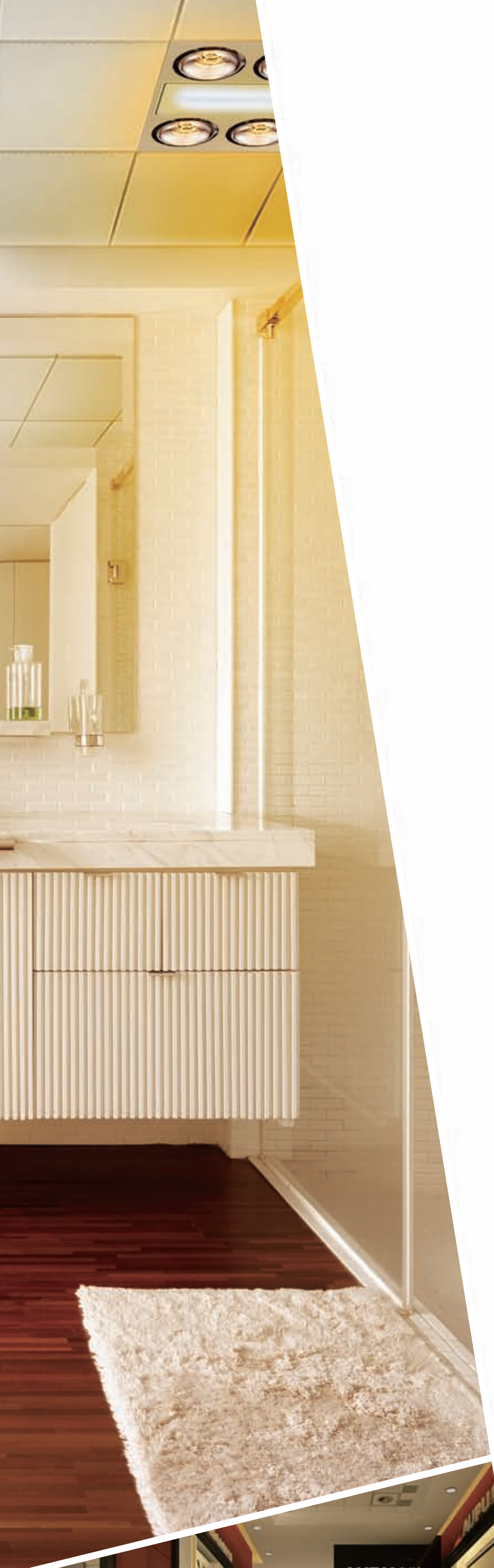
2011
ANNUAL REPORT

AUPU

AUPU GROUP HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands as an exempted company with limited liability)
(Stock Code: 00477)



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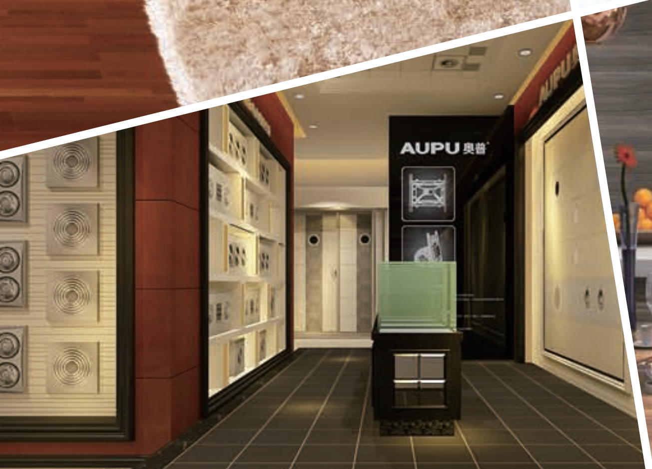

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Fang James (方杰) *(Chairman)*
Fang Shengkang (方勝康)
Chai Junqi (柴俊麒) (resigned on 26 August 2011)
Li Ruishan (李瑞山) (appointed on 26 August 2011)
Lin Xiaofeng (林曉峰) (appointed on 26 August 2011)

Non-executive Director

Lu Songkang (盧頌康)

Independent Non-executive Directors

Wu Tak Lung (吳德龍)
Shen Jianlin (沈建林)
Cheng Houbo (程厚博)

MEMBERS OF THE AUDIT COMMITTEE

Wu Tak Lung *(Chairman)*
Cheng Houbo
Shen Jianlin
Lu Songkang

MEMBERS OF THE REMUNERATION COMMITTEE

Fang Shengkang *(Chairman)*
Wu Tak Lung
Cheng Houbo
Shen Jianlin

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

COMPANY SECRETARY

Leung Wah（梁華）(resigned on 1 August 2011)
Chan Ka Fat（陳家發）(appointed on 1 August 2011)

AUTHORISED REPRESENTATIVES

Fang James
Fang Shengkang

STOCK CODE

00477

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 210, 21st Street
Xiasha Economic & Technological Development Zone
Hangzhou
Zhejiang Province
The People's Republic of China (the "**PRC**")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Bankers

China CITIC Bank
Hangzhou Tianshui Branch
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Hangzhou City
Zhejiang Province
The PRC

Agricultural Bank of China
Wensan Road Branch
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Hangzhou City
Zhejiang Province
The PRC

Industrial and Commercial Bank of China (Asia) Limited
34/F, ICBC Tower
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Central
Hong Kong

Bank of Communications
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Xiasha Economic & Technological Development Zone
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Company Lawyers

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The Landmark
15 Queen's Road Central
Central
Hong Kong

As to Cayman Islands Law
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Grand Cayman KY1-1111
Cayman Islands

As to PRC Law
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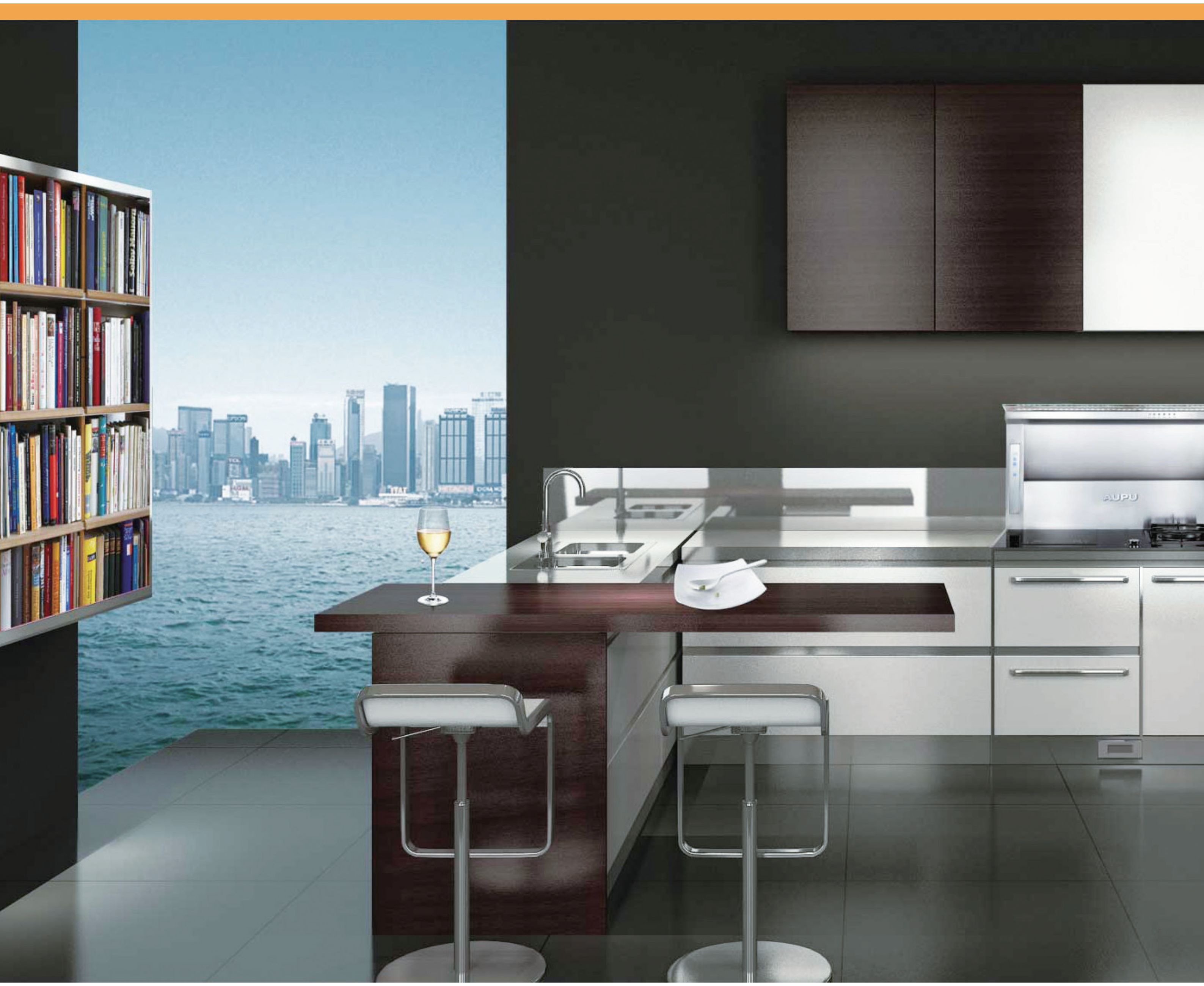
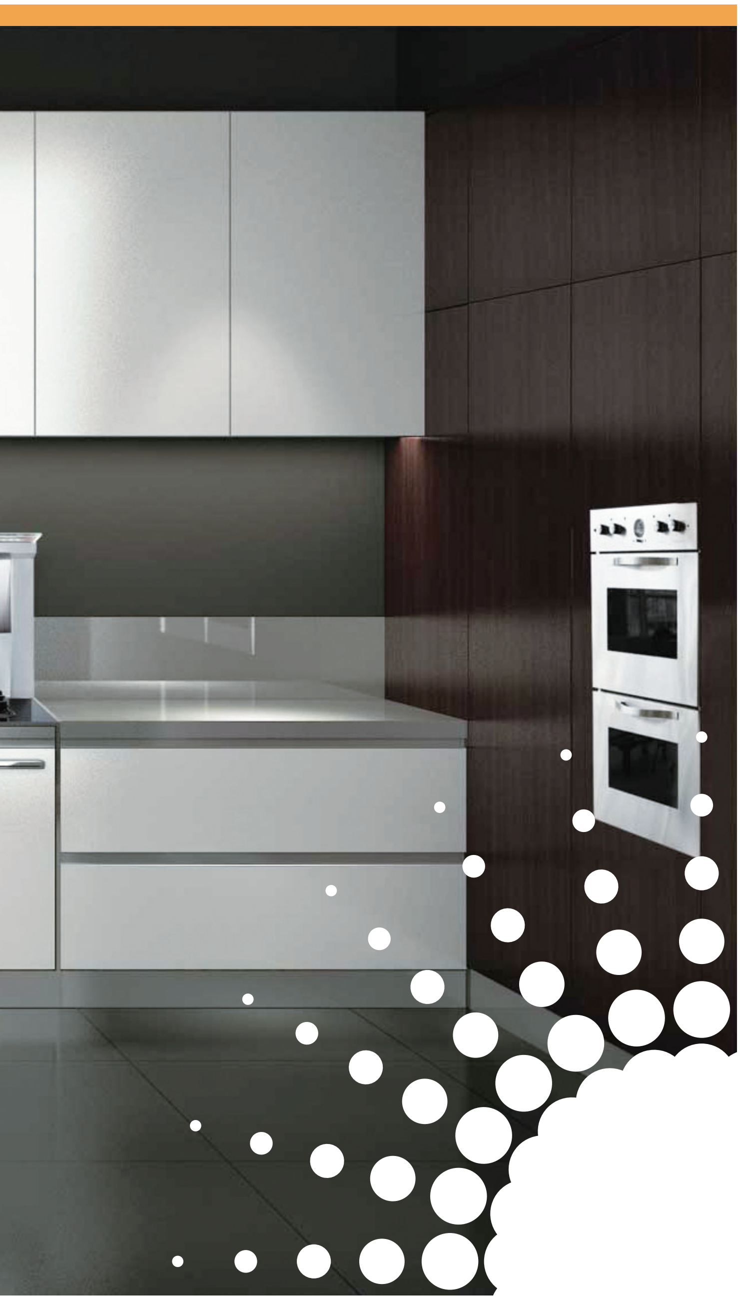
Anno Domini Mansion
No. 8 Qiushi Road
Hangzhou City
Zhejiang Province
The PRC

Website

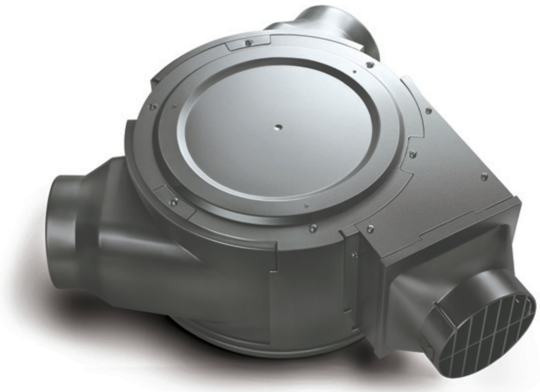
www.aupu.cn

CHAIRMAN'S STATEMENT





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 2011, and expressed my heartfelt gratitude on behalf of the Board to the shareholders and everyone for their care for the development of the Group.



The year 2011 was a challenging year. Faced with economic volatility worldwide, coupled with the austerity measures imposed by the government of the People's Republic of China (the "PRC") on the real estate market in China and the corresponding negative impact on the overall housing decoration sector, the Group was under tremendous pressure and put to the test. Through integrating internal and external resources, positioning its mid-to-high end products and promoting its new marketing strategy, the Group endeavoured to achieve a turnaround and was able to record growth in sales. However, as a result of the growth of the labour cost, as well as the increase of the effective income tax rate, the Group's profitability decreased as compared to 2010.

Financial Review

Turnover of the Group for the year ended 31 December 2011 was approximately RMB537,989,000, representing an increase of 2.6 % when compared with the corresponding period of the previous year. Profit attributable to equity holders was approximately RMB72,988,000, representing a decrease of 8% when compared with that of last year. Basic earnings per share were approximately RMB0.07. The Board recommended the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2011. The Group's financial position remained healthy and stable. As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately RMB283,529,000. We have sufficient cash flow generated from our operation. Inventory of the Group was still controlled at a relatively low level of RMB43,634,000, which was 3.72% lower when compared with RMB42,071,000 in 2010. Trade receivables amounted to approximately RMB81,812,000 and the turnover ratio was 35 days. Our financial quality has been maintained at a relatively high level standard.

Business Review

As at 31 December 2011, the Group had 13 branches and 17 offices in China, covering the major cities and municipalities China; as well as 484 franchise agents. The Group completed the integration of agents in markets above prefecture-level, implemented agent classification system, and improved the assessment system for regional market development. The Group had a total of 6,039 points of sale, of which 650 are specialty stores and 44 are Kitchen & Sanitary Lifestyle Stores (奧普廚衛生活館). Brand building is essential to developing traditional KA end-user channel and consolidating the image of AUPU brand name in core markets. In 2011, the Group also made substantial achievements in e-channel expansion and mainly connected the three major B2C platforms, 360buy, Taobao and Egou. In addition, the Group optimized the network agent mandate, established network distribution mechanism and allocated more resources to network customers.

On 1 September 2011, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., a wholly-owned subsidiary of the Group, was granted the "Most Promising Chinese Household Appliance Brand 2011" by China Household Electric Appliance Research Institute at the seventh "China Household Appliance Innovation Award". This is another award received by the Group following the "Technology Innovation Award" granted at the "China Household Appliance Innovation Award 2010" for its "奧芯" products.

Outlook

Since the beginning of 2012, the monetary policies and real estate control policies issued by the PRC government have been favourable to the home buyers where the demand for property purchase is rigid. These buyers will remain the major target customers of the Company. Real estate and ancillary sectors in the mid-to-long term will continue to see much growth potential. The Group strongly believes that, through its strong technology expertise and product channel network, continuous upgrade of high quality energy-saving and intelligent products, and enhanced corporate brand equity, the Group's industry leading position can be consolidated. The Group can also maintain sound development with a healthy and sound cash flow and financial position.

The Group will continue to focus on greening and energy saving in response to the state's call for a low-carbon built environment by developing energy-saving and intelligent products. The Group mainly promotes its new heat saving products where energy consumption is reduced because the heat is recycled in a loop as temperature of the product increases, thereby improving the compatibility and integration of our products and our ceiling solutions, whilst bringing convenience to our product users.

As at 31 December 2011, we have established 44 "AUPU Kitchen & Sanitary Lifestyle Stores" (奧普廚衛生活館) in mainland China. In 2012, the Group will continue to implement the concept of "AUPU Kitchen & Sanitary Lifestyle Stores" (奧普廚衛生活館) as product revamp, restructuring and upgrade initiatives, integrating sanitary & bathroom product mix and kitchen & electrical product mix into the concept of "AUPU Kitchen & Sanitary Lifestyle Stores" (奧普廚衛生活館), and gradually position AUPU brand name as a professional warm sanitary & bathroom plus healthy kitchen solution provider.

Looking into 2012, the Group will focus on product upgrade and brand building in its sales and marketing proposals to strengthen AUPU's image and position as the industry leader. Through regulating the market pricing system and accelerating the channel development in untapped markets, the Group plans to establish nationwide flagship stores in key cities and core markets. The Group also integrates internal and external resources and enhances AUPU's pre-sales and in-sales services to drive more sales.

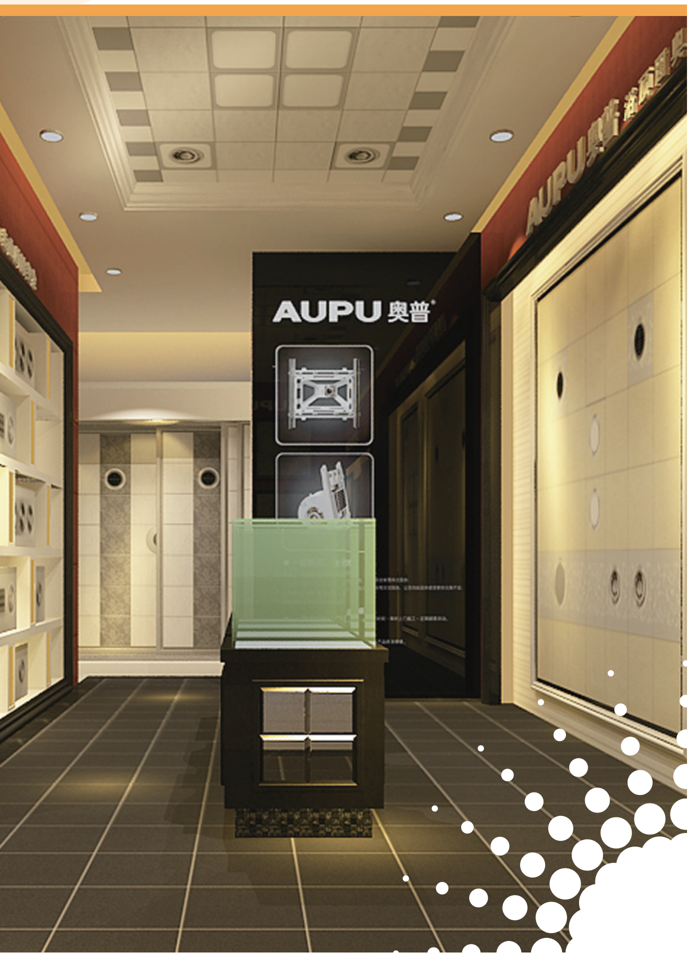
Appreciation

Last but not least, on behalf of the Board, I would like to take this opportunity to express my gratitude to the management and the staff for their valuable contribution and dedicated services over the past year. I would also like to extend my deepest appreciation to the Group's shareholders and business partners for their unwavering support. We will endeavor to maintain business growth and adhere to the policy of distributing no less than 35% of the Company's net profit as dividends every year so as to generate attractive returns to our shareholders.

By order of the Board
Fang James
Chairman

Hong Kong, the PRC,
20 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS



Business and Finance Review

Revenue

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

Information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment focuses more specifically on the geographical location of customers in the PRC. The Group's reportable and 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 2011 and 2010 are analysed as follows:

	Year ended 31 December 2011		Year ended 31 December 2010	
	Revenue RMB'000	Gross profit RMB'000	Revenue RMB'000	Gross profit RMB'000
Second Tier Cities	191,756	85,394	184,016	80,558
Shanghai	69,562	38,817	69,031	41,295
Jiangsu	75,026	31,009	74,871	33,168
Beijing	54,126	31,013	57,780	35,841
Zhejiang	55,100	25,192	51,810	23,329
Northeastern Region	29,155	11,753	27,699	11,161
Sichuan	43,417	23,159	42,072	21,865
Export	19,847	6,908	17,182	6,239
Total	537,989	253,245	524,461	253,456

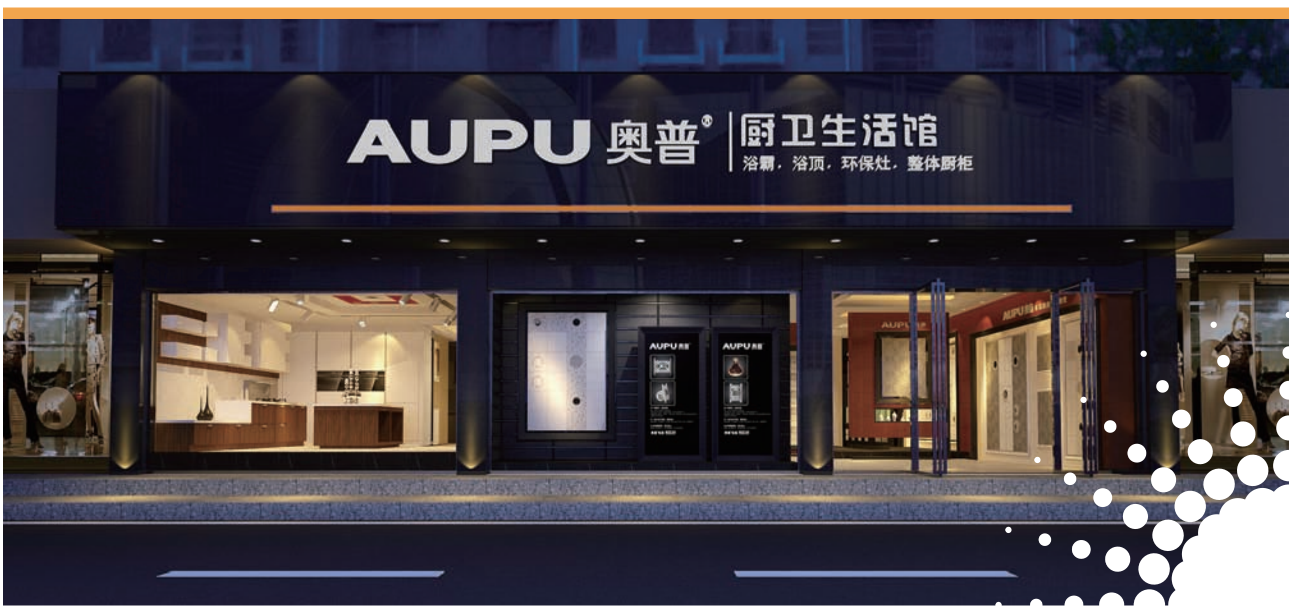
For the year ended 31 December 2011, the revenue of the Group amounted to approximately RMB537,989,000, representing an increase of approximately 2.6% as compared with the revenue which amounted to approximately RMB524,461,000 for the year ended 31 December 2010. The increase in revenue was mainly attributable to the increase in revenue generated from the second tier cities. Moreover, second tier cities were those major markets of the Group for the year ended 31 December 2011, accounting for 35.6% (Year 2010: 35.1%) of the Group's sales.

The revenue from bathroom masters slightly increased from approximately RMB325,287,000 for the year ended 31 December 2010 to RMB329,956,000 for the year ended 31 December 2011, representing an increase of approximately RMB4,669,000 or approximately 1.4%. The revenue of bathroom masters accounted for approximately 62.0% and 61.3% of the Group's total revenue for the years ended 31 December 2010 and 2011 respectively.

At the same time, the revenue of bathroom roofs also increased from approximately RMB161,469,000 for the year ended 31 December 2010 to approximately RMB174,256,000 for the year ended 31 December 2011, accounting for approximately 32.4% of the Group's total revenue for the year ended 31 December 2011 and representing approximately 1.6% increase as compared with that of the year ended 31 December 2010.

Costs of sales

For the year ended 31 December 2011, the costs of sales of the Group amounted to approximately RMB284,744,000, and the costs of parts and components, direct labour and overhead represented approximately 90.5% and 9.5% of the total costs of sales respectively while for the year ended 31 December 2010, the costs of sales of the Group amounted to approximately RMB271,005,000, and the costs of parts and components, direct labour and overhead represented approximately 90.1% and 9.9% of the total costs of sales respectively.



Gross profit and gross profit margin

Gross profit decreased from approximately RMB253,456,000 for the year ended 31 December 2010 to approximately RMB253,245,000 for the year ended 31 December 2011, representing a decrease of approximately 0.1%. Overall gross profit margin decreased from approximately 48.3% for the year ended 31 December 2010 to approximately 47.1% for the year ended 31 December 2011 because the higher growth in revenue generated from second tier cities than that generated from other cities where sales from second tier cities usually have a lower profit margin than that from other cities.

Other income

Other income increased from approximately RMB14,357,000 for the year ended 31 December 2010, to approximately RMB19,311,000 for the year ended 31 December 2011 due to the increase in sales of spare parts and interest income.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB118,708,000 for the year ended 31 December 2011. It mainly comprised advertising expenses of approximately RMB27,220,000, sales promotion expenses of approximately RMB15,018,000, salaries expenses of sales and marketing staff of approximately RMB33,697,000, after sales services expenses of approximately RMB3,840,000 and transportation expenses of approximately RMB14,792,000. The selling and distribution expenses amounted to approximately RMB122,982,000 for the year ended 31 December 2010. It mainly comprised advertising expenses of approximately RMB27,707,000, sales promotion expenses of approximately RMB18,334,000, salaries expenses of sales and marketing staff of approximately RMB32,136,000, after sales services expenses of approximately RMB4,048,000 and transportation expenses of approximately RMB14,880,000. The selling and distribution expenses for the year ended 31 December 2011 compared with the year ended 31 December 2010 was kept stable.

Administrative expenses

The administrative expenses amounted to approximately RMB37,446,000 for the year ended 31 December 2011. It mainly comprised salaries expenses of general and administrative staff of approximately RMB15,412,000, depreciation of approximately RMB3,432,000, professional fees of approximately RMB6,758,000, office expenses of approximately RMB2,079,000 and option premium of approximately RMB1,245,000. The administrative expenses amounted to approximately RMB31,645,000 for the year ended 31 December 2010. It mainly comprised salaries expenses of general and administrative staff of approximately RMB14,599,000, depreciation of approximately RMB3,591,000, professional fees of approximately RMB4,562,000, office expenses of approximately RMB1,884,000 and option premium of approximately RMB1,939,000. The administrative expenses for the year ended 31 December 2011 increased by RMB5,801,000 as compared with that of the year ended 31 December 2010 mainly due to increase in salaries expenses of general and administrative staff and professional fees.

Other expenses

Other expenses increased from approximately RMB17,818,000 for the year ended 31 December 2010 to approximately RMB19,955,000 for the year ended 31 December 2011 due to increase in R&D expenses.

Profit before tax

Based on the above factors, the Group's profit before tax increased from approximately RMB94,606,000 for the year ended 31 December 2010 to approximately RMB95,336,000 for the year ended 31 December 2011, representing an increase of approximately 0.8%.

Income tax expenses

	2011 RMB'000	2010 RMB'000
The charge (credit) comprises:		
Current tax		
— PRC Enterprise Income Tax	14,808	14,249
— Withholding tax paid	507	3,407
Deferred tax	7,033	(2,375)
	22,348	15,281

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.

The group entities in the PRC are subject to the PRC Enterprise Income Tax at the prevailing tax rate of 25%.

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 their first profit making year, followed by a 50% reduction for the next three years from 2006 ("Tax Holidays"). Under a 5-year transitional provision starting from 1 January 2008 pursuant to the Law of the People's Republic of China on Enterprise Income Tax, the Tax Holidays has been expired in 2010. In 2011, the subsidiary is qualified as "Hi-New Tech Enterprises" and therefore enjoys a preferential tax rate of 15% under EIT Law (2010: 11%).

The Law of the People's Republic of China on Enterprise Income Tax (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. The applicable tax rate for AUPU Technology is changed to 9%, 10%, 11%, for the years 2008, 2009 and 2010, respectively.

In accordance to PRC tax circular (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuihan [2008] 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, a 5% dividend withholding tax rate is applicable. A provision for such withholding income tax has been made on the profits arisen during the year 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 expenses of the Group increased from approximately RMB15,281,000 for the year ended 31 December 2010 to approximately RMB22,348,000 for the year ended 31 December 2011.

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

Profit for the year and total comprehensive income attributable to owners of the Company decreased from approximately RMB79,325,000 for the year ended 31 December 2010 to approximately RMB72,988,000 for the year ended 31 December 2011. The net profit margin (stated in its percentage of revenue) decreased from approximately 15.1% for the year ended 31 December 2010 to approximately 13.6% for the year ended 31 December 2011.

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 2011 and 2010:

	Year ended 31 December 2011	Year ended 31 December 2010
Inventory turnover days (Note)	55	51

Note: The inventory turnover period is arrived at by dividing average inventories by cost of sales and then multiplying by 365 for the two years ended 31 December 2011. 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 2010, the inventory turnover period was 51 days. For the year ended 31 December 2011, the inventory turnover period increased to 55 days, attributable to the slightly increase in average inventory in 2011 as compared to the corresponding period last year.

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 2011 and 2010:

	Year ended 31 December 2011	Year ended 31 December 2010
Turnover days of trade receivables (Note)	35	29

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 2011. 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 increased from 29 days for the year ended 31 December 2010 to 35 days for the year ended 31 December 2011, due to the increase in trade receivables at the end of the period.

Aging analysis of trade receivables

The aging analysis of trade receivables of the Group at 31 December 2011 and 2010 is as follows:

	At 31 December 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables analysed by age:		
Within 90 days	71,872	56,959
91–180 days	8,969	3,773
181–365 days	552	763
Over 365 days	419	908
Total trade receivables	81,812	62,403

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 RMB9,940,000 (2010: RMB5,444,000) aged over 90 days 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 2011 and 2010.

Other receivables

The following table sets out the breakdown of other receivables of the Group at 31 December 2011 and 2010:

	At 31 December 2011 RMB'000	At 31 December 2010 RMB'000
Interest receivables	2,939	834
Prepayments	3,795	500
Utilities and rental deposits	2,077	1,846
Staff advances	2,181	836
Others	1,149	1,987
Total other receivables	12,141	6,003

The increase in the balance of other receivables as at 31 December 2011 comparing with 31 December 2010 was mainly attributable to increase in interest receivables, 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 2011 and 2010:

	Year ended 31 December 2011	Year ended 31 December 2010
Turnover days of trade payables (Note)	67	73

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 2011. 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 decreased from 73 days for the year ended 31 December 2010 to 67 days for the year ended 31 December 2011.

Aging analysis of trade payables

The aging analysis of trade payables of the Group for the two years ended 31 December 2011 and 2010 is as follows:

	At 31 December 2011 RMB'000	At 31 December 2010 RMB'000
Trade payables analysed by age:		
Within 90 days	45,851	53,132
91–180 days	1,382	1,825
181–365 days	334	48
Over 365 days	1,667	217
Total trade payables	49,234	55,222

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

Other liabilities

Other liabilities mainly included retention sum due to suppliers, advance from customers, amount due to an associate, sales commission accruals and other accruals.

Retention sum due to suppliers

To ensure the quality of products from suppliers, the Group retain deposits representing 1% of the annual purchases by the Group from respective suppliers. The retention sum will be released to respective suppliers 30 days after the delivery of goods and completion of quality check by the Group.

Advance from customers

The advance 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 freight, advertisement fees, payroll payables and other accruals.

Overall, the balance of other payables as at 31 December 2011 comparing with that of 31 December 2010 was increased.

Current ratio, quick ratio and gearing ratio

The current ratio and gearing ratio of the Group for the two years ended 31 December 2011 and 2010 were as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Current ratio	**1.79**	2.35
Quick ratio	**1.61**	2.08
Gearing ratio	**0.13**	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 corresponding 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 decreased as at 31 December 2011 as compared with that of 31 December 2010, because of the increase in short-term bank loans.

Gearing ratio of the Group increased from 0.00 for the year ended 31 December 2010 to approximately 0.13 for the year ended 31 December 2011 because bank loans were drawn during the year ended 31 December 2011.

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 2011 and 31 December 2010:

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Net cash from operating activities	**62,363**	52,519
Net cash used in investing activities	**(76,928)**	(18,326)
Net cash used in financing activities	**(825)**	(77,766)

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

Operating activities

Cash inflow from operations is mainly derived from cash receipt from sales of the Group's products. Cash outflow for operations is principally paid for the purchase of parts and components, staff costs, selling and distribution expenses and administrative expenses. Net cash from operating activities was approximately RMB52,519,000 and RMB62,363,000 for the year ended 31 December 2010 and 31 December 2011.

Net cash from operating activities for the year ended 31 December 2011 was approximately RMB62,363,000, while profit before tax was approximately RMB95,336,000 for the same period. The difference of approximately RMB32,973,000 was mainly caused by the adjustment of approximately RMB10,683,000 made on the depreciation of property, plant and equipment, equity-settled share-based payments expenses in the amount of approximately RMB1,245,000, interest income approximately totaling RMB8,008,000, income taxes paid in the amount of RMB16,265,000 and movements in working capital in the amount of approximately RMB24,163,000.

Net cash from operating activities for the year ended 31 December 2010 was approximately RMB52,519,000, while profit before tax was approximately RMB94,606,000 for the same year. The difference of approximately RMB42,087,000 was mainly caused by the adjustment of approximately RMB10,257,000 made on the depreciation of property, plant and equipment, equity-settled share-based payments expenses in the amount of approximately RMB1,939,000, interest income approximately totaling RMB4,461,000, income taxes paid in the amount of RMB18,749,000 and movements in working capital in the amount of approximately RMB33,443,000.

Investing activities

Net cash used in investing activities was approximately RMB76,928,000 for the year ended 31 December 2011 which was primarily attributable to the net decrease of time deposits in the amount of approximately RMB35,000,000, purchase of available-for-sale investment in the amount of approximately RMB20,000,000 and placement of pledged bank deposits in the amount of approximately RMB87,000,000 while net cash used in investing activities were approximately RMB18,326,000 for the year ended 31 December 2010 which was primarily attributable to investments in associates of approximately RMB22,200,000 and payables to associates of approximately RMB10,107,000.

Financing activities

Net cash used in financing activities was approximately RMB825,000 for the year ended 31 December 2011, mainly included approximately RMB85,448,000 for dividends paid and proceeds from short-term bank loans received approximately RMB82,691,000 during the year ended 31 December 2011. Net cash used in financing activities was approximately RMB77,766,000 for the year ended 31 December 2010, and also mainly representing dividends of approximately RMB77,990,000 paid during the year ended 31 December 2010.

INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2011, the Group had bank borrowings of approximately RMB82,691,000.

Bank facilities

As at the close of business on 31 December 2011, the Group had undrawn facilities amounting to RMB17,309,000.

Debt securities

As at the close of business on 31 December 2011, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 31 December 2011, the Group did not have any material contingent liabilities or guarantees.

Pledge of assets

As at the close of business on 31 December 2011, the Group had pledged bank deposits of RMB87,000,000.

Capital commitments and other commitments

As at 31 December 2011, the future aggregate minimum lease payments under non-cancellable operating lease in respect of rental properties amounted to approximately RMB3,072,000 and the Group had capital commitment amounted to approximately RMB3,328,000 in respect of acquisition of property, plant and equipment, and contracted but not provided for in the consolidated financial statements amounted to RMB5,000,000 in respect of an available-for-sale investment.

HUMAN RESOURCES

The Group employed approximately 1,209 people as at 31 December 2011 (about 1,222 people as at 31 December 2010). The total personnel cost of the Group was RMB53,462,000 for the year ended 31 December 2011 (2010: RMB49,228,000). Employees' remuneration packages are based on individual experience and job duties. The packages are reviewed annually by the management who takes into account the overall performance of the staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.

Future Prospects

Market prospects

In the near term, the real estate market in China is still beset with uncertainties. This is particularly so as the PRC government continues to implement tighter monetary policies and real estate control policies. Transaction volume of properties in some medium and large cities in the short run reveals a decline. However, driven by the rigid demand for real estate, property purchases by home buyers will continue to grow and such buyers will remain the major target customers of the Company. Real estate and ancillary sectors in the mid-to-long term will continue to see much growth potential. The government's further initiatives on large-scale affordable housing construction will provide more room for development in the markets for bathroom fitting consumer products such as bathroom masters and bathroom ceiling solutions for a fairly long period of time in the future.

The Group strongly believes that, through its strong technology expertise and product channel network, continuous upgrade of high quality energy-saving and intelligent products, and enhanced corporate brand equity, the Group's position as industry leader can be consolidated. Looking ahead, the Group anticipates that the competition between industry players will be based on services. Demand for customised products will increase and there will be stronger interaction between the Group and customers.

Product research & development

The Group will continue to focus on greening and energy saving directions in response to the state's call for a low-carbon built environment by developing energy-saving and intelligent products. The Group mainly promotes its new heat saving products that using scientific heating materials (which are stable at high temperatures) and making use of the heat generation principle to achieve the optimal condition for bathroom heating. Energy consumption is reduced because the heat is recycled in a loop when the temperature of the product increases, thereby improving the compatibility and integration of our products and the material used in our ceiling solutions. These improvements give convenience to our consumers.

In 2012, the Group will continue to develop the concept of "AUPU Kitchen & Sanitary Lifestyle Stores" (奧普廚衛生活館) by introducing product revamp, restructuring and upgrade initiatives, integrating sanitary & bathroom product mix and kitchen & electrical product mix into the concept of "AUPU Kitchen & Sanitary Lifestyle Stores" and gradually position AUPU brand name as a professional warm sanitary & bathroom plus healthy kitchen solution provider. As at 31 December 2011, we have established 44 "AUPU Kitchen & Sanitary Lifestyle Stores" in mainland China.

Currently, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., a subsidiary of the Group, is accredited as the state's key high-tech enterprise and enjoys the relevant preferential tax policies. The Directors believe that strong product development capability is one of the key factors to success in the household electrical appliance industry and that it plays a very important role in enabling the Group to maintain its leading position in China's bathroom master industry and in boosting the market share of other products sold under AUPU brand name. At present, the Group has obtained 195 approved and authorised technical patents. Of which, there are 3 invention patents and 44 utility new model patents and 148 design patents. The approved and authorised high-tech patents protect the outlook design of our products and effectively set market entry barriers for peers.

Sales and marketing network in China

As at 31 December 2011, the Group had 13 branches, 17 offices and 484 franchise agents in China, covering the major cities and municipalities. The Group completed the integration of agents in markets above prefecture-level, implemented agent classification system, and improved the assessment system for regional market development. The Group had a total of 6,039 points of sale, of which 650 are specialty stores and 44 are Kitchen & Sanitary Lifestyle Stores (奧普廚衛生活館). Brand building is essential in developing traditional KA end-user channel and consolidating the image of AUPU brand name in core markets. In 2011, the Group also made substantial achievements in e-channel expansion and accessed the three major B2C platforms, which are 360buy, Taobao and Egou. In addition, the Group optimised the network agent mandate, established network distribution mechanism and allocated more resources to network customers. The Directors consider that, the Group's sales plan will focus on regulating the market pricing mechanism, strengthening channel breakthrough (especially KA, construction projects, e-commerce and new rural channels), increase AUPU's market share, enhancing the sales of bathroom ceiling solutions and the promotion of our kitchen and sanitary lifestyle stores.

Brand name management

The Directors consider that brand name management is critical to the marketing and promotion of the corporate image of the Group, and also an important competitive advantage of the Group to establish a leading position in the bathroom master industry in China. According to the list of the eighth "China's 500 Most Influential Brands" published by World Brand Laboratory in Beijing on 28 June 2011, AUPU brand name was ranked number 307 in terms of finance, consumer behaviour and brand strength, with a brand value of RMB3.591 billion. AUPU brand name's ranking was 74 places advanced comparing with that in 2010 with an increase in brand value of 89.5%. AUPU brand name has remained on the list for five years since its enlisting in 2007.

On 1 September 2011, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., a wholly-owned subsidiary of the Group, was granted the "Most Promising Chinese Household Appliance Brand 2011" by China Household Electric Appliance Research Institute at the seventh "China Household Appliance Innovation Award". This is another award received by the Group following the "Technology Innovation Award" granted at the "China Household Appliance Innovation Award 2010" for its "奧芯" products.

AUPU brand name has been granted the titles of Zhejiang Famous Brand, Zhejiang Famous Trademark, Zhejiang Famous Firm and China Famous Trademark and its products have obtained various certifications including ISO9000, CCC, CE and UL. The Group will work relentlessly to foster its branding.

Investment Decisions

In 2011, the Company decided to invest RMB25 million in "Haibang Caizhi", of which the injection of RMB20 million was completed as at 31 December 2011. "Haibang Caizhi", through Zhejiang Haibang Human Resources Venture Partnership will focus on returnees' high-tech venture projects that are strongly supported by the government and which are in line with the emerging strategic industries and which aim at achieving capital appreciation. The Directors consider that the indirect investment in returnees' high-tech venture projects will also provide a platform in seeking high technology products or application technologies.

In December 2011, Hangzhou AUPU Electrical Appliances Co., Ltd., a wholly-owned subsidiary of the Group, disposed of a portion of the property situated at No. 1418 Moganshan Road, Hangzhou City to Hexing Electrical Co., Ltd. ("Hexing Electrical") at a consideration of RMB40,000,000, and Hangzhou AUPU Bathroom & Kitchen Technology Co., Ltd., a wholly-owned subsidiary of the Group acquired 1.0926% equity interests of Hexing Electrical from Hexing Holding at a consideration of RMB40,000,000. Having Hexing Holding as its competitor over the years, the Group is aware of the speedy development and strength of Hexing. The directors consider that it is in the interests of the Company and the shareholders as a whole to make such investment decisions. In order to satisfy the business needs of the Company and the needs for production expansion, the headquarters of the Group have been relocated to the state's economic and technological development area in Xiasha Town, Hangzhou.

Proposed Final Dividend

The Board recommended the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2011 to shareholders whose names appear on the register of members of the Company on Thursday, 18 May 2012. The proposed dividend is subject to the approval of shareholders at the forthcoming annual general meeting to be held on Thursday, 10 May 2012 ("AGM") and will be payable on or before 1 June 2012.

Closure of Register of Members

The Company's register of members will be closed from Tuesday, 8 May 2012 to Thursday, 10 May 2012 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending the AGM, all duly completed transfer forms 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, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 7 May 2012.

The Company's register of members will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all duly completed transfer forms 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, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 15 May 2012.

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 year.

Code on Corporate Governance Practices

The Board 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 2011.

Model Code for Securities Transactions by Directors

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 requires 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 2011 have been reviewed by the Audit Committee of the Company. As at the date of this annual report, the Audit Committee consists of three independent non-executive directors, including Mr. Wu Tak Lung, Mr. Cheng Houbo and Mr. Shen Jianlin and one non-executive director, Mr. Lu Songkang.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Fang James (方杰) ("Mr. Fang"), aged 48, 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 59, 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. Li Ruishan (李瑞山) ("Mr. Li"), aged 40, joined the Company in November 2005 and is the executive president of the Company. He is responsible for the management of production and operation of the Group. Mr. Li obtained a bachelor's degree in industrial electrical automation from the Northeast China Institute of Heavy Machinery in 1993 and completed International Chief Creative Officer (ICCO) program organized by Zhejiang University in 2010. Since 2010, Mr. Li joined the College of Computer Science and Technology of Zhejiang University as an undergraduate enterprise mentor of Department of Industrial Design. Mr. Li is an expert member of six technology sub-committees of China National Information Technology Standardization: Warming & Ironing, Ventilation, Home Appliances Reliability, Home Appliances Services, Recycling and Testing Technologies. He was appointed as the executive Director on 26 August 2011.

Mr. Lin Xiaofeng (林曉峰) ("Mr. Lin"), aged 38, is the founder and managing partner of Ashe Capital Management Limited. He graduated from The University of Southern Queensland with a master's degree in business administration. Mr. Lin has more than 7 years of experience in corporate finance activities. From October 2000 to May 2004, Mr. Lin served as the partner of Cyberh Science and Technology Investment Co., Ltd. (上海先和科技投資有限公司). For the period from April 2008 to 30 June 2011, he was a non-executive director of China Singyes Solar Technologies Holdings Limited (HK Stock Code: 00750), the shares of which are listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Lin does not have any other major appointments and qualifications. He was appointed as the executive Director on 26 August 2011.

Non-executive Director

Mr. Lu Songkang (盧頌康) ("Mr. Lu"), aged 60, 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 46, is an independent non-executive Director. Mr. Wu is an independent non-executive director of China Water Industry Group Limited, a company listed on The Stock Exchange of Hong Kong Limited, and Valuetronics Holdings Limited, a company listed on the Singapore Exchange. Mr. Wu had served as independent non-executive director of Neo-Neon Holdings Limited, iMerchants Limited, AKM Industrial Company Limited, Finet Group Limited and Apollo Solar Energy Technology. Mr. Wu had 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 a fellow member of the Hong Kong Institute of Certified Public Accountants. He was appointed as an independent non-executive Director on 16 November 2006.

Mr. Cheng Houbo (程厚博) ("Mr. Cheng"), aged 49, 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 44, is an independent non-executive Director. He is also the director and senior partner of BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所 (特殊普通合夥)). Mr. Shen was an independent director of Jishan Holdings Limited (稽山控股有限公司), a company listed in Singapore, from March 2004 to May 2005. Mr. Shen has been an independent director of Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司), a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange, since November 2010 and also an independent director of Zhejiang Dragon Pipe Manufacturing Co., Ltd. (浙江巨龍管業股份有限公司), a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange, since August 2009. 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 47, is the chief financial officer of the Company. Mr. Leung joined the Group on 14 July 2006. Mr. Leung is also an independent non-executive director of Global Energy Resource International Group Ltd., a company listed in Hong Kong. Mr. Leung graduated with a degree of Bachelor of Science from the University of Hong Kong in 1987. He has experience in finance and accounting including working experience in international accounting firms. He is also a member of the Hong Kong Institute of Certified Public Accountants, a member of The 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 50, is the administrative general manager (行政管理總監) of AUPU Electrical and is responsible for the 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 also received a commendation as a "Model Employee of Hangzhou" in 2007.

Company Secretary

Mr. Chan Ka Fat (陳家發) ("Mr. Chan"), aged 40, is a qualified accountant and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan obtained a Bachelor of Commerce from Macquarie University in Australia in 1997 and a Master of Management from Macquarie University in 2008, respectively. He has more than 12 years of experience in auditing, accounting, financial planning and corporate management. He is also the company secretary and an authorized representative of Fook Woo Group Holdings Limited (stock code: 00923), the shares of which are listed on the main board of the Stock Exchange. Mr. Chan was appointed as company secretary on 1 August 2011.

DIRECTORS' REPORT

The Directors hereby present the annual report for 2011 and the audited consolidated financial statements for the year ended 31 December 2011.

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 32 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 48. The Directors hereby recommend the payment of a final dividend of RMB0.02 per share to the shareholders whose names appear on the Company's register of members on Friday, 18 May 2012.

Operating Result

The consolidated profit of the Group for the current year amounted to approximately RMB72,988,000, which represents a decrease of approximately 8.0% over that of approximately RMB79,325,000 for the year 2010.

Major Customers and Suppliers

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

In 2011, the Group's largest supplier accounted for 26.47% (2010: 27.09%) and the 5 largest suppliers combined accounted for 57.20% (2010: 55.80%) 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 2011 and 2010.

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 issued 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 11 to the consolidated financial statements.

Share Capital

Details of movements of share capital of the Group during the year are set out in note 23 to the consolidated financial statements. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Distributable Reserves of the Company

The Company had a book loss of RMB39,563,958 as at 31 December 2011 and accumulated losses of RMB128,344,937 as at 31 December 2011 and no other reserves were available for distribution to shareholders as at 31 December 2011. In order to ensure that there will be sufficient distributable reserves for payment of the final dividends declared, the Company has requested its subsidiaries to make profit distribution before the end of May 2012.

Directors

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

Executive Directors

Mr. Fang James
Mr. Fang Shengkang
Mr. Chai Junqi (resigned on 26 August 2011)
Mr. Li Ruishan (appointed on 26 August 2011)
Mr. Lin Xiaofeng (appointed on 26 August 2011)

Non-executive Directors

Mr. Lu Songkang

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. Li Ruishan, Mr. Lin Xiaofeng and Mr. Shen Jianlin will retire by rotation, all three of them being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. A circular containing the biographical details of the director candidates and the notice of the annual general meeting will be sent to Shareholders of the Company.

Directors' Service Contracts

Mr. Fang James and Mr. Fang Shengkang are appointed for an initial term of three years commencing from 16 November 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. Save as disclosed, no other directors has entered into service contract with the Company.

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 2011, 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 Issuers, 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)	576,000,000 (L)	53.93%
Mr. Fang James (Note 3)	SeeSi Universal Limited	Beneficial owner	33 shares of US$1.00 each (L)	46.48%
Mr. Fang Shengkang (Note 2)	The Company	Interest in controlled corporation (Note 2)	576,000,000 (L)	53.93%
Mr. Fang Shengkang (Note 3)	SeeSi Universal Limited	Beneficial owner	32 shares of US$1.00 each (L)	45.07%
Mr. Fang Shengkang (Note 4)	The Company	Beneficial owner	1,080,000	0.10%
Mr. Lu Songkang (Note 3)	SeeSi Universal Limited	Beneficial owner	5 shares of US$1.00 each (L)	7.04%
Mr. Chai Junqi (Note 3)	SeeSi Universal Limited	Beneficial owner	1 share of US$1.00 each (L)	1.41%

Notes:

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

2. As stated in the announcement issued by the Company dated 4 July 2011, SeeSi Universal Limited ("SeeSi Universal") has appointed First Shanghai Securities Limited as its placing agent to place an aggregate maximum of 100 million shares (the "Sale Shares") of HK$0.10 each in the share capital of the Company (the "Share") at a price of HK$0.86 per Sale Share (the "Placing"). The Sale Shares represented approximately 9.36% of the issued share capital of the Company on that day. The purpose of the Placing is to broaden and expand the shareholder base. Upon completion of the Placing, SeeSi Universal holds 576,000,000 Shares, representing approximately 53.93% of the issued share capital of the Company.

3. The entire issued share capital of SeeSi Universal 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. Save for Mr. Chai Junqi who resigned as Director of the Company on 26 August 2011, all other shareholders of SeeSi Universal, namely, Mr. Fang James, Mr. Fang Shengkang and Mr. Lu Songkang, are Directors of the Company. Each of Mr. Fang James and Mr. Fang Shengkang is deemed to be interested in all the shares held by SeeSi Universal in the Company under the SFO.

   SeeSi Universal is the holding company of the Company and therefore, is deemed to be an associated corporation of the Company under the SFO. During the period under review, Mr. Fang James, Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Chai Junqi (resigned on 26 August 2011), were all Directors of the Company and are therefore required to disclose their interest in the Company held through SeeSi Universal.

4. Mr. Fang Shengkang 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. Upon the approval at the general meeting of the Company held on 27 September 2010 of the bonus shares issue on the basis of one bonus share for every two shares held by shareholders whose names appear on the register of members of the Company on 24 September 2010, the number of shares which Mr. Fang Shengkang held changed to 1,080,000 shares.

II. Long position in underlying Shares of the Company

Name of director	Company/name of associated company	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of issued share capital of the Company/ Associated company
Mr. Wu Tak Lung (Note 2)	The Company	Beneficial owner	a. share options with rights to subscribe 225,000 shares at a subscription price of HK$1.49 per share (L)	0.02%
			b. share options with rights to subscribe 60,000 shares at a subscription price of HK$1.03 per share (L)	0.01%
Mr. Cheng Houbo	The Company	Beneficial owner	a. share options with rights to subscribe 112,500 shares at a subscription price of HK$1.49 per share (L)	0.01%
			b. share options with rights to subscribe 75,000 shares at a subscription price of HK$1.03 per share (L)	0.01%
Mr. Shen Jianlin	The Company	Beneficial owner	a. share options with rights to subscribe 112,500 shares at a subscription price of HK$1.49 per share (L)	0.01%
			b. share options with rights to subscribe 75,000 shares at a subscription price of HK$1.03 per share (L)	0.01%

Notes:

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

2. Mr. Wu Tak Lung exercised 90,000 subscription rights at the price of HK$1.03 per share in November 2010.

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 2011.

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 shares in the capital of the Company was 1,068,105,000 shares as at the date of 31 December 2011.

(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 an 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 by poll in general meetings 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 when 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");

(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 to the three independent non-executive Directors of the Company and certain senior management of the Group (collectively the "First Batch of Grantees") as an incentive and reward to the First Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK$2.23 per share and the exercise period is such period not exceeding ten years from the date of the grant of the share options.

The share options were granted to the First Batch of Grantees on such terms that the First Batch of Grantees may exercise the options from the first anniversary of the date of the grant, 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 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 from the first anniversary of the date of the grant, 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 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 the options from the first anniversary of the date of the grant, 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 27 September 2010, the bonus shares issue on the basis of one bonus share for every two shares held to shareholders whose names appeared on the register of members on 24 September 2010 was approved at the general meeting, pursuant to which the number of options and exercise price were adjusted accordingly as follows:

Before bonus share issue:

Option Type	Date of Grant	Number of Shares	Exercise Period	Exercise Price	Fair Value at Grant Date
First Phase	16/03/2007	5,000,000	16/3/2008 to 15/3/2017	HK$2.23	HK$1.41 to HK$1.61
Second Phase	8/6/2007	6,450,000	8/6/2008 to 7/6/2017	HK$3.11	HK$1.41 to HK$2.01
Third Phase	3/1/2008	8,100,000	3/1/2008 to 2/1/2017	HK$1.55	HK$0.58 to HK$0.66

After bonus share issue:

Option Type	Date of Grant	Adjusted Number of Shares	Exercise Period	Adjusted Exercise Price
First Phase	16/03/2007	7,500,000	16/3/2008 to 15/3/2017	HK$1.49
Second Phase	8/6/2007	9,675,000	8/6/2008 to 7/6/2017	HK$2.07
Third Pase	3/1/2008	12,150,000	3/1/2008 to 2/1/2017	HK$1.03

As at 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 11,850,000, representing 1.11% of the share of the Company in issue as at that date. Among the share options granted, Directors were granted options entitling them 2,850,000 shares of the Company, 2,100,000 of which have lapsed. Details of the options granted to the Directors as at 31 December 2011, are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions".

As at 31 December 2011, 11,850,000 (2010: 15,675,000) 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 2011	Exercised in 2011	Cancelled or lapsed in 2011	Outstanding as at 31 December 2011	Percentage of total issued share capital	Vesting period	*Notes*
Directors								
Wu Tak Lung	1.49	225,000	0	0	225,000	0.02%	16/3/2008 –15/3/2017	*1,4,7,8,9*
	1.03	60,000	0	0	60,000	0.01%	3/1/2008 –2/1/2017	*3,6,7,8,9*
Shen Jianlin	1.49	112,500	0	0	112,500	0.01%	16/3/2008 –15/3/2017	*1,4,7,8,9*
	1.03	75,000	0	0	75,000	0.01%	3/1/2008 –2/1/2017	*3,6,7,8,9*
Cheng Houbo	1.49	112,500	0	0	112,500	0.01%	16/3/2008 –15/3/2017	*1,4,7,8,9*
	1.03	75,000	0	0	75,000	0.01%	3/1/2008 –2/1/2017	*3,6,7,8,9*
Other employees in aggregate for First Batch Share Options	1.49	3,300,000	0	900,000	2,400,000	0.31%	16/3/2008 –15/3/2017	*1,4,7,8,9*
Other employees in aggregate for Second Batch Share Options	2.07	7,275,000	0	375,000	6,900,000	0.68%	8/6/2008 –7/6/2017	*2,5,7,8,9*
Other employees in aggregate for Third Batch Share Options	1.03	4,440,000	2,205,000	345,000	1,890,000	0.42%	3/1/2008 –2/1/2017	*3,6,7,8,9*
Total		15,675,000	2,205,000	1,620,000	11,850,000	1.11%		

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 the options from the first anniversary of the date of the grant, 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 the options from the first anniversary of the date of the grant, 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 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 the options from the first anniversary of the date of the grant, 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 2011, an aggregate of 12.87 million share options were lapsed due to the resignation of the relevant staff and an aggregate of 4,605,000 share options were exercised.

9. On 27 September 2010, the bonus shares issue on the basis of one bonus share for every two shares held to shareholders whose names appeared on the register of members on 24 September 2010 was approved at the general meeting, pursuant to which the number of options and exercise price were adjusted accordingly. The number of share options after adjustment was 29,325,000 share options.

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 2011, the interests or short positions of the substantial shareholders, other than Directors or chief executives, of the Company in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
SeeSi Universal Limited (Note 1)	Beneficial owner	576,000,000 (L) (Note 2)	53.93%
Zhang Shuqing (Note 3)	Family interest	576,000,000 (L)	53.93%
Qiang Yan (Note 4)	Family interest	576,000,000 (L)	53.93%

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. Save for Mr. Chai Junqi who resigned as Director of the Company on 26 August 2011, all other shareholders of SeeSi Universal, namely, Mr. Fang James, Mr. Fang Shengkang and Mr. Lu Songkang are 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.

4. Madam Qiang Yan is the spouse of Mr. Fang James, a Director of the Company. Madam Qiang Yan is therefore deemed to be interested in the interests of Mr. Fang James. All the interests stated above represent long positions.

Save as disclosed above, as at 31 December 2011, 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.

Independence 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 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 hold 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 2011.

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 represent 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 2011 to 31 December 2011.

Proposed Final Dividend

The Board recommended the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2011 to shareholders whose names appear on the register of members of the Company on Friday, 18 May 2012. The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Thursday, 10 May 2012 and will be payable on or before 1 June 2012.

Closure of Register of Members

The Company's register of members will be closed from Tuesday, 8 May 2012 to Thursday, 10 May 2012 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending the forthcoming annual general meeting, all duly completed transfer forms 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, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 7 May 2012.

The Company's register of members will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all duly completed transfer forms 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, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 15 May 2012.

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 year.

Code on Corporate Governance Practices

The Board 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 2011 .

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 2011 have been reviewed by the audit committee of the Company (the "**Audit Committee**"). On the date of this report, the audit committee consists of three independent non-executive directors, including Mr. Wu Tak Lung (Chairman), Mr. Cheng Houbo and Mr. Shen Jianlin, and one non-executive director, Mr. Lu Songkang.

Auditors

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

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

Hong Kong, the PRC, 20 March 2012

CORPORATE GOVERNANCE REPORT

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 and Remuneration Committee have been established in compliance with the Code on Corporate Governance Practices set forth in Appendix 14 to the Listing Rules.

The Group has also appointed a qualified accountant to oversee the financial reporting procedures and internal controls of the Group so as to ensure compliance with the Listing Rules. In addition, the internal audit division of the Group, which directly reports to the Audit Committee of the Board of Directors, has conducted tracking analysis based on the reminders of the accountant, implemented and provided feedbacks on the rectification exercise of the relevant implementation departments of the Group. The Group will select various parts of the management process during different periods of time and engage an external party to conduct analysis and review.

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

The Group has also implemented a compliance manual which covers regulatory systems in 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 of Directors

The Board of Directors is responsible for the promotion of success of the Company by directing and guiding its affairs in an accountable and effective manner. The 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 of Directors 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 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") which regulates the conduct and responsibilities of shareholders, Directors, management and staff and makes arrangement for the convening and convening procedures of general meetings, 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, as Chairman of the Group, 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; Mr. Fang Shengkang, as the President of the Group, 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. The appointment of Mr. Lu Songkang commenced from 14 July 2006 with a specific term of three years. Mr. Lu Songkang was re-appointed for a term of three years on 4 July 2009. Currently, there are a total of three independent non-executive Directors, namely Mr. Wu Tak Lung, Mr. Cheng Houbo and Mr. Shen Jianlin. Each of the independent non-executive Directors was appointed for a fixed term, and was re-appointed for a term of three years on 16 November 2009.

Board Composition

The Company is committed to the view that the Board of Directors 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 of Directors which can effectively exercise independent judgment. The Company is also committed to the view that the independent non-executive Directors should be of sufficient number and calibre for their views to carry weight. The independent non-executive Directors of the Company, 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 of Directors 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 of Directors has established specific committees with written terms of reference to assist it for effective implementation of its functions, namely, the Audit Committee and Remuneration Committee. The Board of Directors intends to establish the Nomination Committee on 21 March 2012. Specific responsibilities have been delegated to the above committees.

The Board of Directors delegates specific tasks to the Group's management including the implementation of strategies and decisions approved by the Board of Directors and the preparation of accounts for approval by the Board of Directors 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 of Directors and attending to the formulation and successful implementation of the Group's policies and assuming full accountability to the Board of Directors for all the Group's operations.

The independent non-executive Directors provide the Company with diversified industry expertise, advise the management on strategy development, ensure that the Board of Directors maintains high standards of financial and other mandatory reporting as well as provide 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 relationship with one another.

Attendance of Meetings of Board of Directors

Seven meetings of the Board of Directors were held respectively on 5 January 2011, 24 March 2011, 2 July 2011, 29 July 2011, 24 August 2011, 8 October 2011 and 16 December 2011 during the period from 1 January 2011 to 31 December 2011. The meetings held on 24 March 2011 and 24 August 2011 were on-site meetings 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** No. of Attendance/ No. of Meetings	**Remuneration Committee of the Board of Directors** No. of Attendance/ No. of Meetings	**Audit Committee of the Board of Directors** No. of Attendance/ No. of Meetings
Fang James *(Chairman and Executive Director)*	7/7	N/A	N/A
Fang Shengkang *(President and Executive Director, appointed on 26 August 2011)*	7/7	1/1	N/A
Li Ruishan *(Executive Director, appointed on 26 August 2011)*	2/2	N/A	N/A
Lin Xiaofeng *(Executive Director)*	2/2	N/A	N/A
Chai Junqi *(Executive Director, resigned on 26 August 2011)*	5/5	N/A	N/A
Lu Songkang *(Non-Executive Director)*	7/7	N/A	2/2
Wu Tak Lung *(Independent Non-Executive Director)*	7/7	1/1	2/2
Cheng Houbo *(Independent Non-Executive Director)*	7/7	1/1	2/2
Shen Jianlin *(Independent Non-Executive Director)*	7/7	1/1	2/2

Nomination Committee

As at 31 December 2011, the Company had 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. The Board of Directors intends to establish the Nomination Committee on 21 March 2012. The Nomination Committee will comprise Mr. Wu Tak Lung, Shen Jianlin and Cheng Houbo, all being independent non-executive Directors, and Mr. Fang James and Fang Shengkang, being Executive Directors, with Mr. Cheng Houbo as the chairman of the Nomination Committee.

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 as the chairman. Two meetings of the Audit Committee were held on 24 March 2011 and 24 August 2011 respectively. The major businesses of the meetings were to review the internal control review report and the interim and annual reports of the Group before forwarding the same to the Board of Directors for approval.

Remuneration Committee

The Company established the Remuneration Committee on 16 November 2006 with written terms of reference. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. Messrs. Wu Tak Lung, Shen Jianlin, Cheng Houbo, all being independent non-executive Directors, and Mr. Fang Shengkang, an executive Director, are members of the Remuneration Committee, with Mr. Fang Shengkang as the chairman. The Remuneration Committee held one meeting on 24 March 2011 during the reporting period and reviewed the remuneration policy of 2010 and planned the remuneration policy of 2011. Pursuant to the Rules 3.25 to 3.27 of the new Main Board Listing Rules of the Stock Exchange, the Group intends to appoint Mr. Shen Jianlin (being an independent non-executive Director) as chairman of the Remuneration Committee on 21 March 2012 and Mr. Fang Shengkang shall then resign from office of chairman.

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 Shengkang 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 had informed the Board of Directors before he purchased the shares in compliance with the Model Code. Upon the approval of the bonus issue (on the basis of one bonus share for every two shares held by the shareholders whose names appear on the register of the Company on 24 September 2010) at the general meeting of the Group held on 27 September 2010, the number of shares held by Mr. Fang Shengkang increased to 1,080,000 shares.

Independent Auditor's Remuneration

The independent auditor of the Company, Deloitte Touche Tohmatsu, received audit fees amounting to approximately RMB1,450,000 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 auditor of the Company about its responsibilities for the financial statements is set out in the Independent Auditor's Report 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 audit of trade receivables, goods in transit special audit and goods in transit audit report).

The Group placed the division under the Audit Committee of the Board of Directors as a subordinate department of the Audit Committee to enhance its independence in internal auditing. The Board of Directors 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 relationship and shareholders' communication through the following methods: To disclose information on a timely basis: The Company will use various channels such as financial report, announcement and website of the Company to disclose relevant public information to the public and the shareholders on an extensive and non-exclusive basis. To communicate with shareholders and investors: The Company maintains effective communications with shareholders and investors through annual general meeting, results presentation, company visit and visiting institutional investors.

Web-based reporting: The website of the Company will open an Investor Relationships Forum which would contain the following contents (including but not limited to):

(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.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of AUPU Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 99, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 of the consolidated financial statements that give a true and fair view 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 2011, 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

20 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Revenue	5	**537,989**	524,461
Cost of sales		**(284,744)**	(271,005)
Gross profit		**253,245**	253,456
Other income		**19,311**	14,357
Selling and distribution expenses		**(118,708)**	(122,982)
Administrative expenses		**(37,446)**	(31,645)
Other expenses		**(19,955)**	(17,818)
Finance costs on bank loans wholly repayable within five years		**(1,327)**	—
Share of profits (losses) of associates		**216**	(762)
Profit before tax	6	**95,336**	94,606
Income tax expenses	7	**(22,348)**	(15,281)
Profit and total comprehensive income for the year attributable to owners of the Company		**72,988**	79,325
Earnings per share — basic (RMB)	9	**0.07**	0.07
Earnings per share — diluted (RMB)	9	**0.07**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	11	**152,983**	169,743
Prepaid lease payments	12	**15,779**	16,333
Interests in associates	14	**25,995**	25,779
Available-for-sale investment	15	**20,000**	—
Deferred tax assets	16	**12,178**	16,028
		226,935	227,883
Current assets			
Prepaid lease payments	12	**543**	532
Inventories	17	**43,634**	42,071
Trade and other receivables	18	**93,953**	68,406
Amounts due from associates	31	**10,336**	10,107
Time deposits	19	**165,000**	200,000
Pledged bank deposits	19	**87,000**	—
Bank balances and cash	19	**31,529**	46,919
		431,995	368,035
Assets classified as held for sale	13	**16,180**	—
		448,175	368,035
Current liabilities			
Trade and other payables	20	**135,416**	132,920
Amount due to an associate	31	**353**	—
Income tax liabilities		**15,115**	16,065
Other tax liabilities	21	**8,203**	7,501
Short-term bank loans	22	**82,691**	—
		241,778	156,486
Net current assets		**206,397**	211,549
Total assets less current liabilities		**433,332**	439,432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital	23	**102,801**	102,613
Reserves	24	**317,998**	327,469
Total equity attributable to owners of the Company		**420,799**	430,082
Non-current liability			
Deferred tax liability	16	**12,533**	9,350
		433,332	439,432

The consolidated financial statements on pages 48 to 99 were approved and authorised for issue by the board of directors on 20 March 2012 and are signed on its behalf by:

FANG JAMES
Director

FANG SHENGKANG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

		Reserves						
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note 24)	Statutory reserves RMB'000 (note 24)	Share options reserve RMB'000 (note 24)	Retained earnings RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2010	71,860	271,002	(73,274)	49,768	15,226	90,107	352,829	424,689
Profit and total comprehensive income for the year	—	—	—	—	—	79,325	79,325	79,325
Transfer	—	—	—	9,800	—	(9,800)	—	—
Dividends recognised as distribution (note 8)	—	—	—	—	—	(77,990)	(77,990)	(77,990)
Bonus shares issued	30,547	(30,547)	—	—	—	—	(30,547)	—
Exercise of share option	206	2,922	—	—	(1,009)	—	1,913	2,119
Recognition of equity-settled share-based payments	—	—	—	—	1,939	—	1,939	1,939
At 31 December 2010	102,613	243,377	(73,274)	59,568	16,156	81,642	327,469	430,082
Profit and total comprehensive income for the year	—	—	—	—	—	72,988	72,988	72,988
Transfer	—	—	—	6,234	—	(6,234)	—	—
Dividends recognised as distribution (note 8)	—	—	—	—	—	(85,448)	(85,448)	(85,448)
Exercise of share option	188	2,805	—	—	(1,061)	—	1,744	1,932
Recognition of equity-settled share-based payments	—	—	—	—	1,245	—	1,245	1,245
At 31 December 2011	**102,801**	**246,182**	**(73,274)**	**65,802**	**16,340**	**62,948**	**317,998**	**420,799**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Operating activities		
Profit before tax	95,336	94,606
Adjustments for:		
Equity-settled share-based payments expenses	1,245	1,939
Depreciation of property, plant and equipment	10,683	10,257
Allowance for inventories obsolescence	1,863	1,044
Release of prepaid lease payments	543	544
Loss on disposal of property, plant and equipment	18	20
Finance costs	1,327	—
Share of (profits) losses of associates	(216)	762
Interest income	(8,008)	(4,461)
Operating cash flows before movements in working capital	102,791	104,711
Increase in inventories	(3,426)	(10,175)
Increase in trade and other receivables	(22,608)	(16,314)
Increase (decrease) in trade and other payables	1,169	(1,441)
Increase (decrease) in other tax liabilities	702	(5,513)
Cash generated from operations	78,628	71,268
Income taxes paid	(16,265)	(18,749)
Net cash from operating activities	62,363	52,519
Investing activities		
Interest received	5,069	4,461
Investments in associates	—	(22,200)
Proceeds from disposal of property, plant and equipment	259	63
Purchases of property, plant and equipment	(10,380)	(6,543)
Purchase of available-for-sale investment	(20,000)	—
Withdrawal of time deposits	347,000	16,000
Placement of time deposits	(312,000)	—
Repayment from (advance to) associates	124	(10,107)
Placement of pledged bank deposits	(87,000)	—
Net cash used in investing activities	(76,928)	(18,326)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Financing activities		
Proceeds from short-term bank loans	82,691	—
Advance from (repayment to) an associate	—	(1,895)
Dividends paid	(85,448)	(77,990)
Proceeds from exercise of share option	1,932	2,119
Net cash used in financing activities	(825)	(77,766)
Net decrease in cash and cash equivalents	(15,390)	(43,573)
Cash and cash equivalents at beginning of year	46,919	90,492
Cash and cash equivalents at end of year represented by bank balances and cash	31,529	46,919

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 32.

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.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Parties Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosure set out in these consolidated financial statements.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

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

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

IFRS 9 Financial Instruments (Continued)

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The application of IFRS 9 "Financial Instruments" will affect the classification and measurement of the Group's available-for-sale investment. The directors of the Company consider that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. Significant Accounting Policies

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.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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 in full 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. Significant Accounting Policies (Continued)

Investment in associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its, profits and losses from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 the sale of goods is recognised when the goods are delivered and titles have passed, and when all the following conditions are satisfied:

(1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(3) the amount of revenue can be measured reliably;

(4) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(5) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is 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, 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 recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is a reasonably assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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. Specially, government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

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 recognised 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 deferred tax 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 is 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.

Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Research expenditure

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are 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.

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into two categories, including "loans and receivables" and "available-for-sale" financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial 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.

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, amounts due from associates, time deposits, 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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, it is measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

(ii) breach of contract, such as default or delinquency in interest or principal payments; or

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade receivables, amounts due from associates, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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.

For financial assets measured at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on an available-for-sale equity investment will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received net of direct issue costs.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, short-term bank loans and amount due to an associate) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Share-based payment transactions

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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, 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. Critical Accounting Judgements and 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.

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 2011 was RMB152,983,000 (2010: RMB169,743,000). 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.

Inventories

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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Inventories (Continued)

Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. Accordingly, the management reviews the inventory ageing list 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 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. As at 31 December 2011, the carrying amount of inventories is RMB43,634,000 (net of allowance for inventories of RMB2,976,000) (31 December 2010: carrying amount of RMB42,071,000, net of allowance for inventories of RMB3,435,000).

Income taxes expenses

As at 31 December 2011, a deferred tax assets of RMB12,178,000 (2010: RMB16,028,000) mainly relate to unrealised profits on inter-branch/company sales and other deductible temporary differences as set out in note 16. 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 profit or loss for the period in which such a reversal takes place.

Estimated impairment of available-for-sale investment

Impairment for available-for-sale investment measured at cost is estimated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2011, the carrying amount of available-for-sale investment measured at cost is RMB20,000,000 (31 December 2010: nil).

Estimated impairment of trade receivables

Allowance for trade receivable is made based on the evaluation of collectability and ageing analysis of accounts and on directors' judgement 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 may arise. As at 31 December 2011, the carrying amount of trade receivable is RMB81,812,000 (31 December 2010: carrying amount of RMB62,403,000).

5. Segment Information

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on geographical information of goods delivered.

5. SEGMENT INFORMATION (CONTINUED)

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

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

Segment revenues and results

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

For the year ended 31 December 2011

	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	191,756	69,562	75,026	54,126	55,100	29,155	43,417	19,847	537,989
Inter-segment sales	—	—	—	—	278,494	—	798	—	279,292
Segment revenue	191,756	69,562	75,026	54,126	333,594	29,155	44,215	19,847	817,281
Eliminations									(279,292)
Group revenue									537,989
Segment profit	85,394	38,817	31,009	31,013	25,192	11,753	23,159	6,908	253,245
Interest income									8,008
Other unallocated income									11,303
Unallocated expenses									(176,109)
Finance costs									(1,327)
Share of profits of associates									216
Profit before tax									95,336

5. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the year ended 31 December 2010

	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	184,016	69,031	74,871	57,780	51,810	27,699	42,072	17,182	524,461
Inter-segment sales	—	—	—	—	259,452	—	—	—	259,452
Segment revenue	184,016	69,031	74,871	57,780	311,262	27,699	42,072	17,182	783,913
Eliminations									(259,452)
Group revenue									524,461
Segment profit	80,558	41,295	33,168	35,841	23,329	11,161	21,865	6,239	253,456
Interest income									4,461
Other unallocated income									9,896
Unallocated expenses									(172,445)
Share of losses of associates									(762)
Profit before tax									94,606

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 profits (losses) of associates and finance costs. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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 People's Republic of China (the "PRC"), the country of domicile of the Group.

5. Segment Information (Continued)

Other segment information

Amounts included in the measure of segment profit or loss:

2011

	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	1,780	646	696	502	511	271	403	184	4,993

2010

	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	1,696	636	690	532	477	255	388	158	4,832

Revenue from major products

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

	2011 RMB'000	2010 RMB'000
Bathroom masters	329,956	325,287
Bathroom roofs	174,256	161,469
Others	33,777	37,705
	537,989	524,461

Information about major customers

Revenues from major customers of the corresponding years did not contribute over 10% of the total revenue of the Group.

6. Profit Before Tax

Profit before tax has been arrived at:

	2011 RMB'000	2010 RMB'000
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	**47,954**	43,496
— retirement benefit scheme contributions (note 28)	**4,263**	3,793
— equity-settled share-based payments (note 25)	**1,245**	1,939
Total staff costs	**53,462**	49,228
Cost of inventories recognised as an expense (note a)	**284,744**	271,005
Research expenditure included in other expenses	**13,761**	9,941
Depreciation of property, plant and equipment	**10,683**	10,257
Auditors' remuneration	**1,504**	1,370
Release of prepaid lease payments	**543**	544
Loss on disposal of property, plant and equipment	**18**	20
After crediting:		
Interest income from:		
— bank deposits	**6,940**	4,251
— amount due from an associate	**1,068**	210
Total interest income	**8,008**	4,461
Net foreign exchange gain	**1,329**	68
Rental income	**863**	96
Government grants (note b)	**1,590**	1,985

Notes:

(a) Allowance for inventories obsolescence amounted to RMB1,863,000 (2010: RMB1,044,000) has been recognised in the current year and included in cost of sales.

(b) The amounts mainly represent incentive subsidies granted by the PRC local government authorities in recognition of the Group entities for performance in enterprise information technology application and product research activities. The government grants have been approved by and received from the PRC local government authorities, which are unconditional and nonrecurring.

7. Income Tax Expenses

	2011 RMB'000	2010 RMB'000
The charge (credit) comprises:		
Current tax		
— PRC Enterprise Income Tax	**14,808**	14,249
— Withholding tax paid	**507**	3,407
Deferred tax (note 16)	**7,033**	(2,375)
	22,348	15,281

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.

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 of the group is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the subsidiaries of the Company, Hangzhou AUPU Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology") is entitled to exemption from PRC income tax for two years starting from their first profit making year, followed by a 50% reduction for the next three years from 2006 ("Tax Holidays"). Under a 5-year transitional provision starting from 1 January 2008 pursuant to the Law of the People's Republic of China on Enterprise Income Tax, the Tax Holidays has been expired in 2010. In 2011, the subsidiary is qualified as "Hi-New Tech Enterprises" and therefore enjoys a preferential tax rate of 15% under EIT Law (2010: 11%).

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 Company.

7. 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:

	2011 RMB'000	2011 %	2010 RMB'000	2010 %
Profit before tax	95,336		94,606	
Tax at the domestic income tax rate of 25% (2010: 25%)	23,834	25.00	23,651	25.00
Tax effect of expenses not deductible for tax purpose	2,348	2.46	1,914	2.02
Tax concession of a subsidiary	(7,470)	(7.83)	(14,573)	(15.40)
Tax effect of share of (profits) losses of associates	(54)	(0.06)	190	0.20
Effect of withholding tax	3,690	3.87	4,099	4.33
Tax charge and effective tax rate for the year	22,348	23.44	15,281	16.15

8. Dividends

	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the year:		
2011 Interim — RMB0.04 (2010: 2010 interim dividend RMB0.05) per share	42,724	35,450
2010 Final — RMB0.04 (2010: 2009 final dividend RMB0.06) per share	42,724	42,540
	85,448	77,990

The final dividend of RMB0.02 in respect of the year ended 31 December 2011 (2010: final dividend of RMB0.04 in respect of the year ended 31 December 2010) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

9. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings:

	2011 RMB'000	2010 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**72,988**	79,325

Number of shares:

	Number of ordinary shares 2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,068,032,507**	1,063,835,342
Effect of dilutive potential ordinary shares Share-based payment transactions	**—**	1,010,877
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,068,032,507**	1,064,846,219

For the year ended 31 December 2010, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus share issued during the year 2010. For the year ended 31 December 2011, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the Company's options were higher than the average market price in 2011.

10. Remuneration of Directors and Five Highest Paid Individuals

The emoluments of directors are analysed as follows:

Year ended 31 December 2011

	Fees RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000 (note 3)	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Fang James	—	364	420	13	—	797
Fang Shengkang	—	365	420	13	—	798
Li Ruishan (note 1)	—	173	252	8	—	433
Lin Xiaofeng (note 1)	—	20	—	—	—	20
Chai Junqi (note 2)	—	187	—	—	—	187
	—	1,109	1,092	34	—	2,235
Non-executive director:						
Lu Songkang	115	—	—	13	—	128
Independent non-executive directors:						
Cheng Houbo	43	—	—	—	7	50
Shen Jianlin	43	—	—	—	7	50
Wu Tak Lung	88	—	—	—	15	103
	174	—	—	—	29	203
	289	1,109	1,092	47	29	2,566

10. Remuneration of Directors and Five Highest Paid Individuals (Continued)

Year ended 31 December 2010

	Fees RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000 (note 3)	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Fang James	—	364	499	12	—	875
Fang Shengkang	—	364	499	12	—	875
Chai Junqi	—	280	270	—	—	550
	—	1,008	1,268	24	—	2,300
Non-executive director:						
Lu Songkang	114	—	—	12	—	126
Independent non-executive directors:						
Cheng Houbo	40	—	—	—	15	55
Shen Jianlin	40	—	—	—	15	55
Wu Tak Lung	87	—	—	—	30	117
	167	—	—	—	60	227
	281	1,008	1,268	36	60	2,653

Note 1 : Mr. Li Ruishan and Mr. Lin Xiaofeng were appointed as executive directors on 26 August 2011.

Note 2 : Mr. Chai Junqi resigned on 26 August 2011.

Note 3 : The bonus is determined by the Board of Directors based on the financial performance of the Group.

10. Remuneration of Directors and Five Highest Paid Individuals (Continued)

Of the five individuals with the highest emoluments in the Group, four (2010: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining one (2010: two) individual(s) were as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries and allowances	215	404
Retirement benefit contributions	13	22
Equity-settled share-based payments	40	195
	268	621

Their emoluments were each within HK$1,000,000 for the year ended 31 December 2011 and 2010.

During the year, no emoluments were paid by the Group to the five highest paid individuals and directors 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.

11. 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 2010	140,293	6,524	8,355	15,082	33,913	204,167
Additions	—	32	1,144	1,440	3,927	6,543
Disposals	—	—	(264)	(294)	—	(558)
Transfers	—	—	—	772	(772)	—
At 31 December 2010	140,293	6,556	9,235	17,000	37,068	210,152
Additions	279	282	1,803	3,937	4,079	10,380
Transfers	21,827	—	—	—	(21,827)	—
Reclassified as held for sale	(28,875)	—	—	—	—	(28,875)
Disposals	—	—	(1,068)	(1,198)	—	(2,266)
At 31 December 2011	133,524	6,838	9,970	19,739	19,320	189,391
ACCUMULATED DEPRECIATION						
At 1 January 2010	13,696	2,306	5,318	9,307	—	30,627
Provided for the year	6,337	537	1,186	2,197	—	10,257
Eliminated on disposals	—	—	(243)	(232)	—	(475)
At 31 December 2010	20,033	2,843	6,261	11,272	—	40,409
Provided for the year	6,747	544	939	2,453	—	10,683
Reclassified as held for sale	(12,695)	—	—	—	—	(12,695)
Eliminated on disposals	—	—	(891)	(1,098)	—	(1,989)
At 31 December 2011	14,085	3,387	6,309	12,627	—	36,408
CARRYING VALUES						
At 31 December 2011	119,439	3,451	3,661	7,112	19,320	152,983
At 31 December 2010	120,260	3,713	2,974	5,728	37,068	169,743

11. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment other than properties under construction are depreciated, taking into account their residual value, 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

12. Prepaid Lease Payments

	2011 RMB'000	2010 RMB'000
Analysed for reporting purposes as:		
Non-current asset	15,779	16,333
Current asset	543	532
	16,322	16,865

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

13. Assets Classified as Held for Sale

On 16 December 2011, an indirect wholly-owned subsidiary of the Company, Hangzhou AUPU Electrical Appliances Co., Ltd ("AUPU Electrical"), entered into an agreement with Hexing Electrical Co., Ltd. (杭州海興電力科技有限公司) ("Hexing Electrical"), an independent third party, for disposal of a property of AUPU Electrical at a cash consideration of RMB40 million. The disposal transaction has not been completed as of the end of the reporting period. The property is measured at the lower of its carrying amount and fair values less costs to sell.

In accordance with the terms of the agreement, the property transfer is non-cancellable unless the property transfer cannot be completed on or before 30 June 2012 and no written consent from Hexing Electrical is obtained to extend the completion date beyond 30 June 2012, and in which case, the agreement shall lapse. The directors are of the opinion that the property transfer can be completed on or before 30 June 2012.

As the agreed selling price per agreement is higher than the carrying amount of the property as at the end of the reporting period, the directors consider that there is no impairment on the property.

14. Interests in Associates

	2011 RMB'000	2010 RMB'000
Cost of unlisted investment in associates	27,000	27,000
Share of post-acquisition losses	(1,005)	(1,221)
	25,995	25,779

As at 31 December 2011 and 2010, the Group had interests in the following associates:

Name of Entity	Place and date of establishment	Proportion of ownership interest 31 December 2011	2010	Registered capital RMB	Principal activity
Hangzhou AUPU Broni Kitchen & Bath Co., Ltd ("AUPU Broni") 杭州奧普博朗尼廚衛科技有限公司	Hangzhou, PRC 2 November 2009	40%	40%	30,000,000	Manufacture and distribution of electrical kitchen appliances and equipment
Chengdu Qianyin Investment Company Limited 成都牽銀投資有限公司	Chengdu, PRC 9 June 2010	30%	30%	50,000,000	Investment of real estate and development of automotive service

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Total assets	111,058	101,691
Total liabilities	(33,996)	(24,860)
Net assets	77,062	76,831
Group's share of the associates' net assets	25,995	25,779

14. Interests in Associates (continued)

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Revenue	39,570	14,832
Profit (Loss) for the year	232	(2,022)
Group's share of the associates' profits (losses) of the year	216	(762)

15. Available-for-Sale Investment

During the year, AUPU Technology, a subsidiary of the Company, invested in a partnership named Zhejiang Haibang Cai Zhi Venture Partnership (浙江海邦才智投資合夥企業) ("Haibang Cai Zhi"). Haibang Cai Zhi has a 74.5% investment in Zhejiang Haibang Human Resources Venture Partnership (浙江海邦人才創業投資合夥企業), which is a partnership focus on the investment in high-tech venture projects.

Under the agreement, AUPU Technology will invest a total of RMB25 million in Haibang Cai Zhi, representing a 16.78% interest in Haibang Cai Zhi. As at the end of the reporting period, AUPU Technology has paid up RMB20 million.

Pursuant to the venture partnership agreement, as one of the limited partners, AUPU Technology has no power to participate in the financial and operating policy decisions of the Haibang Cai Zhi. Therefore, the directors designated such non-derivative financial asset as available-for-sale investment, which is measured at cost less any identified impairment losses at the end of the reporting period (31 December 2010: nil) as the directors are of the opinion that the range of reasonable fair value estimates is so significant that the fair value of Haibang Cai Zhi cannot be measured reliably. Details of the available-for-sale investment are set out below:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Unlisted investment:		
— unlisted equity instrument	20,000	—

16. Deferred Tax Assets and Liability

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

	Unrealised profits on inventories RMB'000 (note a)	Other deductible temporary differences RMB'000 (note a)	Withholding tax on undistributed retained earnings of PRC subsidiaries RMB'000 (note b)	Total RMB'000
At 1 January 2010	3,919	9,042	(8,658)	4,303
(Charge) credit to profit or loss (note 7)	(1,226)	4,293	(692)	2,375
At 31 December 2010	2,693	13,335	(9,350)	6,678
(Charge) to profit or loss (note 7)	(513)	(3,337)	(3,183)	(7,033)
At 31 December 2011	2,180	9,998	(12,533)	(355)

(a) 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.

(b) The withholding tax on undistributed retained earnings of PRC subsidiaries paid during the year amounted to RMB507,000 (2010: RMB3,407,000).

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

	2011 RMB'000	2010 RMB'000
Deferred tax assets	12,178	16,028
Deferred tax liability	(12,533)	(9,350)
	(355)	6,678

17. Inventories

	2011 RMB'000	2010 RMB'000
Raw materials	**9,226**	6,865
Finished goods	**34,408**	35,206
	43,634	42,071

18. Trade and Other Receivables

	2011 RMB'000	2010 RMB'000
Aged analysis of trade receivables presented based on invoice date:		
Within 90 days	**71,872**	56,959
91–180 days	**8,969**	3,773
181–365 days	**552**	763
Over 365 days	**419**	908
Total trade receivables	**81,812**	62,403
Other receivables, deposits and prepayments	**12,141**	6,003
	93,953	68,406

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 RMB9,940,000 (2010: RMB5,444,000) aged over 90 days 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 2011 and 2010.

Trade receivables amounting to RMB4,495,000 (2010: RMB2,702,000) were denominated in United States Dollar ("USD") which is not the functional currency of the respective entities.

19. Other Financial Assets

The time deposits held in banks, are denominated in RMB and with an initial term of six to twelve months. The deposits carry fixed interest ranging from 2.92% to 3.50% per annum as at 31 December 2011 (2010: 1.98% to 2.20% per annum).

Pledged bank deposits represent deposit pledged to a bank to secure short-term bank loans and are therefore classified as current assets (31 December 2010: nil).

The interest rates of both pledged bank deposits are related to EURO/USD exchange rate. Regarding the deposit amounting to RMB44 million, when the fluctuation of exchange rate is within the range between 1.3990 and 1.4390, the annual interest rate is 3.75%; when it exceeds the range, the annual interest rate is 3.55%. Regarding the other deposit amounting to RMB43 million, when the fluctuation of exchange rate is within the range between 1.3080 and 1.4080, the annual interest rate is 3.95%; when it exceeds the range, the annual interest rate is 3.70%. In the opinion of the directors of the Company, the changes in fair value of the interest portion of the pledged bank deposits will not have a material impact on the financial position of the Group.

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 0.01% to 0.95% per annum as at 31 December 2011 (2010: 0.36% to 1.35% per annum).

The carrying amount of these assets approximates to their fair value.

Bank balances amounting to RMB5,284,000 and RMB1,268,000 (2010: RMB4,557,000 and RMB103,000) were denominated in Hong Kong Dollar ("HK$") and USD, respectively, which are not the functional currencies of the respective entities.

Bank balances, pledged bank deposits, time deposits and cash of RMB276,977,000 (2010: RMB242,259,000) 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.

20. 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.

	2011 RMB'000	2010 RMB'000
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	**45,851**	53,132
91 – 180 days	**1,382**	1,825
18 – 365 days	**334**	48
Over 365 days	**1,667**	217
Total trade payables	**49,234**	55,222
Retention sum due to suppliers	**2,085**	1,853
Advances from customers	**18,031**	16,719
Sales commission accruals	**25,636**	24,104
Other accruals	**40,430**	35,022
	135,416	132,920

21. Other Tax Liabilities

	2011 RMB'000	2010 RMB'000
Value added tax	**7,768**	7,314
Others	**435**	187
	8,203	7,501

22. Short-Term Bank Loans

During the year, the Group obtained two new variable-rate borrowings in the aggregate amount of HK$102,000,000, which carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 300 basis points. The borrowings were secured by both pledged bank deposits and repayable within one year.

At the end of the reporting period, the Group has undrawn borrowing facilities amounting to RMB17,309,000.

23. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2011, and 31 December 2011 and 2010	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2010	709,000,000	70,900
Bonus shares issued	354,500,000	35,450
Share option exercised	2,400,000	240
At 31 December 2010	1,065,900,000	106,590
At 1 January 2011	1,065,900,000	106,590
Share option exercised	2,205,000	221
At 31 December 2011	1,068,105,000	106,811

	31 December 2011 RMB'000	31 December 2010 RMB'000
Presented as RMB Ordinary shares	102,801	102,613

On 12 January 2011, there were 2,205,000 options under the share option scheme exercised by the employees. All the exercised option shares are from batch "2008A" on the adjusted exercise price of HK$1.03 (note 25).

24. 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.

24. Reserves (Continued)

Special reserve (Continued)

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

Statutory reserves

Pursuant to relevant laws and regulations in the PRC and the Articles of Association of AUPU Electrical and AUPU Technology, both 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 since 2004.

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 2011 and 2010 as reported in its PRC statutory financial statements.

The reserve fund is not distributable and it can only 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 less the amount transferred to share premium upon the exercise of the share options.

25. 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 11,850,000 (2010: 15,675,000), representing approximately 1.1% (2010: 1.5%) 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 HK$ 5 million must be approved in advance by the Company's shareholders.

25. Share-Based Payment Transactions (Continued)

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:

After bonus share issue in 2010:

Option type	Date of grant	Adjusted Number of shares	Exercise period	Adjusted Exercise price
2007A	16/3/2007	7,500,000	16/3/2008 to 15/3/2017	HK$1.49
2007B	8/6/2007	9,675,000	8/6/2008 to 7/6/2017	HK$2.07
2008A	3/1/2008	12,150,000	3/1/2008 to 2/1/2017	HK$1.03

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.

The following table discloses movements of the Company's share options held by directors and employees during the years ended 31 December 2011 and 2010:

Option type	Outstanding at 01/01/2011	Forfeited during the year	Exercised during the year	Outstanding at 31/12/2011
2007A	3,750,000	(900,000)	—	2,850,000
2007B	7,275,000	(375,000)	—	6,900,000
2008A	4,650,000	(345,000)	(2,205,000)	2,100,000
	15,675,000	(1,620,000)	(2,205,000)	11,850,000
Exercisable at the end of the year				8,715,000
Weighted average exercise price	1.62	1.53	1.03	1.75

25. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Option type	Outstanding at 01/01/2010	Forfeited before bonus issue during the year	Adjusted for bonus issue during the year (note 23)	Exercised during the year	Outstanding at 31/12/2010
2007A	2,500,000	—	1,250,000	—	3,750,000
2007B	5,750,000	(900,000)	2,425,000	—	7,275,000
2008A	5,100,000	(400,000)	2,350,000	(2,400,000)	4,650,000
	13,350,000	(1,300,000)	6,025,000	(2,400,000)	15,675,000
Exercisable at the end of the year					8,445,000
Weighted average exercise price	2.35	2.63	1.55	1.03	1.62

Except for the share options forfeited as disclosed above, there were 2,205,000 options that have been exercised under the share option scheme by employees on 12 January 2011, which accounted for as a 0.21% (2010: 0.23%) of existing issued share capital before issuance of the relevant shares. The exercise price per share was HK$1.03 (2010: HK$1.03), the closing market price per share of the immediately before the date on which the options were exercised was HK$1.29 (2010: HK$1.39). After the exercise of option, the number of ordinary shares of the Company increased from 1,065,900,000 shares to 1,068,105,000 shares.

The Group recognised an expense of RMB1,245,000 for the year ended 31 December 2011 (2010: RMB1,939,000) in relation to the share options granted by the Company.

26. Operating Lease Commitments

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments under operating leases recognised in the consolidated statement of comprehensive income for the year	**2,829**	2,783

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:

	2011 RMB'000	2010 RMB'000
Within one year	**1,936**	1,462
In the second to fifth year inclusive	**1,136**	467
	3,072	1,929

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 5 years at inception.

The Group as lessor

Property rental income earned during the period was RMB863,000 (2010: RMB96,000). Certain of the Group's properties are for temporary rental purpose, are expected to generate rental yields of 5% till the expiring date of the tenancy agreement on 30 April 2012, or the completion date of the transfer and registration procedures stated in the Asset Transfer Agreement on or before 30 June 2012, whichever is earlier.

27. Capital Commitments

Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:

	2011 RMB'000	2010 RMB'000
(i) acquisition of property, plant and equipment	**3,328**	5,328
(ii) capital injection to an available-for-sale investment	**5,000**	—

28. Retirement Benefit Scheme

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) 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.

The total cost charged to profit or loss of RMB4,263,000 (2010: RMB3,793,000) represents contributions payable to these retirement benefits schemes by the Group in respect of the current accounting period.

29. 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 debt, which includes short-term bank loans, 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 as well as the issue of new debt or the redemption of existing debt.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, time deposits, pledged bank deposits, bank balances and cash, amounts due from/to associates, trade and other payables and short-term bank loans. 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

	2011 RMB'000	2010 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	378,616	321,048
Available-for-sale instrument	20,000	—
Financial liabilities		
Amortised costs	135,690	57,075

Market risk

(i) Currency risk

The Company and certain subsidiaries have bank balances and bank loans denominated in foreign currencies. Certain subsidiaries of the Group also have foreign currency sales and purchases and certain trade receivables and payables of these subsidiaries are denominated in foreign currencies. Pledged bank deposits also carried variable rates of return depending on exchange rate movements.

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

	Assets		Liabilities	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
USD	5,763	2,805	—	—
HK$	5,284	4,557	84,018	—

30. Financial Instruments (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

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. As the maximum exposure of the currency risk on the pledge bank deposits is not expected to be significant, the pledged bank deposits were excluded from the sensitivity analysis.

Sensitivity analysis

The sensitivity analysis details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in RMB against HK$ 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 excluding pledged bank deposits, and adjusts their translation at year end for a 5% change in foreign currency rates. If RMB had strengthened/weakened 5% against HK$ and USD, the Group's post-tax profit for the year ended 31 December 2011 would have been increased/decreased by RMB2,793,000 (2010: decreased/increased by RMB309,000).

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to a fixed-rate loan receivable from an associate (note 31) and time deposits (note 19).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 19) and short-term bank loans (note 22). The cash flow interest rate risk relates primarily to floating-rate bank loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HK$ dominated loans.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point (2010: nil) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

30. Financial Instruments (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates had been 50 basis points (2010: nil) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by RMB317,000 (2010: nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

If interest rates had been 10 basis points (2010: nil) higher/lower on bank balances and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would increase/decrease by RMB24,000 (2010: RMB39,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise 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 ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability, specific allowance is only made for trade receivable that is unlikely to be collected. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 18% (2010: 17%) of the total trade receivables was due from the Group's largest customer.

The Group has concentration of credit risk in respect of bank balances, time deposits and pledged bank deposits. As at 31 December 2011, approximately 77% (2010: 79%) of the bank balances were deposited at five (2010: five) banks. The credit risk on bank balances, time deposits and pledged bank deposits is limited because majority of the counterparties are banks in the PRC with high credit ratings or have good reputation.

30. Financial Instruments (Continued)

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average interest rate	On demand or less than six months	Six months to one year	Over one year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2011						
Non-derivative financial liabilities						
Trade and other payables	—	52,239	407	—	52,646	52,646
Amount due to an associate	—	353	—	—	353	353
Short-term bank loans	3.6401%	41,893	42,542	—	84,435	82,691
		94,485	42,949	—	137,434	135,690
2010						
Non-derivative financial liabilities						
Trade and other payables	—	57,075	—	—	57,075	57,075

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.

31. Related Party Transactions

(a) The following balances were outstanding at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Amounts due from associates		
— interest bearing	10,000	10,000
— non-interest bearing	336	107
	10,336	10,107
Amount due to an associate		
— non-interest bearing	353	—

The balance amounting to RMB10,000,000 is the entrusted loan due from Chengdu Qianyin Investment Company Limited for a term of one year and bears interest at the rate of 6.56% per annum. The remaining balance of RMB336,000 represented amount due from Hangzhou AUPU Broni Kitchen & Bath Co., Ltd., which is unsecured, interest free and repayable on demand.

(b) During the year, the Group entered into the following transactions with associates:

	2011 RMB'000	2010 RMB'000
Trade sales	8	153
Rental income	240	96
Interest income	1,068	210
Purchase	1,976	—

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

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	2,705	2,962
Post-employment benefits	60	57
Share-based payments	69	255
	2,834	3,274

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2011 and 2010 are as follow:

Name of subsidiary	Place and date of incorporation	Issued and fully paid up share capital/registered establishment capital	Proportion of nominal value of share capital/ registered capital held by the Company		Principal activities
			Direct	Indirect	
Ableby Worldwide Limited 藝寶環球有限公司	The British Virgin Islands 18 May 2006	Ordinary shares US$1	100%	—	Investment holding
Tricosco Limited ("Tricosco")	Hong Kong 20 June 2006	Ordinary shares HK$1	—	100%	Investment holding
Shambhala Energy Company Limited	Cayman 22 July 2011	Ordinary shares US$1	100%	—	Investment holding
Best Wick International Holdings Limited	The British Virgin Islands 17 April 2009	Ordinary shares US$1	—	100%	Investment holding
AUPU Technology 杭州奧普衛廚科技有限公司	PRC as a wholly-owned foreign investment enterprise ("WOFE") 9 September 2004	Registered and contributed capital US$20,000,000	—	100%	Manufacture and distribution of bathroom masters, exhaust fans and other home appliances
AUPU Electrical 杭州奧普電器有限公司	PRC as a WOFE 29 July 1993	Registered and contributed capital US$3,350,000	—	100%	Manufacture and distribution of bathroom masters, exhaust fans and other home appliances

33. Information about the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Unlisted investments in subsidiaries	190,110	190,110
Bank balances and cash	8,009	5,030
Other current assets	72,648	39,863
Total assets	270,767	235,003
Total Liabilities	94,439	12,139
Share capital	373,803	373,615
Reserves	(197,475)	(150,751)
Total equity	176,328	222,864

20. Events after the Reporting Period

Subsequent event related with Hexing Electrical

(1) On 16 December 2011, AUPU Electrical entered into the Asset Transfer Agreement with Hexing Electrical for a disposal of a property from the Group at a cash consideration of RMB40 million as detailed in note 13. Subsequent to 31 December 2011, an initial deposit of RMB25 million has been paid by Hexing Electrical to the Group.

(2) Pursuant to a conditional equity transfer agreement entered into on 16 December 2011 between AUPU Technology, Heixing Holding Group Co., Ltd. ("Heixing Holding") and its subsidiary Heixing Electrical and a supplementary equity agreement entered into on 31 December 2011 between AUPU Technology, Heixing Holding, Heixing Electrical and other potential investors of Heixing Electrical, AUPU Technology agreed to acquire 1.0926% equity interest in Heixing Electrical from Heixing Holding at a cash consideration of RMB40 million (the "Equity Transfer"). As at 31 December 2011, the Equity Transfer has not yet be completed as it is subject to the approval from the relevant government authority, which was subsequently obtained on 11 January 2012. Up to the date of this report, the Equity Transfer has been completed and full payment of RMB40 million has been paid to Heixing Holding.

Subsequent event related with AUPU Broni

On 16 February 2012, an entrusted loan agreement is entered into between AUPU Technology, AUPU Broni and the Bank of Communications Co., Ltd. (the "Entrusted Loan Agreement"). Pursuant to the Entrusted Loan Agreement, AUPU Technology shall, through the Bank of Communications Co., Ltd., provide a two-year entrusted loan in an aggregate sum of RMB27 million to AUPU Broni, with the drawdown arrangement in three installments of RMB3.4 million, RMB11 million and RMB12.6 million, respectively. The interest rate for the loan shall be 10% per annum and interest will be payable on a quarterly basis. The first loan of RMB3.4 million was made to the AUPU Broni in accordance with drawdown arrangement on 17 February 2012.

Mr. Fang Shengkang and Mr. Li Ruishan, executive directors of the Company, owned as to 67.5% and 20% equity interest in Hangzhou Qian Cai Investment Company Limited, respectively, which in turn owned 60% equity interest in AUPU Broni. Accordingly, the transactions contemplated under the Entrusted Loan Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group is as follows:

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Results					
Revenue	606,750	528,006	541,505	524,461	**537,989**
Income tax expenses	(16,211)	(18,375)	(23,933)	(15,281)	**(22,348)**
Profit attributable to owners of the Company	103,554	61,098	92,050	79,325	**72,988**
Dividends	56,848	92,266	70,900	77,990	**85,448**

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Assets and Liabilities					
Total assets	575,620	523,006	599,775	595,918	**675,110**
Total liabilities	(149,416)	(123,010)	(175,086)	(165,836)	**(254,311)**
Shareholders' funds	426,204	399,996	424,689	430,082	**420,799**