	25,944	4,918	11,264	13,929	33,256	89,311
ACCUMULATED DEPRECIATION						
At 1 January 2007	5,864	1,775	6,680	6,067	–	20,386
Charge for the year	1,935	316	1,277	1,985	–	5,513
Eliminated on disposals	–	(493)	(1,215)	(1,998)	–	(3,706)
At 31 December 2007	7,799	1,598	6,742	6,054	–	22,193
CARRYING AMOUNT						
At 31 December 2007	18,145	3,320	4,522	7,875	33,256	67,118
COST						
At 1 January 2008	**25,944**	**4,918**	**11,264**	**13,929**	**33,256**	**89,311**
Additions	**19,026**	**1,582**	**1,615**	**2,204**	**82,342**	**106,769**
Disposals	**–**	**–**	**(3,161)**	**(1,245)**	**–**	**(4,406)**
At 31 December 2008	**44,970**	**6,500**	**9,718**	**14,888**	**115,598**	**191,674**
ACCUMULATED DEPRECIATION						
At 1 January 2008	**7,799**	**1,598**	**6,742**	**6,054**	**–**	**22,193**
Charge for the year	**987**	**451**	**1,339**	**2,068**	**–**	**4,845**
Eliminated on disposals	**–**	**–**	**(2,847)**	**(355)**	**–**	**(3,202)**
At 31 December 2008	**8,786**	**2,049**	**5,234**	**7,767**	**–**	**23,836**
CARRYING AMOUNT						
At 31 December 2008	**36,184**	**4,451**	**4,484**	**7,121**	**115,598**	**167,838**

12. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment are depreciated on a straight-line basis at the following:

Land and buildings	lesser of lease term or 20 years
Machinery	10 years
Motor vehicles	5 years
Fixtures and equipment	5 years

13. PREPAID LEASE PAYMENTS

	2008 RMB'000	2007 RMB'000
Including:		
Non-current portion	**17,342**	15,363
Current portion	**530**	498
	17,872	15,861

The amount represents the prepaid rentals for three land use rights situated in the PRC for a period ranging from 20 to 50 years.

14. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax assets and liabilities recognised and movements thereon, during current and prior years.

	Unrealised profits on inventory RMB'000	**Other deductible temporary differences** RMB'000	**Withholding tax on retained earnings to be distributed** RMB'000	**Total** RMB'000
At 1 January 2007	2,922	1,526	–	4,448
Credit to consolidated income statement for the year (note 8)	3,890	2,711	–	6,601
Effect of change in tax rate (note 8)	(356)	(195)	–	(551)
At 31 December 2007	6,456	4,042	–	10,498
(Charge) credit to consolidated income statement for the year (note 8)	(82)	939	(4,191)	(3,334)
Effect of change in tax rate (note 8)	–	4	–	4
At 31 December 2008	**6,374**	**4,985**	**(4,191)**	**7,168**

14. DEFERRED TAX ASSETS AND LIABILITIES – continued

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 RMB'000	2007 RMB'000
Deferred tax assets	**11,359**	10,498
Deferred tax liabilities	**(4,191)**	–
	7,168	10,498

Unrealised profits 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.

15. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	**7,353**	3,637
Finished goods	**41,999**	38,994
	49,352	42,631

16. FINANCIAL ASSETS

Trade and other receivables

	2008 RMB'000	2007 RMB'000
Trade receivables analysed by age:		
Within 90 days	**44,242**	69,340
91 – 180 days	**2,944**	1,928
181 – 365 days	**913**	72
Over 365 days	**149**	253
Total trade receivables	**48,248**	71,593
Other receivables, deposits and prepayments	**8,362**	7,883
	56,610	79,476

16. FINANCIAL ASSETS – continued

Trade and other receivables – continued

As at 31 December 2008, the Group factored one note receivable amounting to RMB1,230,000 to a bank with full recourse and the note receivable was fully settled in February 2009. Details of the transaction are set out in note 20.

The average credit period granted on sales of goods ranges from 0 to 90 days. No interest is charged on the overdue trade receivables. The Group provides allowance for doubtful debts on a case-by-case basis, if any. In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB4,006,000 (2007: RMB2,253,000) which are past due as at the reporting date for which the Group has not provided impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

For the remaining trade receivables which are neither past due nor impaired, the management considers that no allowance for doubtful debts were necessary based on the good payment history of the related debtors from historical experience. No allowance has been made for each of the years ended 31 December 2008 and 2007.

Pledged bank deposits

Pledged bank deposits amounting to RMB10,000,000 (2007: Nil) and RMB862,000 (2007: RMB862,000) represent deposits pledged to bank to secure notes payables facilities and for the acquisition of property, plant and equipment which carry interest rate at 4.14% and 0.36% (2007: 0.72%), respectively. Both deposits are classified as current assets.

Bank balances and cash

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with banks and carry floating interest ranges from 0.36% to 0.72% (2007: 0.72% to 3.06%). The carrying amount of these assets approximates to their fair value.

Bank balances amounting to RMB7,389,000 and RMB586,000 (2007: RMB81,448,000 and RMB568,000) were denominated in Hong Kong Dollar and United States Dollar, respectively (see note 28), which are not the functional currency of the respective entity.

Bank balances and cash of RMB196,674,000 (2007: RMB277,158,000) was denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

17. TIME DEPOSITS

The time deposits are denominated in RMB, with an initial term of six to twelve months. The deposits carry fixed interest ranges from 3.78% to 4.14%.

18. 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.

	2008 RMB'000	2007 RMB'000
Trade payable analysed by age:		
Within 90 days	10,340	45,879
91 – 180 days	1,538	823
181 – 365 days	951	410
Over 365 days	644	426
Total trade payables	13,473	47,538
Retention sum due to suppliers	13,801	13,915
Notes payable (within 90 days)	10,000	–
Advances from customers	17,883	9,995
Payable for the acquisition of property, plant and equipment	10,000	15,016
Sales commission accruals	10,988	11,758
Other accruals	29,004	22,147
	105,149	120,369

19. OTHER TAX LIABILITIES

	2008 RMB'000	2007 RMB'000
Value added tax	4,991	13,706
Others	256	94
	5,247	13,800

20. SHORT-TERM BANK LOAN

	2008 RMB'000	2007 RMB'000
Secured short-term bank loan	1,230	–

During the year ended 31 December 2008, the Group factored note receivable of RMB1,230,000 to a bank with full recourse. The finance charge in relation to factorisation of the note receivable was borne by the debtor of factored receivable as agreed by the Group and the debtor. The related bank loan of RMB1,230,000 was fully settled in February 2009 and was classified as current liability.

21. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2008 and 2007	5,000,000,000	500,000

	Number of shares	Amounts RMB'000
Issued and fully paid:		
At 31 December 2007	710,600,000	72,023
Shares repurchased and cancelled	(1,600,000)	(163)
At 31 December 2008	709,000,000	71,860

During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited at HK$1.1 each for 1,600,000 shares. The shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

22. RESERVES

Special reserve

In preparation for the listing of the Company's shares on the Stock Exchange, the Company has undergone a group reorganisation (the "Group Reorganisation") on 1 September 2006 pursuant to which the Company became the holding company of the subsidiaries.

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the amount of the paid-in capital of the subsidiaries acquired pursuant to the Group Reorganisation.

Statutory reserves

Pursuant to relevant laws and regulations in the PRC and the Articles of Association of AUPU Electrical and AUPU Technology, both are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of its registered capital.

No contributions to the reserve fund were made by AUPU Electrical because it had reached the level of 50% of its registered capital.

AUPU Technology has adopted the rate at 10% for the contributions to the reserve fund based on the PRC net profit for the year ended 31 December 2008 and 2007 as reported in the PRC statutory financial statements.

The reserve fund may also be used to increase capital or to make up unexpected or future losses.

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.

23. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was approved and adopted pursuant to a resolution passed on 16 November 2006 and will expire on 15 November 2016. The Scheme has been granted to recognise the contributions of directors and employees of the Company and its subsidiaries to the growth of the Group and to incentivise them going forward.

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 19,550,000 (aggregate 2.7 million share options were lapsed due to the resignation of the relevant staff), representing approximately 2.8% (2007: 1.6%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued share capital of the Company at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted and may be granted to any individual in any one year is not permitted to exceed 0.1% of the issued share capital of the Company at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million, must be approved in advance by the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of the options are as follows:

Option type	Date of grant	Number of shares	Exercise period	Exercise price	Fair value at grant date
2007A	16/3/2007	5,000,000	16/3/2008 to 15/3/2017	HK$2.23	HK$1.14 to HK$1.61
2007B	8/6/2007	6,450,000	8/6/2008 to 7/6/2017	HK$3.11	HK$1.41 to HK$2.01
2008A	3/1/2008	8,100,000	3/1/2008 to 2/1/2017	HK$1.55	HK$0.58 to HK$0.66

The share options granted in 2007 are exercisable until the tenth anniversary from the date of grant. The vesting period of the options is as follows:

20%	1st anniversary of the date of grant
20%	2nd anniversary of the date of grant
20%	3rd anniversary of the date of grant
20%	4th anniversary of the date of grant
20%	5th anniversary of the date of grant

23. SHARE-BASED PAYMENT TRANSACTIONS – continued

For the share option granted on 3 January 2008, the Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted at the date of the grant, and 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.

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2008 and 2007:

Option type	Outstanding at 01/01/2008 RMB'000	Granted during the year RMB'000	Forfeited during the year RMB'000	Outstanding at 31/12/2008 RMB'000
2007A	5,000,000	-	1,200,000	3,800,000
2007B	6,450,000	-	200,000	6,250,000
2008A	-	8,100,000	1,300,000	6,800,000
	11,450,000	8,100,000	2,700,000	16,850,000
Exercisable at the end of the year				3,370,000

Option type	Outstanding at 01/01/2007 RMB'000	Granted during the year RMB'000	Forfeited during the year RMB'000	Outstanding at 31/12/2007 RMB'000
2007A	-	5,000,000	-	5,000,000
2007B	-	6,450,000	-	6,450,000
	-	11,450,000	-	11,450,000
Exercisable at the end of the year				-

23. SHARE-BASED PAYMENT TRANSACTIONS – continued

The fair value of the share options granted during the financial year is RMB4,771,000 (2007: RMB18,261,000). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

Inputs into the model are as follows:

	3 January 2008	8 June 2007	16 March 2007
Grant date share price	**HK$1.55**	HK$2.95	HK$2.10
Exercise price	**HK$1.55**	HK$3.11	HK$2.23
Expected volatility	**65.71%**	82.63%	104.33%
Dividend yield	**6.0%**	1.6%	2.2%
Risk-free interest rate	**3.25%**	4.88%	4.18%
Suboptimal exercise factor	**1.5**	1.5	1.5

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

No share options granted under the scheme were exercised during the year.

The Group recognised the total expense of RMB6,748,000 for the year ended 31 December 2008 (2007: RMB4,935,000) in relation to the share options granted by the Company.

24. OPERATING LEASE COMMITMENTS

	2008 RMB'000	2007 RMB'000
Minimum lease payments under operating leases recognised in the income statement for the year	**6,231**	4,898

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**2,187**	3,254
In the second to fifth year inclusive	**1,906**	986
	4,093	4,240

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 4 years at inception.

25. CAPITAL COMMITMENT

	2008 RMB'000	2007 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statement	**24,445**	59,597

26. RETIREMENT BENEFIT SCHEME

	2008 RMB'000	2007 RMB'000
Retirement benefit scheme contributions	**4,761**	3,985

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the local government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

26. RETIREMENT BENEFIT SCHEME – continued

The Group also participates in a Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance in 2007 for the Group's Hong Kong employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

For those employees who are members of the MPF Scheme, the Group will contribute 5% of relevant payroll costs to the scheme, which contribution is matched by the respective employees.

As at 31 December 2008 and 31 December 2007, contributions of approximately RMB19,000 and RMB12,000, respectively, due in respect of the corresponding reporting year had not been paid over to the schemes.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves including retained profits.

As at 31 December 2007, the Group does not have any long and short-term borrowings, obligations under finance leases and convertible loan notes. As at 31 December 2008, except for the short-term loan of RMB1,230,000, the Group does not have any other borrowings.

The directors of the Company review the capital structure on a regular basis. As part of the review, the directors consider the cost of capital and the risk associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issue and repurchase of own shares.

28. FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

28. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**269,705**	431,629
Financial liabilities		
Liabilities measured at amortised costs	**55,960**	84,062

Foreign currency risk

A subsidiary of the Company has foreign currency bank balances and sales, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2008 RMB'000	2007 RMB'000
Hong Kong Dollars (HKD)	**7,389**	81,448
United States Dollars (USD)	**1,535**	1,361

The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate, and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The sensitivity analysis details the Group's sensitivity to a 5% increase and decrease in RMB against HKD and USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. If RMB had strengthen/weakened 5% against HKD and USD, the Group's post-tax profit for the year ended 31 December 2008 would have been decreased/increased by RMB377,000 (2007: decreased/increased by RMB4,140,000).

28. FINANCIAL INSTRUMENTS – continued

Interest rate risk management

The Group's cash flow interest rate risk relates primarily to floating-rate interest bearing bank balances recognised in the balance sheet. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments, comprising floating-rate bank balances at the balance sheet date. For floating-rate bank balances, the analysis is prepared assuming the balances outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2008 would increase/decrease by RMB104,000 (2007: increase/decrease by RMB1,505,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances.

Credit risk management

The Group's principal financial assets are trade receivables and bank balances, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimize the credit risk, the management of the Group has delegated a team to be 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 determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability, specific allowance is only made for trade receivable that is unlikely to be collected. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers in the PRC.

The credit risk on bank balances is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies or have good reputation.

Liquidity risk management

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.

28. FINANCIAL INSTRUMENTS – continued

Liquidity risk management

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities.

	Less than 6 months RMB'000	6 months to 1 year RMB'000	Total RMB'000
Financial assets			
Non-interest bearing			
31 December 2007			
Trade and other receivables	71,268	325	71,593
Pledged bank deposits	862	–	862
	72,130	325	72,455
31 December 2008			
Trade and other receivables	48,668	1,062	49,730
Pledged bank deposits	10,862	–	10,862
	59,530	1,062	60,592
Financial liabilities			
Non-interest bearing			
31 December 2007			
Trade and other payables	83,226	836	84,062
31 December 2008			
Trade and other payables	53,135	1,595	54,730
Short-term bank loan (note 20)	1,230	–	1,230
	54,365	1,595	55,960

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to short maturity.

29. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties are as follows:

Name	Relationship
SeeSi Universal Limited ("SeeSi")	Holding company

(b) At the balance sheet date, included in the other receivables was the following amount due from SeeSi which are unsecured, interest-free, repayable on demand and aged more than 365 days:

	2008 RMB'000	2007 RMB'000
Amount due from SeeSi	–	76

(c) The remuneration of directors and other members of key management during the year was as follows:

	2008 RMB'000	2007 RMB'000
Short-term employee benefits	1,690	5,390
Share-based payments	833	862
	2,523	6,252

30. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2008 are as follow:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Principal activities
			Direct	Indirect	
Ableby Worldwide Limited 藝寶環球有限公司	The British Virgin Islands 18 May 2008	Ordinary shares US$1	100%	–	Investment holding
Tricosco Limited	Hong Kong 20 June 2008	Ordinary shares HK$1	–	100%	Investment holding
Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. 杭州奧普衛廚科技有限公司 ("AUPU Technology")	The PRC 9 September 2004	Registered and contributed capital US$20,000,000	–	100%	Manufacture and distribution of bathroom masters, exhaust fans and other home appliances
Hangzhou Aupu Electrical Appliances Co., Ltd. 杭州奧普電器有限公司 ("AUPU Electrical")	The PRC 29 July 1993	Registered and contributed capital US$3,350,000	–	100%	Manufacture and distribution of bathroom masters, exhaust fans and other home appliances

A summary of the results, assets and liabilities of the Group for the last four financial years is as follows:

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Revenue	267,010	336,513	448,209	606,750	**528,006**
Income tax expenses	(16,703)	(21,691)	(13,954)	(16,211)	**(18,375)**
Profit attributable to equity holders of the Company	45,090	55,287	83,650	103,554	**61,098**
Dividends and distribution paid	53,545	16,456	54,000	56,848	**92,266**

	As at 31 December				
	2004	2005	2006	2007	**2008**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and Liabilities					
Total assets	127,778	171,990	456,817	575,620	**523,006**
Total liabilities	(60,297)	(65,678)	(82,254)	(149,416)	**(123,010)**
Shareholders' funds	67,481	106,312	374,563	426,204	**399,996**

Note: The Company was incorporated and registered in the Cayman Islands on 14 July 2006 and became the holding company of the subsidiaries (collectively referred to as the "Group") pursuant to a group reorganisation (the "Group Reorganisation") on 1 September 2006. The results, assets and liabilities for 2004, 2005 and 2006 have been prepared on a combined basis as if the current group structure had been in existence throughout those years.