AUPU GROUP HOLDING COMPANY LIMITED

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

Interim Report 2009

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Lu Songkang (盧頌康)

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
One Pacific Place
88 Queensway
Hong Kong

COMPANY SECRETARY

Leung Wah

AUTHORISED REPRESENTATIVES

Fang James
Fang Shengkang

STOCK CODE

0477

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F., Tesbury Centre
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PRINCIPAL BANKERS

China CITIC Bank
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345 Tiyuchang Road
Hangzhou City
Zhejiang Province
The PRC

China Everbright Bank
Hangzhou Branch
200 Qingchun Road
Hangzhou City
Zhejiang Province
The PRC

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Wensan Road Branch
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FINANCIAL HIGHLIGHTS

for the six months period ended 30 June 2009

The board of directors of AUPU Group Holding Company Limited (the "Company") announced the unaudited consolidated interim results and financial position of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009, with comparative figures for the same period last year as follows:

	2009 **RMB'000**	2008 RMB'000	Change
Turnover	**221,154**	238,177	-7.1%
Gross profit	**107,472**	134,245	-19.9%
Profit before tax	**38,783**	41,863	-7.4%
Profit and total comprehensive income attributable to owners of the Company	**30,297**	37,420	-19.0%
Basic earnings per share (RMB)	**0.04**	0.05	-20.0%

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months period ended 30 June 2009

	Notes	Six months ended 30 June **2009** **RMB'000** **(unaudited)**	 2008 RMB'000 (unaudited)
Revenue		**221,154**	238,177
Cost of sales		**(113,682)**	(103,932)
Gross profit		**107,472**	134,245
Other income		**7,147**	7,452
Selling and distribution expenses		**(55,947)**	(72,685)
Administrative expenses		**(15,978)**	(23,797)
Other expenses		**(2,939)**	(3,352)
Finance costs		**(972)**	–
Profit before tax	*4*	**38,783**	41,863
Income tax expenses	*5*	**(8,486)**	(4,443)
Profit and total comprehensive income attributable to owners of the Company		**30,297**	37,420
		RMB	RMB
Earnings per share	*7*		
– Basic		**0.04**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2009

	Notes	30 June 2009 RMB'000 (unaudited)	31 December 2008 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**167,211**	167,838
Prepaid lease payments		**17,148**	17,342
Deferred tax assets	*9*	**12,442**	11,359
		196,801	196,539
Current assets			
Prepaid lease payments		**532**	530
Inventories		**38,414**	49,352
Trade and other receivables	*10*	**61,474**	56,610
Time deposits		**186,800**	184,464
Pledged bank deposits		**158,000**	10,862
Bank balances and cash		**56,285**	24,649
		501,505	326,467
Current liabilities			
Trade and other payables	*11*	**130,892**	105,149
Income tax liabilities		**9,852**	7,193
Other tax liabilities		**6,506**	5,247
Short-term bank borrowings	*12*	**148,000**	1,230
		295,250	118,819
Net current assets		**206,255**	207,648
Total assets less current liabilities		**403,056**	404,187
Capital and reserves			
Share capital	*13*	**71,860**	71,860
Reserves		**325,031**	328,136
Total equity attributable to owners of the Company		**396,891**	399,996
Non-current liability			
Deferred tax liability	*9*	**6,165**	4,191
		403,056	404,187

for the six months ended 30 June 2009

	Share capital	Share premium	Special reserve	Statutory reserves	Share options reserve	Retained profits	Sub-total	Total
		Reserves						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note i)	*(Note ii)*	*(Note iii)*			
At 1 January 2008 (audited)	72,023	272,627	(73,274)	28,427	4,935	121,466	354,181	426,204
Profit and total comprehensive income for the period	–	–	–	–	–	37,420	37,420	37,420
Repurchase of own shares	(163)	(1,625)	–	–	–	–	(1,625)	(1,788)
Dividends paid	–	–	–	–	–	(42,636)	(42,636)	(42,636)
Recognition of equity-settled share-based payment	–	–	–	–	4,222	–	4,222	4,222
At 30 June 2008 (unaudited)	71,860	271,002	(73,274)	28,427	9,157	116,250	351,562	423,422
At 1 January 2009 (audited)	**71,860**	**271,002**	**(73,274)**	**41,144**	**11,683**	**77,581**	**328,136**	**399,996**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**30,297**	**30,297**	**30,297**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(35,450)**	**(35,450)**	**(35,450)**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**2,048**	**–**	**2,048**	**2,048**
At 30 June 2009 (unaudited)	**71,860**	**271,002**	**(73,274)**	**41,144**	**13,731**	**72,428**	**325,031**	**396,891**

Notes:

(i) 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.

(ii) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC") and the Articles of Association of Hangzhou Aupu Electrical Appliances Co., Ltd. and Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., 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. The reserve fund can be used to increase capital or to meet unexpected of future losses.

(iii) 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**81,174**	(19,293)
Net cash used in investing activities:		
Interest received	**2,042**	4,388
Proceeds from disposal of property, plant and equipment	**363**	720
Additions of property, plant and equipment	**(13,789)**	(34,752)
Increase in time deposits	**(2,336)**	–
Increase in pledged bank deposits	**(147,138)**	–
Other investing cash flows	**–**	(163)
	(160,858)	(29,807)
Net cash from (used in) financing activities:		
Proceeds from short-term bank borrowings	**148,000**	–
Repayments of borrowings	**(1,230)**	–
Dividends paid	**(35,450)**	(42,636)
Payment on repurchase of own shares	**–**	(1,788)
	111,320	(44,424)
Net increase (decrease) in cash and cash equivalents	**31,636**	(93,524)
Cash and cash equivalents at the beginning of the period	**24,649**	359,174
Effect of the foreign exchange rate movements	**–**	(3,316)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**56,285**	262,334

for the six months ended 30 June 2009

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") which are effective for the Group's financial year beginning on 1 January 2009.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in Foreign Operation
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements of IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

2. PRINCIPAL ACCOUNTING POLICIES - continued

IAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the revised accounting policy prospectively. The application of IAS 23 (Revised 2007) had no impact on the reported results or financial position of the Group.

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, IAS 1 (Revised 2007) had no impact on the reported results or financial position of the Group.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, IAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, no segment information is presented because the Group operates in one business segment and 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. The application of IFRS 8 has resulted in a redesignation of the Group's reportable segments (see note 3).

The adoption of the other new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in April 2009[2]
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
IFRS 3 (Revised 2008)	Business Combinations[1]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[3]

2. PRINCIPAL ACCOUNTING POLICIES - continued

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
[3] Effective for transfers on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 January 2010.

The adoption of IFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. IAS 27 (Revised 2008) 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 other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

In prior years, no segment information is presented as the directors of the Group considered the manufacturing and distribution of bathroom masters, exhaust fans and electrical appliances used in bathroom and kitchen is one division. The production facilities of such division are located in the PRC and the products are mainly sold to markets in the PRC. In addition, more than 90% of the Group's assets and liabilities are located in the PRC and more than 90% of the sales were made in the PRC during the last period.

However, information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment focuses more specifically on the geographical location of customers in the PRC. The Group's reportable segments under IFRS 8 are therefore as follows:

(a) Second Tier Cities
(b) Shanghai
(c) Jiangsu
(d) Beijing
(e) Zhejiang
(f) East North Region
(g) Sichuan
(h) Export

3. SEGMENT INFORMATION - continued

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

For the six months ended 30 June 2009

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	East North Region RMB'000	Sichuan RMB'000	Export RMB'000	Consolidated RMB'000
Revenue									
External sales	83,364	32,601	36,112	23,103	20,462	11,606	12,042	1,864	221,154
Segment profit	35,366	19,980	16,110	14,634	9,467	4,987	6,119	809	107,472
Interest income									4,077
Other unallocated income									3,070
Unallocated expenses									(74,864)
Finance costs									(972)
Profit before tax									38,783

For the six months ended 30 June 2008

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	East North Region RMB'000	Sichuan RMB'000	Export RMB'000	Consolidated RMB'000
Revenue									
External sales	76,420	43,903	37,533	28,616	25,194	12,539	10,056	3,916	238,177
Segment profit	38,585	28,899	19,755	19,787	13,876	6,168	5,764	1,411	134,245
Interest income									4,388
Other unallocated income									3,064
Unallocated expenses									(99,834)
Profit before tax									41,863

Segment profit represents the gross profit earned by each segment. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

4. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
After charging:		
Staff costs, including directors' remuneration		
– salaries, wages and other benefits	**18,312**	26,396
– retirement benefit scheme contributions	**1,722**	2,893
– equity-settled share-based payments	**2,048**	4,222
Total staff costs	**22,082**	33,511
Research and development expenditure	**1,811**	2,096
Depreciation of property, plant and equipment	**3,789**	2,479
Release of prepaid lease payments	**263**	256
Loss on disposal of property, plant and equipment	**193**	–
Auditor's remuneration	**600**	1,193
Net foreign exchange loss	**33**	3,552
Cost of inventories recognised as an expense (note)	**113,682**	103,932
After crediting:		
Interest income	**4,077**	4,388
Government grants	**818**	663
Gain on disposal of property, plant and equipment	**–**	193

Note: Allowance for inventories obsolescence amounted to RMB1,074,000 (six months ended 30 June 2008: RMB1,329,000) has been recognised in the current period and include in cost of inventories recognised as an expense.

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
The charge (credit) comprises:		
Current tax	**7,595**	6,446
Deferred tax (note 9)	**891**	(2,003)
	8,486	4,443

PRC enterprise income tax is recognised based on management's best estimate of annual income tax rate expected for the full financial year which is 25% for both periods except for a subsidiary described below.

5. INCOME TAX EXPENSES - continued

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Group are entitled to exemption from PRC income tax for two years starting from their first profit making year, followed by a 50% reduction for the next three years ("Tax Holidays") under a 5-year transitional provision starting from 1 January 2008. The tax holidays will expire in 2012.

No provision for income tax has been made for the Company and group entities established in the British Virgin Islands and Hong Kong as they have no assessable income during the interim periods.

6. DIVIDENDS

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Final dividend paid for 2008 of RMB0.05 (2008: RMB0.06 for 2007) per share on 709,000,000 (2007: 710,600,000) shares	**35,450**	42,636

In respect of the current interim period, the directors propose that an interim dividend of RMB0.05 (2008: RMB0.07) in total amounting to 35,450,000 will be paid to shareholders whose name appears in the register of members on Monday, 21 September 2009. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit attributable to owners of the Company)	**30,297**	37,420
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**709,000,000**	710,477,348

Diluted earnings per share has not been presented for each of the six months ended 30 June 2008 and 2009 because the exercise price of the Company's options was higher than the average market price of the Company's shares during the interim periods when they were outstanding.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB1.8 million (RMB30.7 million for the six months ended 30 June 2008) on the construction of its new manufacturing premises and RMB2.0 million (RMB4.1 million for the six months ended 30 June 2008) on additions to machinery, motor vehicles and fixtures and equipment in the PRC.

9. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and the movements thereon, during the interim periods:

	Unrealised profit on inventories RMB'000	**Other deductible temporary differences** RMB'000	**Withholding tax on retained profits to be distributed** RMB'000	**Total** RMB'000
At 1 January 2008	6,456	4,042	–	10,498
Credit (charge) to profit for the period (note 5)	4,642	619	(3,258)	2,003
At 30 June 2008	11,098	4,661	(3,258)	12,501
At 1 January 2009	**6,374**	**4,985**	**(4,191)**	**7,168**
(Charge) credit to profit for the period (note 5)	**(3,067)**	**4,150**	**(1,974)**	**(891)**
At 30 June 2009	**3,307**	**9,135**	**(6,165)**	**6,277**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	30 June 2009 **RMB'000**	31 December 2008 RMB'000
Deferred tax assets	**12,442**	11,359
Deferred tax liabilities	**(6,165)**	(4,191)
	6,277	7,168

Unrealised profit on inventories 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.

Under the New PRC Tax Law, a 5% of withholding tax is to be levied on the dividend to be payable based on the profit of the PRC operating subsidiaries generated from 2008 onwards.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranges from 0 to 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date:

	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade receivables analysed by age:		
Within 90 days	**23,994**	38,480
91 – 180 days	**1,614**	2,944
181 – 365 days	**2,857**	913
Over 365 days	**397**	149
Total trade receivables	**28,862**	42,486
Notes receivables (within 180 days)	**22,771**	5,762
Other receivables and prepayments	**9,841**	8,362
	61,474	56,610

11. TRADE AND OTHER PAYABLES

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

	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade payable analysed by age:		
Within 90 days	**42,308**	10,340
91 – 180 days	**1,572**	1,538
181 – 365 days	**2,023**	951
Over 365 days	**946**	644
Total trade payables	**46,849**	13,473
Retention sum due to suppliers	**12,791**	13,801
Advances from customers	**23,310**	17,883
Sales commission accruals	**15,990**	10,988
Notes payables (within 90 days)	**–**	10,000
Payable for the acquisition of property, plant and equipment	**–**	10,000
Other accruals	**31,952**	29,004
	130,892	105,149

12. SHORT-TERM BANK BORROWINGS

	30 June 2009 RMB'000	31 December 2008 RMB'000
Secured short-term bank borrowings	**148,000**	1,230

During the six months ended 30 June 2009, the Group factored intercompany notes receivable of RMB148,000,000 (nil for the six months ended 30 June 2008) arising from intercompany transactions to banks with full recourse. The finance charge in relation to factorisation of the notes receivable were borne by the Group. The related bank borrowings of RMB148,000,000 (2008: RMB 1,230,000) was fully settled in August 2009 and was classified as current liabilities.

13. SHARE CAPITAL

	Number of shares	**Amounts** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	5,000,000,000	500,000

	Number of shares	**Amounts** RMB'000
Issued and fully paid:		
At 1 January 2008	710,600,000	72,023
Repurchase of own shares	(1,600,000)	(163)
At 30 June 2008, 31 December 2008 and 30 June 2009	709,000,000	71,860

14. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2008	11,450,000
Granted during the period	8,100,000
Forfeited during the period	(1,600,000)
Outstanding at 30 June 2008	17,950,000
Outstanding at 1 January 2009	16,850,000
Forfeited during the period	(2,500,000)
Outstanding at 30 June 2009	14,350,000

Except for the share options forfeited as disclosed above, there were no share options granted, exercised or expired during the current period.

15. OPERATING LEASE ARRANGEMENTS

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised in the condensed consolidated income statement for the period	**1,969**	2,963

At the end of the reporting period, the Group had outstanding commitments under operating leases, which fall due as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Within one year	**384**	2,187
In the second to fifth year inclusive	**1,615**	1,906
	1,999	4,093

Operating lease payments represent rentals payable by the Group for certain branch offices and warehouses. Leases are negotiated for lease terms ranging from 1 to 4 years at inception.

16. CAPITAL COMMITMENTS

	30 June 2009 RMB'000	31 December 2008 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**13,734**	24,445

17. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management for the six months ended 30 June 2009 was RMB655,000 (2008: RMB1,009,000).

BUSINESS AND FINANCE REVIEW

Revenue

Information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment focuses more specifically on the geographical location of customers in the PRC. The Group's reportable segments under IFRS 8 are therefore as follows:

(a) Second Tier Cities
(b) Shanghai
(c) Jiangsu
(d) Beijing
(e) Zhejiang
(f) East North Region
(g) Sichuan
(h) Export

The revenue of the Group for the six months ended 30 June 2008 and 2009 are analysed as follows:

	Six months ended 30 June 2009		Six months ended 30 June 2008	
	RMB'000 Revenue	**RMB'000 Gross profit**	RMB'000 Revenue	RMB'000 Gross profit
Second Tier Cities	**83,364**	**35,366**	76,420	38,585
Shanghai	**32,601**	**19,980**	43,903	28,899
Jiangsu	**36,112**	**16,110**	37,533	19,755
Beijing	**23,103**	**14,634**	28,616	19,787
Zhejiang	**20,462**	**9,467**	25,194	13,876
East North Region	**11,606**	**4,987**	12,539	6,168
Sichuan	**12,042**	**6,119**	10,056	5,764
Export	**1,864**	**809**	3,916	1,411
Total	**221,154**	**107,472**	238,177	134,245

For the six months ended 30 June 2009, the revenue of the Group amounted to approximately RMB 221.2 million, representing a decrease of approximately 7.1% as compared with the revenue which amounted to approximately RMB238.2 million for the six months ended 30 June 2008. The decrease in revenue was mainly attributable to the decrease in revenue of AUPU Bathroom Master. The revenue of AUPU Bathroom Master 3-in-1 and exhaust fans accounted for approximately 77.2% and 72.6% of the Group's total revenue for the six months ended 30 June 2008 and 2009 respectively.

In particular, the revenue of Shanghai decreased from approximately RMB43.9 million for the six months ended 30 June 2008 to approximately RMB32.6 million for the six months ended 30 June 2009, representing a decrease of approximately RMB11.3 million or approximately 25.7%. For the six months ended 30 June 2009, the revenue of Beijing amounted to approximately RMB23.1 million, representing a decrease of approximately 19.2% as compared with the revenue of Beijing which amounted to approximately RMB28.6 million for the six months ended 30 June 2008.

The revenue of AUPU Bathroom Roof 1+N amounted to approximately RMB58.5 million for the six months ended 30 June 2009, representing an increase of approximately 15.8% as compared with the revenue of AUPU Bathroom Roof 1+N which amounted to approximately RMB50.5 million for the six months ended 30 June 2008.

Costs of sales

For the six months ended 30 June 2009, the costs of sales of the Group amounted to approximately RMB113.7 million, representing an increase of approximately 9.4% as compared with the costs of sales which amounted to approximately RMB103.9 million for the six months ended 30 June 2008.

For the six months ended 30 June 2009, the costs of parts and components, direct labour and overhead represented approximately 91.1% and 8.9% of the total costs of sales respectively while the costs of parts and components, direct labour and overhead for the six months ended 30 June 2008 represented approximately 98.5% and 1.5% of the total costs of sales in the same period respectively.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB134.2 million for the six months ended 30 June 2008 to approximately RMB107.5 million for the six months ended 30 June 2009, representing a decrease of approximately 19.9%. Overall gross profit margin decreased from approximately 56.4% for the six months ended 30 June 2008 to approximately 48.6% for the six months ended 30 June 2009. The decrease in gross profit margin arising from the policy of development of low end market that had been determined by the management at the beginning of the year.

Other income

Other income decreased from approximately RMB7.5 million for the six months ended 30 June 2008 to approximately RMB7.1 million for the six months ended 30 June 2009.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB55.9 million for the six months ended 30 June 2009. It mainly comprised of advertising expenses of approximately RMB12.9 million, sales promotion expenses of approximately RMB8.9 million, salary expenses of sales and marketing staff of approximately RMB15.5 million, after-sales services expenses of approximately RMB2.9 million and transportation expenses of approximately RMB6.0 million.

The selling and distribution expenses amounted to approximately RMB72.7 million for the six months ended 30 June 2008. It mainly comprised of advertising expenses of approximately RMB14.6 million, sales promotion expenses of approximately RMB16.0 million, salary expenses of sales and marketing staff of approximately RMB19.9 million, after-sales services expenses of approximately RMB2.8 million and transportation expenses of approximately RMB6.7 million.

The decrease in selling and distribution expenses for the six months ended 30 June 2009 compared with the six months ended 30 June 2008 was mainly due to decrease in advertising expenses, salary expenses of sales and marketing staff and sales promotion expenses.

Administrative expenses

The administrative expenses amounted to approximately RMB16.0 million for the six months ended 30 June 2009. It mainly comprised of salary expenses of general and administrative staff of approximately RMB5.8 million, depreciation of approximately RMB1.9 million, professional fees and related disbursements of approximately RMB2.4 million, office expenses of approximately RMB1.1 million and the amortisation of share option cost about RMB2.0 million.

The administrative expenses amounted to approximately RMB23.8 million for the six months ended 30 June 2008. It mainly comprised of salary expenses of general and administrative staff of approximately RMB10.1 million, depreciation of approximately RMB1.4 million, professional fees and related disbursements of approximately RMB3.1 million and office expenses of approximately RMB1.9 million and the amortisation of share option cost about RMB4.2 million.

The decrease in administrative expenses for the six months ended 30 June 2009 compared with the six months ended 30 June 2008 was mainly due to significant decrease in salary expenses of general and administrative staff and the amortisation of share option costs.

Other expenses

Other expenses decreased from approximately RMB3.4 million for the six months ended 30 June 2008 to approximately RMB2.9 million for the six months ended 30 June 2009.

Profit before tax

Based on the above factors, the Group's profit before tax decreased from approximately RMB41.9 million for the six months ended 30 June 2008 to approximately RMB38.8 million for the six months ended 30 June 2009, representing a decrease of approximately 7.4%.

Income tax expenses

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

AUPU Technology is a foreign investment enterprise of a manufacturing nature established in national economic and technology development zone in the PRC. In accordance with the tax legislations, AUPU Technology is entitled to a preferential enterprise income tax rate of 16.5 per cent, inclusive of 1.5 per cent for local enterprise income tax. AUPU Technology is entitled to obtain approval from the relevant tax authority for an exemption from PRC enterprise income tax for two years starting from its first profit-making year of operations, followed by a 50 per cent tax relief for the following three years. As 2006 was the first taxable profit making year for AUPU Technology and, therefore, no provision of taxation has been made in respect of the estimated assessable profit of AUPU Technology for both the six months ended 30 June 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 beginning 1 January 2008. Under the New Law, foreign investment 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. The New Law and Implementation Regulations have changed the applicable tax rate for AUPU Technology from the existing preferential enterprise income tax rate 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 2008 onwards.

Also, under the New PRC Tax Law, a 5% of withholding tax is to be levied on the dividend to be payable based on the profit of the PRC operating subsidiaries generated from 2008 onwards.

Therefore, the income tax expenses of the Group increased from approximately RMB4.4 million for the six months ended 30 June 2008 to approximately RMB8.5 million for the six months ended 30 June 2009 and the effective tax rate increased from approximately 10.6% for the six months ended 30 June 2008 to approximately 21.9% for the six months ended 30 June 2009.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased from approximately RMB37.4 million for the six months ended 30 June 2008 to approximately RMB30.3 million for the six months ended 30 June 2009.

ANALYSIS OF FINANCIAL POSITION

Inventory turnover

The following table sets out the summary of the Group's inventory turnover days for the six months ended 30 June 2009 and the year ended 31 December 2008:

	Six months ended 30 June 2009	Year ended 31 December 2008
Inventory turnover days (Note)	**70**	69

Note:

The inventory turnover days is arrived at by dividing average inventories by cost of sales and then multiplying by 365 for the year ended 31 December 2008 when the inventory turnover days is arrived at by dividing average inventories by cost of sales and then multiplying by 182 for the six months ended 30 June 2009. Average inventories is arrived at by dividing the sum of the inventories at the beginning of year/period and that at the end of the year/period by 2. Inventory primarily comprised parts and components and finished goods. The turnover days of inventory increased from 69 days for the year ended 31 December 2008 to 70 days for the six months ended 30 June 2009 that is considered kept at a reasonable level for both of the two periods.

Turnover days of trade receivables

The following table sets out the summary of the Group's turnover days of trade receivables for the six months ended 30 June 2009 and the year ended 31 December 2008:

	Six months ended 30 June 2009	Year ended 31 December 2008
Turnover days of trade receivables (Note)	**29**	28

Note:

The turnover days of trade receivables is arrived at by dividing average trade receivables by revenue and then multiplying by 365 for the year ended 31 December 2008 when the turnover days of trade receivables is arrived at by dividing average trade receivables by revenue and then multiplying by 182 for the six months ended 30 June 2009. Average trade receivables is arrived at by dividing the sum of the trade receivables at the beginning of year/period and that at the end of the year/period by 2. The turnover days of trade receivables increased from 28 days for the year ended 31 December 2008 to 29 days for the six months ended 30 June 2009 that is considered kept at a reasonable level for both of the two periods.

Aging analysis of trade receivables

The aging analysis of trade receivables of the Group as at 30 June 2009 and 31 December 2008 is as follows:

Trade receivables analysed by age:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Within 90 days	**23,994**	38,480
91 – 180 days	**1,614**	2,944
181 – 365 days	**2,857**	913
Over 365 days	**397**	149
Total trade receivables	**28,862**	42,486

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. No material long outstanding trade receivables are identified at the current period end.

Turnover days of trade payables

The following table sets out the summary of the Group's turnover days of trade payables for the six months ended 30 June 2009 and the year ended 31 December 2008:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Turnover days of trade payables (Note)	**48**	46

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 year ended 31 December 2008 when the turnover days of trade payables is arrived at by dividing average trade payables by cost of sales and then multiplying by 182 for the six months ended 30 June 2009. Average trade payables is arrived at by dividing the sum of the trade payables at the beginning of year/period and that at the end of the year/period by 2. The turnover days of trade payables increased from 46 days for the year ended 31 December 2008 to 48 days for the six months ended 30 June 2009 that is considered kept at a reasonable level for both of the two periods.

Aging analysis of trade payables

The aging analysis of trade payables of the Group as at 30 June 2009 and 31 December 2008 is as follows:

Trade payables analysed by age:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Within 90 days	**42,308**	10,340
91 – 180 days	**1,572**	1,538
181 – 365 days	**2,023**	951
Over 365 days	**946**	644
Total trade payables	**46,849**	13,473

Trades payables are mainly related to purchases from suppliers. Invoices would generally be received from suppliers upon delivery of goods and the credit period taken for trade purchases is 0 to 90 days. Trade payables are generally settled by cheques, bank drafts and bank transfers. The Group continuously supervises the level of trade payable balances.

Current ratio, quick ratio and gearing ratio

The current ratio, quick ratio and gearing ratio of the Group as at 30 June 2009 and 31 December 2008 were as follows:

	As at 30 June 2009	As at 31 December 2008
Current ratio	**1.70**	3.46
Quick ratio	**1.57**	2.89
Gearing ratio	**0.21**	0.00

Note:

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

With a lower base of liabilities of the Group, the current ratio decreased from approximately 3.46 times as at 31 December 2008 to 1.70 times as at 30 June 2009. The quick ratio decreased from approximately 2.89 times as at 31 December 2008 to 1.57 times as at 30 June 2009 due to decrease of inventories.

During the six months ended 30 June 2009, the Group factored intercompany notes receivable of RMB148,000,000 (nil for the six months ended 30 June 2008) arising from intercompany transactions to banks with full recourse. The finance charge in relation to factorisation of the notes receivable were borne by the Group. The related bank borrowings of RMB148,000,000 (2008: RMB1,230,000) was fully settled in August 2009 and was classified as current liabilities. As a result, the Group had a gearing ratio of approximately 0.21 times as at 30 June 2009 while the Group had a gearing ratio of approximately 0.00 times only as at 31 December 2008.

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 for the six months ended 30 June 2008 and 2009:

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
Net cash generated from (used in) operating activities	**81,174**	(19,293)
Net cash used in investing activities	**(160,858)**	(29,807)
Net cash from (used in) financing activities	**111,320**	(44,424)

The Group's working capital mainly comes from net cash from operating activities and financing activities. The directors expect that the Group will rely on net cash from operating activities 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 RMB 81.2 million for the six months ended 30 June 2009 when there was a net cash outflow in the amount of RMB19.3 million for the six months ended 30 June 2008.

Investing activities

Net cash used in investing activities was approximately RMB160.9 million for the six months ended 30 June 2009 which was primarily attributable to increase in pledged bank deposit of approximately 147 million. Net cash used in investing activities were approximately RMB29.8 million for the six months ended 30 June 2008 which was primarily attributable to purchases of property, plant and equipment.

Financing activities

Net cash from financing activities was approximately RMB111.3 million for the six months ended 30 June 2009 while net cash used in financing activities was approximately RMB44.4 million for the six months ended 30 June 2008. Such increase was attributable to proceeds from short-term bank loans.

INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2009, the Group had short-term bank borrowings in the amount of RMB148 million.

Bank facilities

As at the close of business on 30 June 2009, the Group did not have any banking facilities.

Debt securities

As at the close of business on 30 June 2009, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 30 June 2009, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at the close of business on 30 June 2009, the Group did not have any pledge of assets.

CAPITAL COMMITMENTS AND OTHER COMMITMENTS

As at 30 June 2009, the capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment amounted to approximately RMB13,734,000 and the Group had no other significant capital commitment other than those mentioned above.

HUMAN RESOURCES

The Group employed approximately 1,113 people on 30 June 2009 (about 1,296 people on 31 December 2008). The total personnel cost of the Group was RMB22.1 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB33.5 million). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.

FUTURE PROSPECTS

The world economy is expected to have positive changes in the second half of 2009 with the overall situation steadily improving. However, the foundation of the economic recovery is not solid enough as unstable and uncertain factors still exist in the global economic environment. Looking ahead in the second half of 2009, our management considers that the Group's operation will remain steady and its development will face more opportunities.

The directors consider that driven by the domestic demand in the overall household consumer market and supported by the gradual recovery in the real estate market, consumer and development trends become optimistic. Diversified urban residential development will promote rapid growth in bathroom products and services. Particularly, the introduction of the "奥芯" series, AUPU's new generation of ceiling products, at the end of July has directly strengthened the technology advantages of our products and promoted technology development in the ceiling industry so as to provide new development opportunities for a new generation of comfortable, highly efficient, safe, energy saving and compatible bathroom consumer brands.

The directors consider that in the second half of 2009, the Group should strengthen our core business bathroom master, develop the strategic increase of bathroom roof and continue to optimise management and increase its corporate value and competitiveness with a uniform arrangement of diversified channels.

BRAND NAME MANAGEMENT

The directors consider that AUPU's brand name is well-recognised. The Group has successfully positioned itself as a brand name manager, providing high quality and efficient services in the AUPU brand. The Group was recently nominated as an iconic brand of industry in China. The nomination was also reviewed by the Chinese brand name research organisation which decides a one and only brand name in each industry in China as the iconic brand of the industry and is currently the most authoritative industry brand name nomination in China. The Group was also ranked No. 372 of "Top 500 Most Valuable Brands in China" by the World Brand Lab with brand value of RMB1.623 billion.

The directors consider that for our brand promotion in the second half of the year, macro promotion will be reduced and a down-to-earth approach will be adopted to get closer with the consumers so as to provide attentive pre-sales, sales, and after-sales services.

MANAGEMENT OF SALES AND DISTRIBUTION CHANNELS

The directors consider that the sales and distribution network is our lifeline. In the second half of 2008, AUPU adjusted the channels according to the situation. The Group has introduced six channels, namely, mega stores (KA), construction material, engineering, home decoration, new rural areas and electronic commerce. AUPU plans to expand the engineering channel and new markets in the rural areas whilst strengthening the established mega stores (KA) and construction material markets channels and results are shown in channel of the new markets in the rural areas. Meanwhile, AUPU also pays attention to the home decoration and electronic commerce channels with appropriate input and not neglecting any beneficial marketing and distribution channel. In the first half of 2009, the Group had 6 branches, 13 marketing centres and over 4,000 points of sale covering major cities and municipalities in the PRC.

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. As one of the drafting units of the national bathroom roof standard, the Group introduced the "奥芯" series, a new bathroom roof product, at the end of July, which demonstrated the innovation and technology of our research and development centre and overcame the technical drawback in technical performance of traditional bathroom roof and compatibility of materials and took the technology level of bathroom roof products to a new height. The core technical features of "奥芯" are integration (integration of function), separation (separation of large loop switching system and function area), compatibility (better adaptability between materials, which overcomes the drawback of not able to use other materials of bathroom roof such as plasterboard) and speed (rapid heating).

As of 30 June 2009, the Group had 178 patents, of which 4 were invention patents, 30 were utility new model patents and 144 were appearance design patents. AUPU's direction in research and development is mainly in production differentiation which is demonstrated in materials, practicality and craftsmanship. With its increased product development capability, the Group intends to further expand its bathroom products portfolio and enhance product quality and functionality to realise the strategic vision of integrating all bathroom products and position in China.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances, trade and other receivables and payables. Details of these financial instruments are disclosed in the condensed consolidated financial statements.

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

Foreign currency risk

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

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

Credit risk

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

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

Cash flow interest rate risk

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

Liquidity risk

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors hereby confirms that the Company has complied with the Code on Corporate Governance Practices specified in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

USE OF PROCEEDS FROM THE NEW SHARE ISSUE

As at 30 June 2009, the Group had totally utilised approximately of RMB230,871,000 out of the proceeds from the new share issue for the construction of new product plants (including the acquisition of a piece of land for new production plant) in the amount of approximately RMB117,200,000, product research and development in the amount of approximately RMB14,811,000, advertising & promotion in the amount of approximately RMB98,280,000 and installation & implementation of the new ERP System in the amount of approximately RMB5,800,000. To the extent that the net proceeds from the Company's portion of new share issue are not immediately required for the purposes mentioned in the Company's prospectus dated 27 November 2006, they were placed on short term interest – bearing deposits with licensed banks in Hong Kong or the PRC.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of its directors, the Company has maintained a sufficient public float as required under the Listing Rules throughout the six months period ended 30 June 2009.

PRE-EMPTIVE RIGHTS

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

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

As at 30 June 2009, 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. Long position in shares of the Company and an associated corporation

Name of director	Company/name of associated company	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of issued share capital of the Company/ Associated Company
Mr. Fang James (Note 2)	The Company	Interest in 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. 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 30 June 2009.

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 Interim 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 Interim 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 Interim 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 Interim 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 30 June 2009, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 14,350,000, representing 2.02% 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 but 1,400,000 of which were lapsed as at 30 June 2009 Details of the options granted to the Directors as at 30 June 2009 are set out in the section headed "Directors' and Chief Executives' interests and Short Positions".

As at 30 June 2009, 14,350,000 outstandng 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 originally granted	Exercised	Cancelled or lapsed	Outstanding as at 30 June 2009	Percentage of total issued share capital	Vesting period	Notes
Directors								
Sun Lijun	2.23	700,000	0	700,000	0	0%	16/3/2008–15/3/2017	1,4,7,8
	1.55	700,000	0	700,000	0	0%	3/1/2008–2/1/2017	3,6,7,8
Wu Tak Lung	2.23	150,000	0	0	150,000	0.02%	16/3/2008–15/3/2017	1,4,7,8
	1.55	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	75,000	0.01%	16/3/2008–15/3/2017	1,4,7,8
	1.55	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	75,000	0.01%	16/3/2008–15/3/2017	1,4,7,8
	1.55	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	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	700,000	5,750,000	0.81%	16/3/2008–7/6/2017	2,5,7,8
Other employees in aggregate for Third Batch Share Options	1.55	7,200,000	0	1,900,000	5,300,000	0.75%	3/1/2008–2/1/2017	3,6,7,8
Total		19,550,000	0	5,200,000	14,350,000	2.02%		

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 Interim 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 30 June 2009, none of these share options were exercised or cancelled. An aggregate 5.2 million share options were lapsed due to the resignation of the relevant staff.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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%

Notes:

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

(2) The letter "L" represents the person's long position in such shares.

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

All the interests stated above represent long positions. Save as disclosed above, as at 30 June 2009, 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.

INTERIM DIVIDEND

The board of the Company is pleased to declare only an interim dividend of RMB0.05 per share to the shareholders whose names appear on the register of members of the Company (the "Register of Members") on Monday, 21 September 2009. The interim dividend will be paid in Hong Kong dollars. The conversion of RMB into Hong Kong dollars will be made at the official exchange rate of RMB against Hong Kong dollars as quoted by Bank of China on 21 September 2009. The interim dividend will be paid on or before 9 October 2009.

CLOSURE OF THE REGISTER OF MEMBERS

The Company's Register of Members will be closed from Tuesday, 15 September 2009 to Monday, 21 September 2009, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend of RMB0.05 per share mentioned above, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Monday, 14 September 2009.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim report is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aupu.cn).

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

Hong Kong, 1 September 2009