2009 ANNUAL REPORT

AUPU

AUPU GROUP HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands as an exempted company with limited liability)

(Stock Code: 00477)

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Fang James（方杰）
Fang Shengkang（方勝康）
Sun Lijun (resigned on 8 May 2009)
Chai Junqi（柴俊麒）(redesignated as an executive director on 5 February 2009)

Non-executive Directors

Lu Songkang（盧頌康）
Shi Minglei (resigned on 8 May 2009)

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 *(CPA, ACA, FCCA)*

AUTHORISED REPRESENTATIVES

Fang James
Fang Shengkang

STOCK CODE

00477

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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PRINCIPAL BANKERS

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Zhejiang Province
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China Everbright Bank
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I hereby on behalf of the Board of Directors (the "Board" or "the "Directors") presented the report of AUPU Group Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2009, and expressed my heartfelt gratitude on behalf of the Board to the shareholders and everyone that cares about the development of the Group.

In 2009, the global economy has recovered moderately. With the launch of new products targeting at the rural market and sales channel adjustment, AUPU Group overcame the difficulties of negative sales in the first quarter and its results have rebounded. The annual sales have grown as compared with that of 2008. The Group has achieved remarkable results in internal cost management so that our profit has been increased significantly.

Financial Review

The Group's results rebounded during the past year. Turnover of the Group for the year ended 31 December 2009 was approximately RMB541,505,000, representing an increase of 2.56% compared with the corresponding period of the previous year. Profit attributable to equity holders was approximately RMB92,050,000, representing an increase of 50.66% when compared with that of last year. Basic earnings per share were approximately RMB0.13. The Board recommended the payment of a final dividend of RMB0.06 per share for the year ended 31 December 2009. The Group's financial position remained healthy and stable, free from any enterprise and syndicated debts. For the year ended 31 December 2009, the Group's cash and cash equivalents amounted to approximately RMB306,492,000. We have sufficient cash flow generated from our operation and enough cash for dividend distribution and investment. Inventory of the Group was still controlled at a lower level of RMB32,940,000, which was 33.25% lower compared with RMB49,352,000 in 2008. Trade receivables amounted to approximately RMB47,185,000, accounting for only 8.71% of the total sales, and the turnover ratio was 30 days. Our financial quality has been maintained at a relatively high level standard.

Business Review

In 2008, the Group's results dropped, the first decline which the company had experienced since the Company was founded and which dealt a blow to the management team. Nevertheless, it gave us an opportunity to review our performance. In the fourth quarter of 2008, the Group implemented decisive and effective cost control measures, optimized the product mix and adjusted the sales channels, laying a foundation for the Group's results recovery in 2009.

As of 31 December 2009, the Group has six branches and 14 representative offices in China. We have closed seven branches and five representative offices in 2009 and effectively reduced operational risks and enhanced operational efficiency. As of 31 December 2009, the number of agents increased to 401, which further enlarged our product coverage network.

As the market environment changed, the Group regarded 2009 as the year for channel adjustments. At the beginning of the year, the Group proposed enhancement of the sales channels of household appliances mega store (KA). We began to expand into new rural markets and established online sales channels. With the introduction of highly targeted products, we have good performance in the exploration of rural markets. Online sales channel has also been set up, with a gradual rise in sales. Diversification of sales channels has mitigated our operational risks.

The Group's brand image was also widely recognized. The Group debuted on the list of "China's 500 Most Influential Brands" in 2007, ranking No. 376 according to the World Brand Laboratory, this represented a recognition of the Group's brand value by perception and sales evaluation. The Group's ranking on the list rose to No. 372 in 2008. AUPU was also one of the iconic brands in the bathroom master industry in China published in July 2008. In 2009, the Group was ranked top ten in the kitchen and bathroom ceiling solutions industry under the Top 100 Kitchen and Bathroom Product Manufacturers List.

In terms of products, the launch of the "奧芯" products in 2009 has prompted the upgrade of the integrated ceiling solutions industry.

Future Prospects

As China's urbanization rate is still low, speeding up urbanization will be China's government policy for the next decade which will generate significant development opportunities for the Company. The Chinese Government has emphasized that it encouraged the second and third tier cities to speed up urbanization. As a result, so long as the Chinese people's consumption power does not decline, there will be enormous growth potential for our businesses. In the future, the Company's business will focus on development of energy-saving, flat and intelligent products, so that the energy of the products can be recycled, improving the compatibility and integration of our products and our ceiling solutions, bringing convenience to the our consumers and adhering to the national industry guidance.

The Group predicts that the industry competition will focus on services. The demand for customized products will increase. Our comprehensive product solutions and customer interactions will be enhanced. We will improve the Group's pre-sales and after-sales services to drive sales.

The Group adopts a prudent approach in cash management and maintains its costs and business structure at a minimum level while captures opportunities for market expansion and investments flexibly according to market conditions. The Group will not recklessly invest in projects which are irrelevant to our principal businesses.

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. The Board has adhered to the policy of distributing no less than 35% of the Company's net profit as dividends every year since our listing on the Stock Exchange of Hong Kong Limited. In fact, the Company has a dividend payout ratio of 80% to shareholders every year. The Board considers that if the Company has no substantive projects with high return rate, we will continue to use this policy.

By order of the Board
Fang James
Chairman

Hong Kong, The PRC,
25 March 2010

BUSINESS AND FINANCE REVIEW

Revenue

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, the board of directors, in order to allocate resources to segments and to assess 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 prior years, no segment information was presented as the directors of the Company considered the manufacturing and distribution of bathroom masters, exhaust fans and electrical appliances used in bathrooms and kitchens to be one division. The production facilities of such division are located in the People's Republic of China (the "PRC") and the products are mainly sold to markets in the PRC. In addition, more than 90% of the Group's assets and liabilities were located in the PRC and more than 90% of the sales were made in the PRC in prior years.

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

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

The revenue of the Group for the years ended 31 December 2009 and 2008 are analyzed as follows:

	Year ended 31 December 2009		Year ended 31 December 2008	
	Revenue RMB'000	**Gross profit RMB'000**	Revenue RMB'000	Gross profit RMB'000
Second Tier Cities	**191,678**	**86,074**	152,217	79,288
Shanghai	**74,447**	**45,561**	78,158	45,466
Jiangsu	**82,183**	**34,008**	103,203	54,135
Beijing	**61,964**	**39,644**	58,701	35,249
Zhejiang	**54,161**	**23,800**	70,770	38,056
Northeastern Region	**34,272**	**15,107**	26,814	13,753
Sichuan	**38,106**	**19,334**	28,676	15,537
Export	**4,694**	**1,609**	9,467	3,179
Total	**541,505**	**265,137**	528,006	284,663

For the year ended 31 December 2009, the revenue of the Group amounted to approximately RMB541,505,000, representing an increase of approximately 2.6% as compared with the revenue which amounted to approximately RMB528,006,000 for the year ended 31 December 2008. The increase in revenue was mainly attributable to the increase in revenue from second tier cities. The revenue from bathroom masters slightly increased from approximately RMB366,609,000 for the year ended 31 December 2008 to RMB371,289,000 for the year ended 31 December 2009, representing an increase of approximately RMB4,680,000 or approximately 1.3%. The revenue of bathroom masters accounted for approximately 68.6% and 69.4% of the Group's total revenue for the year ended 31 December 2009 and 2008 respectively.

At the same time, the revenue of bathroom roofs also increased from approximately RMB140,839,000 for the year ended 31 December 2008 to approximately RMB151,481,000 for the year ended 31 December 2009, accounting for approximately 28.0% of the Group's total revenue for the year ended 31 December 2009 and representing an increase of approximately 7.6% as compared with that of the year ended 31 December 2008.

Moreover, second tier cities were the major markets of the Group for the year ended 31 December 2009, accounting for 35.4% (Year 2008: 28.8%) of the Group's sales.

Costs of sales

For the year ended 31 December 2009, the costs of sales of the Group amounted to approximately RMB276,368,000, and the costs of parts and components, direct labour and production overhead represented approximately 90.0% and 10.0% of the total costs of sales respectively while 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. The reason for the change was the significant increase in production overhead during the year ended 31 December 2009.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB284,663,000 for the year ended 31 December 2008 to approximately RMB265,137,000 for the year ended 31 December 2009, representing a decrease of approximately 6.9%. Overall gross profit margin decreased from approximately 53.9% for the year ended 31 December 2008 to approximately 49.0% for the year ended 31 December 2009 because of an increase in the sales from new distribution channels that in general had lower profit margin than that of sales from other sales channels.

Other income

Other income was kept stable at approximately RMB19,618,000 for the year ended 31 December 2008, as compared with other income in the amount of approximately RMB19,446,000 for the year ended 31 December 2009. Other income mainly consisted of sales of spare parts for both of the two years.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB122,340,000 for the year ended 31 December 2009. It mainly comprised advertising expenses of approximately RMB27,060,000, sales promotion expenses of approximately RMB19,338,000, salaries expenses of sales and marketing staff of approximately RMB29,959,000, after sales services expenses of approximately RMB6,529,000 and transportation expenses of approximately RMB15,974,000. 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 services expenses of approximately RMB5,783,000 and transportation expenses of approximately RMB13,778,000. The decrease in selling and distribution expenses for the year ended 31 December 2009 compared with the year ended 31 December 2008 was mainly due to a significant decrease in salaries expenses of sales and marketing staff and a decrease in advertising expenses after the management succeeded in the implementation of a cost control plan during the year ended 31 December 2009.

Administrative expenses

The administrative expenses amounted to approximately RMB35,032,000 for the year ended 31 December 2009. It mainly comprised salaries expenses of general and administrative staff of approximately RMB13,243,000, depreciation of approximately RMB3,719,000, professional fees of approximately RMB4,830,000, office expenses of approximately RMB2,688,000 and option premium of approximately RMB3,543,000. 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 for the year ended 31 December 2009 significantly decreased by RMB12,767,000 as compared with that of the year ended 31 December 2008 mainly due to a significant decrease in salaries expenses of general and administrative staff.

Other expenses

Other expenses decreased from approximately RMB12,410,000 for the year ended 31 December 2008 to approximately RMB9,797,000 for the year ended 31 December 2009 due to a decrease in cost of non-operating expenses.

Profit before tax

Based on the above factors, the Group's profit before tax significantly increased from approximately RMB79,473,000 for the year ended 31 December 2008 to approximately RMB115,983,000 for the year ended 31 December 2009, representing an increase of approximately 45.9%.

Income tax expenses

	2009 **RMB'000**	2008 RMB'000
The income tax charge (credit) comprises:		
Current tax	**21,068**	15,045
Deferred tax		
– current year	**2,865**	3,334
– attributable to a change in tax rate	**–**	(4)
	23,933	18,375

No provision for income tax has been made for the Company and group entities established in the BVI and Hong Kong as they have no assessable income during both years.

PRC enterprise income tax is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the subsidiaries of the Group, Hongzhou Aupu Bathroom & Kitchen Technology Co., Ltd ("AUPU Technology") is entitled to exemption from the PRC income tax for two years starting from its first profit making year, followed by a 50% reduction for the next three years ("Tax Holidays"). The Tax Holidays will expire in 2010.

The EIT Law provides a five year transition period from its effective date for those enterprises which were established before the promulgation date of the EIT Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. 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.

In accordance with 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 PRC 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 PRC company, a 5% dividend withholding tax rate is applicable. A provision for such withholding income tax has been made on the profits arisen during both years from the PRC subsidiaries, which are available for distribution to Tricosco Limited, a Hong Kong subsidiary of the Group.

Due to the above situation, the income tax charge of the Group increased from approximately RMB18,375,000 for the year ended 31 December 2008 to approximately RMB23,933,000 for the year ended 31 December 2009.

Profit and total comprehensive income for the year attributable to owners of the Company

Profit and total comprehensive income for the year attributable to owners of the Company increased from approximately RMB61,098,000 for the year ended 31 December 2008 to approximately RMB92,050,000 for the year ended 31 December 2009. The net profit margin (stated in its percentage of revenue) increased from approximately 11.6% for the year ended 31 December 2008 to approximately 17.0% for the year ended 31 December 2009.

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 2009 and 2008:

	Year ended 31 December 2009	Year ended 31 December 2008
Inventory turnover days (Note)	**54**	69

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 2009. 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 2008, inventory turnover period was 69 days. For the year ended 31 December 2009, inventory turnover period decreased to 54 days due to the decrease in inventory level arising from the improvement of sales in the year 2009.

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 2009 and 2008:

	Year ended 31 December 2009	Year ended 31 December 2008
Turnover days of trade receivables (Note)	**30**	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 two years ended 31 December 2009. 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 28 days for the year ended 31 December 2008 to 30 days for the year ended 31 December 2009 as the management take more active actions to maintain the level of overdue debts at a reasonable level around the year end of 2009.

Aging analysis of trade receivables

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

	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000
Trade receivables analysed by age:		
Within 90 days	**42,686**	44,242
91 – 180 days	**2,619**	2,944
181 – 365 days	**1,159**	913
Over 365 days	**721**	149
Total trade receivables	**47,185**	48,248

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.

The average credit period granted on sales of goods ranges from 0 to 90 days. No interest is charged on overdue trade receivables. The Group provides allowance for doubtful debts on a case-by-case basis. 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 end of the reporting period.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB4,499,000 (2008: RMB4,006,000) which are past due as at the end of the reporting period 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 2009 and 2008.

Other receivables

The following table sets out the breakdown of other receivables of the Group at 31 December 2009 and 2008:

	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000
Interest receivables	**987**	–
Prepayments	**2,253**	3,190
Utilities and rental deposits	**112**	485
Staff advances	**421**	1,021
Others	**1,134**	3,666
Total other receivables	**4,907**	8,362

The decrease in the balance of other receivables as at 31 December 2009 comparing with 31 December 2008 was mainly attributable to a decrease in prepayments and staff advance.

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 2009 and 2008:

	Year ended 31 December 2009	Year ended 31 December 2008
Turnover days of trade payables (Note)	**44**	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 two years ended 31 December 2009. 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 decreased from 46 days for the year ended 31 December 2008 to 44 days for the year ended 31 December 2009 as the Group increased the production volume in the second half year of 2009.

Aging analysis of trade payables

The aging analysis of trade payables of the Group for the two years ended 31 December 2008 and 2009 is as follows:

	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000
Trade payables analysed by age:		
Within 90 days	**49,823**	10,340
91 – 180 days	**1,061**	1,538
181 – 365 days	**485**	951
Over 365 days	**1,454**	644
Total trade payables	**52,823**	13,473

Trade 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.

Other financial liabilities

Other financial liabilities mainly include retention sum due to suppliers, 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 product 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.

Overall, the balance of other payables as at 31 December 2009 comparing with that of 31 December 2008 is kept stable.

Current ratio, quick ratio and gearing ratio

The current ratio and gearing ratio of the Group for the two years ended 31 December 2008 and 2009 was as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Current ratio	**2.36**	2.75
Quick ratio	**2.16**	2.33
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 kept stable as at 31 December 2009 at a healthy position as compared with that of 31 December 2008.

The Group had a zero gearing ratio as at 31 December 2009 as the Group did not have external bank loans as at 31 December 2009 when the gearing ratio is 0.0024 as at 31 December 2008 due to a 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 2009 and 31 December 2008:

	Year ended 31 December 2009 RMB'000	Year ended 31 December 2008 RMB'000
Net cash from operating activities	**177,592**	42,932
Net cash used in investing activities	**(40,542)**	(284,606)
Net cash used in financing activities	**(71,207)**	(92,851)

The Group's working capital mainly comes from net cash from operating activities during the year ended 31 December 2009. 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 RMB177,592,000 and RMB42,932,000 for the year ended 31 December 2009 and 31 December 2008.

Net cash from operating activities for the year ended 31 December 2009 was approximately RMB177,592,000, while profit before tax was approximately RMB115,983,000 for the same period. The difference of approximately RMB61,609,000 was mainly caused by the adjustments of approximately RMB9,059,000 made on the depreciation of property, plant and equipment, equity-settled share-based payment expenses in the amount of approximately RMB3,543,000, interest income approximately totaling RMB6,575,000 and movements in working capital in the amount of approximately RMB51,371,000.

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 year. 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, 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.

Investing activities

Net cash used in investing activities was approximately RMB40,542,000 for the year ended 31 December 2009 which was primarily attributable to purchases of property, plant and equipment in the amount of approximately RMB26,242,000 while net cash used in investing activities were 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.

Financing activities

Net cash used in financing activities was approximately RMB71,207,000 for the year ended 31 December 2009, mainly including approximately RMB70,900,000 for dividends paid during the year ended 31 December 2009. Net cash used in financing activities was approximately RMB92,851,000 for the year ended 31 December 2008, also mainly due to approximately RMB92,266,000 for dividends paid during the year ended 31 December 2008.

INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2009, the Group had no outstanding borrowings. During the year ended 31 December 2008, the Group factored one note receivable of RMB1,230,000 to a bank with full recourse. The finance charge in relation to the factorisation of the note receivable was borne by the debtor of the 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 2009, the Group did not have any banking facilities.

Debt securities

As at the close of business on 31 December 2009, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 31 December 2009, the Group did not have any material contingent liabilities or guarantees.

Capital commitments and other commitments

As at 31 December 2009, the future aggregate minimum lease payments under non-cancellable operating lease in respect of rental properties amounted to approximately RMB2,154,000 and the Group had capital commitment amounted to approximately RMB4,863,000 in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

HUMAN RESOURCES

The Group employed approximately 1,206 people as at 31 December 2009 (about 1,296 people as at 31 December 2008). The total personnel cost of the Group was RMB45,924,000 for the year ended 31 December 2009 (2008: RMB57,259,000). Employees's 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 shares have been granted under the share option scheme as at the end of 2009.

FUTURE PROSPECTS

Market Prospects

The Directors consider that the demand for bathroom quality products such as bathroom masters and bathroom ceilings will continue to increase in China. In 2009, China's real estate market had active trading with many commercial residential property transactions. The Directors have reason to believe that these buyers of commercial housing will become part of our customers in the short term. In addition, the living standard of medium and small cities, rural villages and municipalities has improved rapidly. With the increase in disposable income of rural consumers, the demand for premium bathroom electrical appliance for upgrading lifestyle will be enormous. The potential market capacity for medium and small cities and municipalities is expected to further expand. The Company and our competitors are now actively developing the market.

Products and Research & Development

The Directors consider that apart from its existing main business – bathroom masters and bathroom ceilings, the consumers will also continue to pursue other high-quality household products (including exhaust fan, downdraft hoods, and other household appliances). Therefore, leveraging on its advantages of AUPU brand, the Group intends to design, manufacture and distribute other high-quality bathroom and kitchen equipment and household electrical appliances so as to cater for the changing needs of China consumers.

In 2009, the Group makes new attempts on electrical kitchen appliances. Hangzhou AUPU Bo Lang Ni Bathroom & Kitchen Technology Co., Ltd., our Joint Venture company, has started to integrate environmental friendly stove product development, production and market launch. Currently, it has achieved certain sales. The integrated environmental friendly stoves emerged in 2004. Since the large manufacturers in China are mainly engaged in the production of updraught oil exhaust machine, the turnaround to the production of environmentally-friendly stove means to give up their existing benefits. The Directors consider that it is a better opportunity for the Company to tap into the electrical kitchen appliances market.

The Group has planned the future direction for its main products. AUPU will continue to focus on developing its Bathroom Master 3-in-1 (point), bathroom roof (surface) and bathroom component sets (space) businesses. As we provide more services on design and installation, the products will have higher value added in the future.

For the next few years, the Group will increase investment in product research and development focusing on energy-saving, flat and intelligent products so that the energy of the products can be recycled, improving the compatibility and integration of our products and our ceiling solutions and bringing convenience to the our consumers.

The Directors believe that strong product development capability is the key to success of household electrical appliance industry. The Group has maintained its market leading status in China bathroom master industry. It is important for us to increase the market share of other products sold under AUPU brand name. At present, the Group has obtained 144 approved and authorized technical patents of which 4 were invention patents and 33 were utility new model patents and 107 were appearance design patents. The approved and authorized high-tech patents protected our product edge and effectively set market entry barriers for peers.

Brand Name Management

The Directors consider that brand management is critical to the success of the Group. The Group put strong emphasis on AUPU's branding and promotion of the Group's corporate image and publicity which has become our important competitive advantage to help the Group to establish market leading position. AUPU debuted on the list of "China's 500 Most Influential Brands" in 2007, ranking No. 376 according to the World Brand Laboratory, representing 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. In 2009, the Group was ranked top ten in the kitchen and bathroom ceiling solutions industry under the Top 100 Kitchen and Bathroom Product Manufacturers List.

Design and Services

In recent stage, the Chinese government has made requirements to shift China's economic development so that the high-tech industry, green and environmental industry and modern service industry will become the focus of future development. The Group has also responded to the government's strategy by enhancing training and management on salesmen and after-sales service staff to provide a comprehensive solution to customers. We will focus on interaction with consumers during our product design process, thereby enhancing service in the selling process.

Sales and Marketing Network in China

As of 31 December 2009, the Group had 4,348 points of sale, 800 specialty stores, 6 branches and 14 marketing centers covering major cities and municipalities in 28 provinces and autonomous regions in China. The Group continued to strengthen and consolidate its sales and marketing network. AUPU has developed franchise agent operating model and increased the number of agents to 401 in 2009. Our franchise specialty stores have also increased to a total of 800, creating more opportunities for bathroom ceiling and overall integrated bathroom product display. Regarding expansion of marketing channels, the Group has made progress in 2009. Currently, among the six sales channels, under the influence of the government policies of encouraging purchasing household appliances in the rural areas and increasing rural spending power, the new sales channel in rural market has been opened in 2009 with sales approximately amounting to 290,000 units. The Directors believe that the agency franchise model will be more mature and AUPU's sales network in China will further expand in 2010.

Taxation arrangement

The Group has proactively applied for the title of provincial-level high-tech enterprise in order to obtain more favorable tax treatment. The year 2010 is the third year of Tax Holidays enjoyed by AUPU Technology. The Directors consider that high-tech enterprise identification, as well as 15% enterprise income tax preferential policy will be critical to the future development of the Group.

EXECUTIVE DIRECTORS

Mr. Fang James (方杰) ("Mr. Fang"), aged 46, is an executive Director and the chairman of the Company, and two wholly-owned subsidiaries of the Company, namely, 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, a director and substantial shareholder of the Company.

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) ("Mr. Fang"), aged 57, 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.

Mr. Chai Junqi (柴俊麒) ("Mr. Chai"), aged 59, is an executive Director and is responsible for research and development. He is also 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. Chai first joined the Group in 1994 and was 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 with effect from 5 February 2009. Mr. Chai holds a master's 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

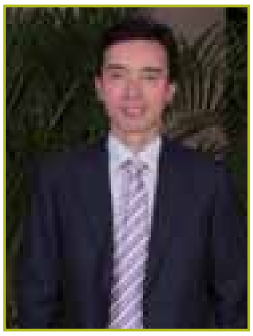
Mr. Lu Songkang (盧頌康) ("Mr. Lu"), aged 58, is a non-executive Director and is responsible for providing advice on financial matters of the Group. Mr. Lu is a member of the Audit Committee. He joined AUPU Electrical in August 1994 as an accountant of AUPU Electrical and was promoted to manager of the 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Lung (吳德龍) ("Mr. Wu"), aged 44, 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, Apollo Solar Energy Technology Holdings Limited (formerly known as "RBI Holdings Limited") and AKM Industrial Company Limited, all of which are listed on the Stock Exchange of Hong Kong Limited. Mr. Wu has worked in an international audit firm, Deloitte Touche Tohmatsu, for five years, and then served several listed companies in Hong Kong and had served as head of corporate finance, chief financial officer and executive director. Mr. Wu obtained a master's degree in Business Administration jointly awarded by the University of Manchester and the University of Wales in 2001. 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 a member of the Hong Kong Securities Institute and an associate 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) ("Mr. Cheng"), aged 47, is an independent non-executive Director. He is currently the president of Shenzhen OFC Investment Management Ltd. (深圳東方富海投資管理有限公司). Mr. Cheng graduated from Zhejiang University with a bachelor degree in Optical Instrumentation and Engineering in 1982 and obtained a master's degree in Engineering in 1989. Mr. Cheng has extensive experience in investment and corporate finance. Mr. Cheng is the vice chairman of Shenzhen Venture Capital Association (深圳創業投資同業公會副會長), vice chairman of Shenzhen Promotion Association of Small & Medium Enterprise (深圳中小企業促進會副會長), vice chairman of Shenzhen Financial Consultant Association (深圳金融顧問協會副會長) 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) ("Mr. Shen"), aged 42, 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 a listed company in the PRC, namely China Garments, Co., Ltd. (中國服裝股份有限公司). Mr. Shen was also 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

Mr. Leung Wah (梁華) ("Mr. Leung"), aged 45, 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.

Mr. Fan Yirun (范毅潤) ("Mr. Fan"), aged 48, 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.

Mr. Dai Changyin (戴昌銀) ("Mr. Dai"), aged 45, is the assistant to executive president 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

Mr. 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 2009 and the audited consolidated financial statements for the year ended 31 December 2009.

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 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 45. The Directors recommend the payment of a final dividend of RMB0.06 per share to the shareholders whose names appear on the Company's register of members on 10 May 2010.

OPERATING RESULT

The profit and total comprehensive income for the current year attributable to owners of the Company amounted to approximately RMB92,050,000, which represents an increase of 50.66% over that of approximately RMB61,098,000 for the year 2008. The increase is principally attributable to the increase in revenue from second tier cities.

MAJOR CUSTOMERS AND SUPPLIERS

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

In 2009, the Group's largest supplier accounted for 33.45% (2008: 25.61%) and the 5 largest suppliers combined accounted for 57.09% (2008: 48.66%) 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 2009 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

Neither of the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year. Details of movements of share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had a profit in the amount of RMB8,216,036 for the year ended 31 December 2009 and has an accumulated losses of RMB61,195,495 as at 31 December 2009 and no other reserves were available for distribution to shareholders as at 31 December 2009. 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 2010.

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 (Resigned on 8 May 2009)
Mr. Chai Junqui (re-designated as an executive Director on 5 February 2009)

Non-executive Directors
Mr. Lu Songkang
Mr. Shi Minglei (Resigned on 8 May 2009)

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. Fang James, Mr. Chai Junqi and Mr. Wu Tak Lung 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 new 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 2009, 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.

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 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. Interests in the Company and associated corporations

Name of director	Company/name of associated company	Capacity	Number of issued ordinary shares of the Company/associated company 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. Sun Lijun (Note 2)	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.

2. Resigned at the general meeting held on 8 May 2009, and all his related options were lapsed.

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 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 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 2009, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 13,350,000, representing 1.88% 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, 1,400,000 of which has lapsed. Details of the options granted to the Directors as at 31 December 2009 are set out in the section headed "Directors' and Chief Executives' interests and Short Positions".

As at 31 December 2009, 13,350,000 (2008: 16,850,000) share options granted to eligible Directors and employees of the Group were still outstanding and details are as follows:

Name or category of participant	Exercise price (HK$)	Maximum number of shares that may be subscribed under share options: Outstanding as at 1 January 2009	Exercised in 2009	Cancelled or lapsed in 2009	Outstanding as at 31 December 2009	Percentage of total issued share capital	Vesting period	Notes
Directors								
Sun Lijun (Resigned on 8 May 2009)	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	2,800,000	0	600,000	2,200,000	0.31%	8/6/2008–15/3/2017	1,4,7,8
Other employees in aggregate for Second Batch Share Options	3.11	6,250,000	0	500,000	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	5,900,000	0	1,000,000	4,900,000	0.69%	3/1/2008–2/1/2017	3,6,7,8
Total		16,850,000	0	3,500,000	13,350,000	1.88%		

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 2009, none of these share options were exercised or cancelled. An aggregate 6.2 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 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 31 December 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.

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 2009.

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 2009 to 31 December 2009.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.06 per share for the year ended 31 December 2009 to shareholders whose names appear on the register of members of the Company on 10 May 2010. The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 10 May 2010 and will be payable on or before 1 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 7 May 2010 to 10 May 2010 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 6 May 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 year ended 31 December 2009.

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 2009 have been reviewed by the audit committee of the Company. 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 one non-executive director, Mr Lu Songkang.

USE OF PROCEEDS FROM THE NEW SHARE ISSUE

As at 31 December 2009, the Group had utilised all the proceeds from the new share issue, which is approximately RMB231.8 million, for the construction of new production plants (including the acquisition of a piece of land for new production plant) in the amount of approximately RMB117 million, product research and development in the amount of RMB15 million, advertising & promotion in the amount of approximately RMB98 million and installation & implementation of the new ERP system in the amount of approximately RMB6 million.

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
AUPU Group Holding Company Limited
Fang James
Chairman

Hong Kong, 25 March 2010

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 as its Chief Financial Officer 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 which directly reports to the Audit Committee of the Board has followed and analyzed the specific progress of the reforms being carried out in various departments. The internal audit division of the Group will select various parts of the management process during different periods of time and 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.

FUNCTIONS OF THE BOARD

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 a Chief Executive Officer.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors is appointed for a fixed term, of which the appointment of Mr. Lu Songkang and Mr. Chai Junqui commenced from 14 July 2006 with specific terms of three years Mr. Lu Song Kang was re-appointed for a term of three years on 14 July 2009. 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 which resigned on 8 May 2009. Each of the independent non-executive Directors is appointed for a fixed term of three years commencing from 16 November 2006, and is re-appointed for a term of three years on 16 November 2009.

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 judgment. 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 judgment.

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 a 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

Six meetings of the Board of Directors were held on 5 February 2009, 25 March 2009, 8 May 2009, 1 September 2009, 14 October 2009 and 21 December 2009 during the period from 1 January 2009 to 31 December 2009. The meeting held on 1 December 2009 was an on-site meeting while the other ones were conducted by telephone conferences. The attendance of each Director is as follows:

Name of Directors	Full Meeting of the Board of Directors	Remuneration Committee of the Board of Directors	Audit Committee of the Board of Directors
	No. of Attendance/ No. of Meetings	No. of Attendance/ No. of Meetings	No. of Attendance/ No. of Meetings
Fang James *(Chairman and Executive Director)*	6/6	N/A	N/A
Fang Shengkang *(President and Executive Director)*	6/6	1/1	N/A
Lu Songkang *(Non-Executive Director)*	6/6	N/A	2/2
Chai Junqi *(Executive Director)*	6/6	N/A	N/A
Wu Tak Lung *(Independent Non-Executive Director)*	6/6	1/1	2/2
Cheng Houbo *(Independent Non-Executive Director)*	6/6	0/1	1/2
Shen Jianlin *(Independent Non-Executive Director)*	6/6	1/1	2/2
Sun Lijun *(resigned as the Executive Director on 8 May 2009)*	3/3	N/A	N/A
Shi Minglei *(resigned as the Non-Executive Director on 8 May 2009)*	3/3	N/A	N/A

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 for the appointment 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 the Audit Committee were held on 25 March 2009 and 1 September 2009 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.

At the meeting on 25 March 2010, the Audit Committee concluded that the Group's internal control system was effective and adequate, and that the Group had adopted the necessary control mechanisms to monitor and rectify non-compliance throughout 2009. The Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

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 25 March 2009 during the reporting period and reviewed the remuneration policy of 2008 and planned the remuneration policy of 2009.

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 RMB1,280,000 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 Companies 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 RELATIONSHIP 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; and

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 45 to 89, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, in accordance with our agreed terms of engagement 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 2009 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 2010

	NOTES	2009 RMB'000	2008 RMB'000
Revenue	5	**541,505**	528,006
Cost of sales		**(276,368)**	(243,343)
Gross profit		**265,137**	284,663
Other income		**19,446**	19,618
Selling and distribution expenses		**(122,340)**	(164,572)
Administrative expenses		**(35,032)**	(47,799)
Other expenses		**(9,797)**	(12,410)
Finance costs		**(972)**	(27)
Share of loss of an associate		**(459)**	-
Profit before tax	7	**115,983**	79,473
Income tax expenses	8	**(23,933)**	(18,375)
Profit and total comprehensive income for the year attributable to owners of the Company		**92,050**	61,098
		RMB	RMB
Earnings per share			
– basic	10	**0.13**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	12	**173,540**	167,838
Prepaid lease payments	13	**16,877**	17,342
Interest in an associate	14	**4,341**	-
Deferred tax assets	15	**12,961**	11,359
		207,719	196,539
Current assets			
Prepaid lease payments	13	**532**	530
Inventories	16	**32,940**	49,352
Trade and other receivables	17	**52,092**	56,610
Time deposits	18	**216,000**	184,464
Pledged bank deposits	18	**-**	10,862
Bank balances and cash	18	**90,492**	24,649
		392,056	326,467
Current liabilities			
Trade and other payables	19	**134,361**	105,149
Amount due to an associate	30	**1,895**	-
Income tax liabilities		**17,158**	7,193
Other tax liabilities	20	**13,014**	5,247
Short-term bank loan	21	**-**	1,230
		166,428	118,819
Net current assets		**225,628**	207,648
Total assets less current liabilities		**433,347**	404,187
Capital and reserves			
Share capital	22	**71,860**	71,860
Reserves	23	**352,829**	328,136
Total equity attributable to owners of the Company		**424,689**	399,996
Non-current liability			
Deferred tax liability	15	**8,658**	4,191
		433,347	404,187

The consolidated financial statements on pages 45 to 89 were approved and authorised for issue by the board of directors on 25 March 2010 and are signed on its behalf by:

Fang James
Director

Fang Shengkang
Director

		Reserves						
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 23)	Statutory reserves RMB'000 (Note 23)	Share options reserve RMB'000 (Note 23)	Retained earnings RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2008	72,023	272,627	(73,274)	28,427	4,935	121,466	354,181	426,204
Profit and total comprehensive income for the year	–	–	–	–	–	61,098	61,098	61,098
Transfer	–	–	–	12,717	–	(12,717)	–	–
Purchase of own shares	(163)	(1,625)	–	–	–	–	(1,625)	(1,788)
Dividends paid (Note 9)	–	–	–	–	–	(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
Profit and total comprehensive income for the year	–	–	–	–	–	92,050	92,050	92,050
Transfer	–	–	–	8,624	–	(8,624)	–	–
Dividends paid (Note 9)	–	–	–	–	–	(70,900)	(70,900)	(70,900)
Recognition of equity-settled share-based payments	–	–	–	–	3,543	–	3,543	3,543
At 31 December 2009	**71,860**	**271,002**	**(73,274)**	**49,768**	**15,226**	**90,107**	**352,829**	**424,689**

for the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Operating activities		
Profit before tax	115,983	79,473
Adjustments for:		
Equity-settled share-based payments expenses	3,543	6,748
Depreciation of property, plant and equipment	9,059	4,845
Allowance for inventories obsolescence	971	856
Release of prepaid lease payments	530	583
Loss on disposal of property, plant and equipment	1,279	569
Finance costs	972	27
Share of loss of an associate	459	-
Interest income	(6,575)	(8,586)
Operating cash flows before movements in working capital	126,221	84,515
Decrease (Increase) in inventories	15,441	(7,577)
Decrease in trade and other receivables	54	22,866
Increase (Decrease) in trade and other payables	39,212	(25,220)
Increase (Decrease) in other tax liabilities	7,767	(8,553)
Cash generated from operations	188,695	66,031
Income taxes paid	(11,103)	(23,099)
Net cash from operating activities	177,592	42,932
Investing activities		
Interest received	11,039	4,122
Investment in an associate	(4,800)	-
Proceeds from disposal of property, plant and equipment	135	635
Purchases of property, plant and equipment	(26,242)	(96,769)
Prepaid lease payments made	-	(2,594)
Increase in time deposits	(31,536)	(180,000)
Decrease (Increase) in pledged bank deposits	10,862	(10,000)
Net cash used in investing activities	(40,542)	(284,606)
Financing activities		
Proceeds from short-term bank loans	148,000	1,230
Repayment of short-term bank loans	(149,230)	-
Advance from an associate	1,895	-
Dividends paid	(70,900)	(92,266)
Payment on repurchase of own shares	-	(1,788)
Finance costs	(972)	(27)
Net cash used in financing activities	(71,207)	(92,851)
Net increase (decrease) in cash and cash equivalents	65,843	(334,525)
Cash and cash equivalents at beginning of year	24,649	359,174
Cash and cash equivalents at end of year represented by bank balances and cash	90,492	24,649

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 of the annual report.

The Company is an investment holding company. The activities of its subsidiaries are disclosed in note 31.

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 new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB.

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 & IAS 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 a Foreign Operation
IFRIC 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements of IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6).

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. IAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of IAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in IAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

The Group has not early applied the following new and 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 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – 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 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

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.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new or revised Standards, Amendments and Interpretations will have no materials impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 statement of comprehensive income 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.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of future losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 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 on initial recognition.

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

Operating lease payments are recognised as an expense 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 separately 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 and amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recoginsed in profit or loss in the period in which they become receivable.

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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences associate with investments in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Research and development expenditure

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use of sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 listed above. 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 measured at cost less accumulated amortisation and accumulated impairment losses(if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production of good, or for administrative purposes (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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 profit or loss in the period in which the item is derecognised.

Impairment losses on non-current assets (other than deferred tax assets)

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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, but so 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

Financial assets

The Group's financial assets are classified into loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 on 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 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 to the net carrying amount on initial recognition.

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

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 or 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.

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 liabilities 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.

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, amount due to an associate 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, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 and the cumulative gain or loss that had been recognised in other comprehensive income 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.

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 the end of the reporting period, 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 continue to be held in share options reserve.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 2009 was RMB173,540,000 (2008: RMB167,838,000). The Group depreciates property, plant and equipment over their estimated useful lives, using the straight-line method commencing from the date they are 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.

Income tax expenses

Deferred tax assets of RMB12,961,000 (2008: RMB11,359,000) mainly relate to unrealised profits on inter-branch/company sales and other deductible temporary differences as set out in note 15. 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 the 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 end of the reporting period. In case the actual future profits generated are less than expected, a reversal of deferred tax assets would be recognised in the consolidated statement of comprehensive income for the year in which such a reversal takes place.

Inventories

Note 3 states 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 the 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 inventory counts are carried out on a periodical basis in order to determine whether allowance needs 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 future cash flows 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 discounts, if any, and net of value-added tax.

6. 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, the board of directors in order to allocate resources to segments and to assess 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 prior years, no segment information was presented as the directors of the Company considered the manufacturing and distribution of bathroom masters, exhaust fans and electrical appliances used in bathrooms and kitchens to be one division. The production facilities of such division are located in the People's Republic of China (the "PRC") and the products are mainly sold to markets in the PRC. In addition, more than 90% of the Group's assets and liabilities were located in the PRC and more than 90% of the sales were made in the PRC in prior years.

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

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

6. SEGMENT INFORMATION – continued

Segment revenues and results

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

For the year ended 31 December 2009

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Northeastern Region RMB'000	Sichuan RMB'000	Export RMB'000	Total RMB'000
Revenue									
External sales	191,678	74,447	82,183	61,964	54,161	34,272	38,106	4,694	541,505
Segment profit	86,074	45,561	34,008	39,644	23,800	15,107	19,334	1,609	265,137
Interest income									6,575
Other unallocated income									12,871
Unallocated expenses									(167,169)
Finance costs									(972)
Share of loss of an associate									(459)
Profit before tax									115,983

For the year ended 31 December 2008

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Northeastern Region RMB'000	Sichuan RMB'000	Export RMB'000	Total RMB'000
Revenue									
External sales	152,217	78,158	103,203	58,701	70,770	26,814	28,676	9,467	528,006
Segment profit	79,288	45,466	54,135	35,249	38,056	13,753	15,537	3,179	284,663
Interest income									8,586
Other unallocated income									11,032
Unallocated expenses									(224,781)
Finance cost									(27)
Profit before tax									79,473

6. SEGMENT INFORMATION – continued

Segment revenues and results – continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment without allocation of interest income, other income and expenses, selling and distribution expenses, administrative expenses, share of loss of an associate and finance costs. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

Assets and liabilities are not allocated to operating segments for the purposes of resource allocation and performance assessment.

The Group's non-current assets are substantially located in the PRC, the country of domicile of the Group.

Other segment information

Amounts included in the measure of segment profit or loss:

2009

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Northeastern Region RMB'000	Sichuan RMB'000	Export RMB'000	Total RMB'000
Depreciation	1,277	496	547	413	361	228	254	31	3,607

2008

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Northeastern Region RMB'000	Sichuan RMB'000	Export RMB'000	Total RMB'000
Depreciation	137	71	93	53	64	24	26	9	477

6. SEGMENT INFORMATION – continued

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2009 RMB'000	2008 RMB'000
Bathroom masters	**371,289**	366,609
Bathroom roofs	**151,481**	140,839
Others	**18,735**	20,558
	541,505	528,006

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 RMB'000	2008 RMB'000
Customer A		
(Revenue from all operating segments except export)	**60,020**	68,312

7. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	2009 RMB'000	2008 RMB'000
After charging:		
Staff costs, including directors' remuneration (note 11)		
– salaries, wages and other benefits	**39,398**	45,750
– retirement benefit scheme contributions (note 27)	**2,983**	4,761
– equity-settled share-based payments (note 24)	**3,543**	6,748
Total staff costs	**45,924**	57,259
Cost of inventories recognised as an expense (note a)	**276,368**	242,866
Research and development expenditure	**5,127**	3,100
Depreciation of property, plant and equipment	**9,059**	4,845
Net foreign exchange loss	**105**	2,421
Auditors' remuneration	**1,280**	1,950
Release of prepaid lease payments	**530**	583
Loss on disposal of property, plant and equipment	**1,279**	569
After crediting:		
Interest income	**6,575**	8,586
Government grants (note b)	**5,368**	3,236

Note:

(a) Allowance for inventories obsolescence amounted to RMB 971,000 (2008: RMB 856,000) has been recognised in the current year and included in cost of sales.

(b) Government grants mainly represent subsidies received from local authorities in accordance with the relevant rules and regulations.

8. INCOME TAX EXPENSES

	2009 RMB'000	2008 RMB'000
The charge (credit) comprises:		
Current tax	21,068	15,045
Deferred tax (note 15)		
– current year	2,865	3,334
– attributable to a change in tax rate	–	(4)
	23,933	18,375

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 both years.

PRC enterprise income tax is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the subsidiaries of the Group, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology") is entitled to exemption from PRC income tax for two years starting from its first profit making year, followed by a 50% reduction for the next three years ("Tax Holidays"). The Tax Holidays will expire in 2010.

The EIT Law provides a five year transition period from its effective date for those enterprises which were established before the promulgation date of the EIT Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. 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.

In accordance with 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 PRC 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 PRC company, a 5% dividend withholding tax rate is applicable. A provision for such withholding income tax has been made on the profits arisen during both years from the PRC subsidiaries, which are available for distribution to Tricosco Limited, a Hong Kong subsidiary of the Group.

8. INCOME TAX EXPENSES – continued

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

	2009 RMB'000	2009 %	2008 RMB'000	2008 %
Profit before tax	**115,983**		79,473	
Tax at the domestic income tax rate of 25% (2008:25%)	**28,996**	**25.00**	19,868	25.00
Tax effect of expenses not deductible for tax purpose	**2,274**	**1.96**	4,150	5.22
Tax concession of a subsidiary	**(11,919)**	**(10.28)**	(9,830)	(12.37)
Withholding tax on undistributed retained earnings of PRC subsidiaries (note 15)	**4,467**	**3.85**	4,191	5.28
Tax effect of share of loss of an associate	**115**	**0.10**	–	–
Effect on deferred tax balances due to the change in income tax rate	**–**	**–**	(4)	(0.01)
Tax charge and effective tax rate for the year	**23,933**	**20.63**	18,375	23.12

9. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Dividends recognised as distribution during the year:		
2009 Interim-RMB0.05 (2008: 2008 interim dividend RMB0.07) per share	**35,450**	49,630
2008 Final-RMB0.05 (2008: 2007 final dividend RMB0.06) per share	**35,450**	42,636
	70,900	92,266

The final dividend of RMB0.06 in respect of the year ended 31 December 2009 (2008: final dividend of RMB0.05 in respect of the year ended 31 December 2008) per share has been 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 owners of the Company is based on the following data:

	2009 **RMB'000**	2008 RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**92,050**	61,098

	Number of ordinary shares **2009**	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	**709,000,000**	709,732,603

Diluted earnings per share

Diluted earnings per share has not been presented for both 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 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 2009

	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	1,060	–	–	1,060
Fang Shengkang	1,060	12	–	1,072
Chai Junqi (Note1)	706	–	–	706
Sun Lijun (Note2)	28	–	65	93
	2,854	12	65	2,931
Non-executive directors:				
Lu Songkang	90	11	–	101
Shi Minglei (Note2)	–	–	–	–
	90	11	–	101
Independent non-executive directors:				
Cheng Houbo	40	–	16	56
Shen Jianlin	40	–	16	56
Wu Tak Lung	88	–	33	121
	168	–	65	233
	3,112	23	130	3,265

Note1: Chai Junqi was redesignated as executive director on 5 February 2009.

Note2: Sun Lijun and Shi Minglei resigned on 8 May 2009.

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

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 appointed as non-executive director on 7 January 2008.

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

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

	2009 RMB'000	2008 RMB'000
Basic salaries and allowances	1,350	1,364
Directors' bonus (note)	1,848	–
Retirement benefit contributions	34	28
Equity-settled share-based payments	212	697
	3,444	2,089
Of the five highest paid individuals there were:		
– Directors	3	3
– Employees	2	2
	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 HKD1,000,000.

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

	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 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
COST						
At 1 January 2009	**44,970**	**6,500**	**9,718**	**14,888**	**115,598**	**191,674**
Additions	**178**	**860**	**395**	**1,282**	**13,527**	**16,242**
Disposals	**–**	**(836)**	**(1,758)**	**(1,088)**		**(3,682)**
Transfers	**95,145**	**–**	**–**	**–**	**(95,145)**	**–**
Transfers to prepaid lease payments	**–**	**–**	**–**	**–**	**(67)**	**(67)**
At 31 December 2009	**140,293**	**6,524**	**8,355**	**15,082**	**33,913**	**204,167**
ACCUMULATED DEPRECIATION						
At 1 January 2009	**8,786**	**2,049**	**5,234**	**7,767**	**–**	**23,836**
Charge for the year	**4,910**	**574**	**1,270**	**2,305**	**–**	**9,059**
Eliminated on disposals	**–**	**(317)**	**(1,186)**	**(765)**	**–**	**(2,268)**
At 31 December 2009	**13,696**	**2,306**	**5,318**	**9,307**	**–**	**30,627**
CARRYING AMOUNT						
At 31 December 2009	**126,597**	**4,218**	**3,037**	**5,775**	**33,913**	**173,540**

12. PROPERTY, PLANT AND EQUIPMENT-CONTINUED – continued

The above items of property, plant and equipment other than properties under construction are depreciated on a straight-line basis at the following rates:

Buildings	Lesser of lease term or 20 years
Machinery	10 years
Motor vehicles	5 years
Fixtures and equipment	5 years

13. PREPAID LEASE PAYMENTS

	2009 RMB'000	2008 RMB'000
Analysed for reporting purposes as:		
Non-current portion	**16,877**	17,342
Current portion	**532**	530
	17,409	17,872

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. INTEREST IN AN ASSOCIATE

	2009 RMB'000	2008 RMB'000
Cost of unlisted investment in an associate	4,800	–
Share of post-acquisition losses	(459)	–
	4,341	–

As at 31 December 2009, the Group had interest in the following associate:

Name	Place and date of establishment	Proportion of ownership interest	Registered capital RMB	Principal activity
Hangzhou Aupu Broni Kitchen&Bath Co., Ltd 杭州奧普博朗尼厨衛科技有限公司	Hangzhou, PRC 2 November 2009	40%	30,000,000	Manufacture and distribution of electrical kitchen appliances and equipment

The summarised financial information in respect of the Group's associate is set out below:

	2009 RMB'000
Total assets	16,824
Total liabilities	(5,972)
Net assets	10,852
Group's share of the associate's net assets	4,341
Revenue	1,451
Loss for the year	(1,148)
Group's share of the associate's loss for the year	(459)

15. DEFERRED TAX ASSETS AND LIABILITIES

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

	Unrealised profits on inventory RMB'000	Other deductible temporary differences RMB'000	Withholding tax on undistributed retained earnings of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2008	6,456	4,042	–	10,498
(Charge) credit to profit or loss (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
(Charge) credit to profit or loss (note 8)	(2,455)	4,057	(4,467)	(2,865)
At 31 December 2009	**3,919**	**9,042**	**(8,658)**	**4,303**

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

	2009 RMB'000	2008 RMB'000
Deferred tax assets	**12,961**	11,359
Deferred tax liabilities	**(8,658)**	(4,191)
	4,303	7,168

Unrealised profits on inventories mainly represent unrealised profits on inter-branch/company sales. Other deductible temporary differences relate to temporary differences on certain accrued charges.

16. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**6,375**	7,353
Finished goods	**26,565**	41,999
	32,940	49,352

17. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables analysed by age:		
Within 90 days	**42,686**	44,242
91 – 180 days	**2,619**	2,944
181 – 365 days	**1,159**	913
Over 365 days	**721**	149
Total trade receivables	**47,185**	48,248
Other receivables, deposits and prepayments	**4,907**	8,362
	52,092	56,610

As at 31 December 2008, the Group factored one note receivable amounting to RMB1,230,000 to a bank with full recourse. The note receivable was fully settled in February 2009. Details of the transaction are set out in note 21.

The average credit period granted on sales of goods ranges from 0 to 90 days. No interest is charged on overdue trade receivables. The Group provides allowance for doubtful debts on a case-by-case basis. 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 end of the reporting period.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB4,499,000 (2008: RMB4,006,000) which are past due as at the end of the reporting period 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 2009 and 2008.

Trade receivables amounting to RMB 374,000 (2008: RMB949,000) were denominated in United States Dollar (see note 29) which is not the functional currency of the respective entities.

18. OTHER FINANCIAL ASSETS

Time deposits

The time deposits are denominated in RMB, with an initial term of six to twelve months. The deposits carry fixed interest ranging from 1.98% to 4.14% per annum (2008: 3.78% to 4.14% per annum).

Pledged bank deposits

As at 31 December 2008, two bank deposits of RMB10,000,000 and RMB862,000 respectively were pledged to banks to secure notes payable facilities and for the acquisition of property, plant and equipment which carried interest rate of 4.14% and 0.36% per annum, respectively. Both deposits were 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 interest ranging from 0.36% to 1.71% per annum (2008: 0.36% to 0.72% per annum). The carrying amount of these assets approximates to their fair value.

Bank balances amounting to RMB 3,490,000 and RMB 581,000 (2008: RMB7,389,000 and RMB586,000) were denominated in Hong Kong Dollar and United States Dollar, respectively (see note 29), which are not the functional currencies of the respective entities.

Bank balances and cash of RMB302,421,000 (2008: RMB196,674,000) were 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.

19. 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.

	2009 RMB'000	2008 RMB'000
Trade payable analysed by age:		
Within 90 days	**49,823**	10,340
91 – 180 days	**1,061**	1,538
181 – 365 days	**485**	951
Over 365 days	**1,454**	644
Total trade payables	**52,823**	13,473
Retention sum due to suppliers	**12,796**	13,801
Notes payable (within 90 days)	**–**	10,000
Advances from customers	**12,020**	17,883
Payable for the acquisition of property, plant and equipment	**–**	10,000
Sales commission accruals	**17,992**	10,988
Other accruals	**38,730**	29,004
	134,361	105,149

Other accruals and advances from customers amounting to RMB 2,737,000 and RMB 945,000 (2008: RMB2,417,000 and RMB924,000) were denominated in Hong Kong Dollar and United States Dollar, respectively (see note 29), which are not the functional currencies of the respective entities.

20. OTHER TAX LIABILITIES

	2009 RMB'000	2008 RMB'000
Value added tax	**12,859**	4,991
Others	**155**	256
	13,014	5,247

21. SHORT-TERM BANK LOAN

	2009 RMB'000	2008 RMB'000
Secured short-term bank loan	–	1,230

During the year ended 31 December 2008, the Group factored one note receivable of RMB1,230,000 to a bank with full recourse. The finance charge in relation to the factorisation of the note receivable was borne by the debtor of the 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.

22. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2009 and 2008	5,000,000,000	500,000

	Number of shares	Amounts HK$'000
Issued and fully paid:		
At 1 January 2008	710,600,000	72,023
Shares repurchased and cancelled	(1,600,000)	(163)
At 31 December 2008 and 2009	709,000,000	71,860

During 2008, the Company repurchased 1,600,000 of its own shares through The Stock Exchange of Hong Kong Limited at HK$1.1 each. These 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.

23. RESERVES

Special reserve

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company underwent a group reorganisation (the "Group Reorganisation") on 1 September 2006 pursuant to which the Company became the holding company of its 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 Hangzhou Aupu Electrical Appliances Co., Ltd. ("AUPU Electrical") and AUPU Technology, both entities are required to make appropriation from profit after taxation as reported in their PRC statutory financial statements to reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of their respective registered capital.

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

AUPU Technology has adopted a rate of 10% for the contributions to the reserve fund based on its net profit for the years ended 31 December 2009 and 2008 as reported in its 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.

24. 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 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 13,350,000 (2008: 16,850,000), representing approximately 1.9% (2008: 2.4%) 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 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

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 anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

24. SHARE-BASED PAYMENT TRANSACTIONS – continued

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2009 and 2008:

Option type	Outstanding at 01/01/2009 RMB'000	Granted during the year RMB'000	Forfeited during the year RMB'000	Outstanding at 31/12/2009 RMB'000
2007A	3,800,000	–	1,300,000	2,500,000
2007B	6,250,000	–	500,000	5,750,000
2008A	6,800,000	–	1,700,000	5,100,000
	16,850,000	–	3,500,000	13,350,000
Exercisable at the end of the year				5,340,000

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

The fair value of the share options granted during 2008 was RMB4,771,000. Options were priced using a binomial option pricing model. The value of an option varies with different variables of certain subjective assumptions. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. 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.

24. SHARE-BASED PAYMENT TRANSACTIONS – continued

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

No share options granted under the scheme were exercised during both years.

The Group recognised an expense of RMB3,543,000 for the year ended 31 December 2009 (2008: RMB6,748,000) in relation to the share options granted by the Company.

25. OPERATING LEASE COMMITMENTS

	2009 RMB'000	2008 RMB'000
Minimum lease payments under operating leases recognised in the consolidated statement of comprehensive income for the year	**3,517**	6,231

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**1,240**	2,187
In the second to fifth year inclusive	**914**	1,906
	2,154	4,093

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

26. CAPITAL COMMITMENT

	2009 RMB'000	2008 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**4,863**	14,445

27. RETIREMENT BENEFIT SCHEME

	2009 RMB'000	2008 RMB'000
Retirement benefit scheme contributions	**2,983**	4,761

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.

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 members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the respective employees.

As at 31 December 2009, contributions of approximately RMB58,000 (2008: RMB19,000) due in respect of the reporting year had not been paid over to the schemes.

28. 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 owners of the Company, comprising issued share capital and reserves including retained earnings.

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 issues and share repurchases.

29. FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, time deposits, bank balances and cash, short-term bank loan, amount due to an associate and trade and other payables. Details of these financial instruments are disclosed in the 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.

Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**355,183**	269,705
Financial liabilities		
Liabilities measured at amortised costs	**73,618**	55,960

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 end of the reporting period are as follows:

	Assets		Liabilities	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
USD	**955**	1,535	**945**	924
HKD	**3,490**	7,389	**2,737**	2,417

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.

29. FINANCIAL INSTRUMENTS – continued

Foreign currency risk

Sensitivity analysis

The sensitivity analysis details the Group's sensitivity to a 5% (2008:5%) 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 strengthened/weakened 5% against HKD and USD, the Group's post-tax profit for the year ended 31 December 2009 would have been decreased/increased by RMB30,000 (2008: decreased/increased by RMB215,000).

Interest rate risk management

The Group's cash flow interest rate risk relates primarily to floating-rate interest bearing bank balances recognised in the statement of financial position. 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.

No sensitivity analysis has been presented as the directors of the Company consider the Group's exposure to interest rate risk at the end of the reporting period to be insignificant.

Credit risk management

The Group's principal financial assets are trade receivables, time deposits 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.

29. FINANCIAL INSTRUMENTS – continued

The Group has concentration of credit risk as 18% (2008: 22%) of the total trade receivables was due from the Group's largest customer.

The credit risk on bank balances and time deposits 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 an adequate level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment term

	Less than 6 months RMB'000	**6 months to 1 year** RMB'000	**Total** RMB'000
Financial liabilities			
Non-interest bearing			
31 December 2008			
Trade and other payables	53,135	1,595	54,730
Short-term bank loan (note 21)	1,230	–	1,230
	54,365	1,595	55,960
31 December 2009			
Trade and other payables	71,723	–	71,723
Amount due to an associate	1,895	–	1,895
	73,618	–	73,618

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.

30. RELATED PARTY TRANSACTIONS

(a) The following balance was outstanding at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Amount due to an associate	**1,895**	–

The balance is interest free and payable on demand.

During the year, the Group entered into the following transactions with an associate:

	2009 RMB'000	2008 RMB'000
Trade sales to an associate	**251**	–

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

	2009 RMB'000	2008 RMB'000
Short-term employee benefits	**3,484**	1,652
Post-employment benefits	**47**	38
Share-based payments	**342**	833
	3,873	2,523

31. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2009 and 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 Direct	Indirect	Principal activities
Ableby Worldwide Limited 藝寶環球有限公司	The British Virgin Islands 18 May 2006	Ordinary shares US$1	100%	–	Investment holding
Tricosco Limited	Hong Kong 20 June 2006	Ordinary shares HK$1	–	100%	Investment holding
Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. 杭州奥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. 杭州奥普電器有限公司 ("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				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Results					
Revenue	336,513	448,209	606,750	528,006	**541,505**
Income tax expenses	(21,691)	(13,954)	(16,211)	(18,375)	**(23,933)**
Profit attributable to owners of the Company	55,287	83,650	103,554	61,098	**92,050**
Dividends and distribution paid	16,456	54,000	56,848	92,266	**70,900**

	As at 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Assets and Liabilities					
Total assets	171,990	456,817	575,620	523,006	**599,775**
Total liabilities	(65,678)	(82,254)	(149,416)	(123,010)	**(175,086)**
Shareholders' funds	106,312	374,563	426,204	399,996	**424,689**

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 2005 and 2006 have been prepared on a combined basis as if the current group structure had been in existence throughout those years.