

AUPU

AUPU GROUP HOLDING COMPANY LIMITED

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

(Stock Code: 00477)

INTERIM REPORT 2012



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Fang James (方杰) (*Chairman*)
Fang Shengkang (方勝康)
Li Ruishan (李瑞山)
Lin Xiaofeng (林曉峰)

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

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

MEMBERS OF THE NOMINATION COMMITTEE

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

AUDITORS

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

COMPANY SECRETARY

Chan Ka Fat (陳家發)

AUTHORISED REPRESENTATIVES

Fang James
Fang Shengkang

STOCK CODE

00477

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The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
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Grand Cayman
Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

Tricor Investor Services Limited
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Zhejiang Province
The PRC

Agricultural Bank of China

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COMPANY LAWYERS

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Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF AUPU GROUP HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of AUPU Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 24, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

The board of directors of AUPU Group Holding Company Limited (the "Company") is pleased to present the unaudited consolidated interim results and financial position of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012, together with comparative figures for the corresponding period of 2011. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

	Notes	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Revenue		223,358	250,106
Cost of sales		(119,147)	(131,873)
Gross profit		104,211	118,233
Other income		14,130	8,712
Gain on disposal of assets classified as held for sale		21,495	—
Selling and distribution expenses		(52,289)	(52,400)
Administrative expenses		(18,901)	(14,584)
Other expenses		(8,706)	(6,985)
Share of losses of associates		(527)	(1,000)
Finance costs		(1,584)	(156)
Profit before tax	5	57,829	51,820
Income tax expenses	4	(16,227)	(14,942)
Profit for the period and total comprehensive income attributable to owners of the Company		41,602	36,878
		RMB	RMB
Earnings per share			
— Basic	7	0.04	0.03
— Diluted	7	0.04	0.03

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	155,418	155,529
Prepaid lease payments		13,282	13,447
Interests in associates	9	25,468	25,995
Available-for-sale investments	10	65,000	20,000
Amount due from an associate	20	27,000	—
Deferred tax assets	11	12,455	12,178
		298,623	227,149
Current assets			
Inventories		52,135	43,634
Trade and other receivables	12	58,849	93,953
Prepaid lease payments		329	329
Amounts due from associates	20	10,706	10,336
Time deposits		158,000	165,000
Pledged bank deposits	13	67,000	87,000
Bank balances and cash		31,760	31,529
		378,779	431,781
Assets classified as held for sale	5(b)	—	16,180
		378,779	447,961
Current liabilities			
Trade and other payables	14	131,682	135,416
Amount due to an associate	20	352	353
Income tax liabilities		20,803	15,115
Other tax liabilities		5,312	8,203
Borrowings	15	65,216	82,691
		223,365	241,778
Net current assets		155,414	206,183
Total assets less current liabilities		454,037	433,332

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2012

	Notes	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Capital and reserves			
Share capital	16	102,676	102,801
Reserves		338,436	317,998
Total equity attributable to owners of the Company		441,112	420,799
Non-current liability			
Deferred tax liability	11	12,925	12,533
		454,037	433,332

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note i)	Statutory reserves RMB'000 (Note ii)	Share option reserve RMB'000 (Note iii)	Share repurchase reserve RMB'000	Share redemption reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2011 (audited)	102,613	243,377	(73,274)	59,568	16,156	—	—	81,642	327,469	430,082
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	36,878	36,878	36,878
Dividends recognised as distribution (note 6)	—	—	—	—	—	—	—	(42,724)	(42,724)	(42,724)
Exercise of share option (note 17)	188	2,730	—	—	(986)	—	—	—	1,744	1,932
Recognition of equity-settled share-based payments	—	—	—	—	897	—	—	—	897	897
At 30 June 2011 (unaudited)	102,801	246,107	(73,274)	59,568	16,067	—	—	75,796	324,264	427,065
At 1 January 2012 (audited)	102,801	246,182	(73,274)	65,802	16,340	—	—	62,948	317,998	420,799
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	41,602	41,602	41,602
Dividends recognised as distribution (note 6)	—	—	—	—	—	—	—	(21,348)	(21,348)	(21,348)
Recognition of equity-settled share-based payments	—	—	—	—	1,086	—	—	—	1,086	1,086
Share repurchased and cancelled (note 16)	(125)	(711)	—	—	—	—	125	(125)	(711)	(836)
Repurchase of own shares pending for cancellation (note 16)	—	—	—	—	—	(191)	—	—	(191)	(191)
At 30 June 2012 (unaudited)	102,676	245,471	(73,274)	65,802	17,426	(191)	125	83,077	338,436	441,112

Notes:

- (i) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the amount of the paid-in capital of the subsidiaries acquired pursuant to the group reorganisation.
- (ii) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC") and the Articles of Association of Hangzhou Aupu Electrical Appliances Co., Ltd. and Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., both are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of its registered capital. The reserve fund can be used to increase capital or to meet unexpected future losses.
- No transfer has been made to the statutory reserves in respect of the net profit for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil). This transfer will be made at the year end date based on the annual profit and upon directors' approval.
- (iii) The share option reserve of the Group represents the recognition of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net cash from operating activities	51,421	56,184
Investing activities:		
Interest received	4,653	3,338
Proceeds from disposal of held for sale assets	35,035	—
Proceeds from disposal of property, plant and equipment	78	205
Purchase of available-for-sale investments	(45,000)	(15,000)
Purchase of property, plant and equipment	(4,635)	(5,690)
Placement of time deposits	(170,000)	(460,591)
Withdrawal of time deposits	177,000	457,570
Withdrawal of pledged bank deposit	20,000	—
Placement of pledged bank deposit	—	(44,000)
Loan to an associate	(27,000)	—
Net cash used in investing activities	(9,869)	(64,168)
Financing activities:		
Dividends paid	(21,348)	(42,724)
New bank loan raised	23,155	41,580
Repayment of borrowings	(40,630)	—
Interest paid	(1,471)	—
Proceeds from exercise of share options	—	1,932
Repurchase of own shares	(1,027)	—
Net cash (used in) from financing activities	(41,321)	788
Net increase (decrease) in cash and cash equivalents	231	(7,196)
Cash and cash equivalents at 1 January	31,529	46,919
Cash and cash equivalents at 30 June, represented by bank balances and cash	31,760	39,723

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("revised IFRSs").

- Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

3. SEGMENT INFORMATION

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

For the six months ended 30 June 2012 (unaudited)

	Second		Northeastern						Total RMB'000
	Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Region RMB'000	Sichuan RMB'000	Export RMB'000	
SEGMENT REVENUE									
External sales	75,436	30,609	29,545	23,629	22,451	10,252	20,777	10,659	223,358
Inter-segment sales	—	—	—	—	107,392	—	87	—	107,479
	75,436	30,609	29,545	23,629	129,843	10,252	20,864	10,659	
Eliminations									(107,479)
Group revenue									223,358
Segment profit	31,724	17,504	12,669	13,735	9,894	3,866	11,186	3,633	104,211
Interest income									4,797
Other unallocated income									9,333
Gain on disposal of assets classified as held for sale									21,495
Unallocated expenses									(79,896)
Finance costs									(1,584)
Share of losses of associates									(527)
Profit before tax									57,829

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2011 (unaudited)

	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
SEGMENT REVENUE									
External sales	90,940	32,411	37,766	21,628	25,315	15,662	17,122	9,262	250,106
Inter-segment sales	—	—	—	—	117,280	—	—	—	117,280
	90,940	32,411	37,766	21,628	142,595	15,662	17,122	9,262	
Eliminations									(117,280)
Group revenue									250,106
Segment profit	38,183	19,100	17,636	13,651	11,832	5,635	9,126	3,070	118,233
Interest income									3,338
Other unallocated income									5,374
Unallocated expenses									(73,969)
Finance costs									(156)
Share of losses of associates									(1,000)
Profit before tax									51,820

Segment profit represents the gross profit earned by each segment without allocation of interest income, other income and expenses, gain on disposal of assets classified as held for sale, selling and distribution expenses, administrative expenses, share of results of associates and finance costs. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

4. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax	13,472	9,531
— Land appreciation tax	2,640	—
Deferred tax (note 11)	115	5,411
	16,227	14,942

The subsidiary established in the PRC, other than Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. is subject to enterprise income tax at a statutory tax rate of 25% (2011: 25%). Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., ("AUPU Technology"), a subsidiary of the Company is qualified as "Hi-New Tech Enterprises" and therefore enjoys a preferential tax rate of 15% under EIT Law (2011: 15%).

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

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, a 5% of withholding tax is to be levied on the dividend declared in respect of profits earned by PRC operating subsidiaries from 2008 onwards. A provision for such withholding income tax has been made on the profits arisen during both periods from the PRC subsidiaries, which are available for distribution to its immediate holding company incorporated in Hong Kong.

In current period, the Group completed the disposal of properties included in assets classified as held for sale, resulting in the payment of land appreciation tax of RMB2,640,000 (2011: Nil).

5. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	22,057	24,688
— retirement benefit scheme contributions	2,225	2,164
— equity-settled share-based payments	1,245	897
Total staff costs	25,527	27,749

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

5. PROFIT BEFORE TAX (Continued)

Profit before tax has been arrived at:

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
<i>After charging- continued:</i>		
Research expenditure included in other expenses	5,563	3,721
Depreciation of property, plant and equipment	4,639	5,122
Depreciation of investment properties	—	40
Release of prepaid lease payments	165	272
Loss on disposal of property, plant and equipment	29	—
Net foreign exchange loss (gain)	589	(93)
Cost of inventories recognised as an expense	119,147	131,873
<i>After crediting:</i>		
Interest income		
— bank deposits	3,879	2,731
— amount due from an associate	918	607
Government grants (note a)	1,909	1,008
Gain on disposal of assets classified as held for sale (note b)	21,495	—

Notes:

- (a) 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, product research activities and property tax refund. The government grants have been approved by and received from the PRC local government authorities, which are unconditional and nonrecurring.
- (b) In current period, the Group completed the disposal of assets classified as held for sale, resulting in a gain on disposal of assets classified as held for sale amounting to RMB21,495,000.

6. DIVIDENDS

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Final dividend paid for 2011 of RMB0.02 (2011: RMB0.04 for 2010) per share	21,348	42,724

In respect of the current interim period, the directors propose that an interim dividend of RMB0.03 (2011: RMB0.04) per share will be paid to shareholders whose names appear in the register of members on 14 September 2012. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	41,602	36,878

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,067,720,000	1,067,959,000

For the six months ended 30 June 2012, the weighted average number of ordinary shares for the purpose of basic earnings per share has taken into account the shares repurchased in June 2012 and cancelled in August 2012. The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2012 and 2011.

No diluted earnings per share is presented as the Company does not have dilutive potential ordinary share in issue.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB107,000 for cash proceeds of RMB78,000, resulting in a loss on disposal of RMB29,000.

In addition, during the current interim period, the Group spent approximately RMB485,000 for properties under construction and RMB4,150,000 on additions to machinery, motor vehicles, fixtures and equipment in the PRC.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

9. INTERESTS IN ASSOCIATES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Cost of unlisted investment in associates	27,000	27,000
Share of post-acquisition losses	(1,532)	(1,005)
	25,468	25,995

As at 30 June 2012 and 31 December 2011, the Group had interests in the following associates:

Name	Place and date of establishment	Proportion of ownership interest		Registered capital RMB	Principal activity
		30 June 2012	31 December 2011		
Hangzhou APU Broni Kitchen & Bath Co., Ltd 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

10. AVAILABLE-FOR-SALE INVESTMENTS

On 9 January 2011, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("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) ("Zhejiang Haibang"), which is a partnership focus on the investment in high-tech venture projects. Under the agreement, Aupu Technology invested a total of RMB25 million in Haibang Cai Zhi, representing a 16.78% interest in Haibang Cai Zhi.

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.

During the period, AUPU Technology made an investment in Hangzhou Haixing Electrical Co., Ltd (杭州海興電力科技有限公司) ("Hangzhou Haixing") amounting to RMB40 million, representing a 1.0818% equity interest in Hangzhou Haixing.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

10. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Available-for-sale investments are measured at cost less any identified impairment losses at the end of the reporting period. Details of the available-for-sale investments are set out below:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Unlisted investments:		
— Haibang Cai Zhi	25,000	20,000
— Hangzhou Haixing	40,000	—
	65,000	20,000

11. DEFERRED TAXATION

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

	Unrealised profit on inventories RMB'000	Other deductible temporary differences RMB'000	Withholding tax on undistributed retained earnings of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2011 (audited)	2,693	13,335	(9,350)	6,678
(Charge) credit to profit for the period (note 4)	(438)	(2,841)	(2,132)	(5,411)
At 30 June 2011 (unaudited)	2,255	10,494	(11,482)	1,267
At 1 January 2012 (audited)	2,180	9,998	(12,533)	(355)
(Charge) credit to profit for the period (note 4)	587	(310)	(392)	(115)
At 30 June 2012 (unaudited)	2,767	9,688	(12,925)	(470)

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

11. DEFERRED TAXATION (Continued)

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Deferred tax assets	12,455	12,178
Deferred tax liability	(12,925)	(12,533)
	(470)	(355)

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

12. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within 90 days	29,958	71,872
91–180 days	6,831	8,969
181–365 days	9,737	552
Over 365 days	660	419
Total trade receivables	47,186	81,812
Other receivables, deposits and prepayments	11,663	12,141
	58,849	93,953

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

13. PLEDGED BANK DEPOSITS

Pledged bank deposit represents deposit pledged to a bank to secure short-term bank loan and is therefore classified as a current asset. As at the close of business on 30 June 2012, the Group had pledged bank deposits of RMB67,000,000 (31 December 2011: RMB87,000,000).

As at 30 June 2012, the interest rate of the pledged bank deposits amounting to RMB43 million is related to EUR/USD exchange rate. 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.

As at 30 June 2012, the remaining pledged bank deposits amounting to RMB24 million carried a fixed interest rate of 3.5% per annum.

14. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 90 days. The following is an aged analysis of trade payables based on the date of the goods received at the end of the reporting period:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	43,701	45,851
91–180 days	1,036	1,382
181–365 days	200	334
Over 365 days	1,084	1,667
Total trade payables	46,021	49,234
Retention sum due to suppliers	2,137	2,085
Advances from customers	23,733	18,031
Sales commission accruals	22,737	25,636
Other accruals	37,054	40,430
	131,682	135,416

15. BORROWINGS

All the bank borrowings were secured by the pledged bank deposits amounting to RMB67,000,000 (31 December 2011: RMB87,000,000).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

16. SHARE CAPITAL

	Number of shares	Amounts HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2011, and 30 June 2011 and 2012	5,000,000,000	500,000
<i>Issued and fully paid:</i>		
At 1 January 2011	1,065,900,000	106,590
Share option exercised	2,205,000	221
As at 30 June 2011	1,068,105,000	106,811
At 1 January 2012	1,068,105,000	106,811
Shares repurchased and cancelled	(1,544,000)	(154)
As at 30 June 2012	1,066,561,000	106,657
	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Presented as RMB Ordinary shares	102,676	102,801

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

16. SHARE CAPITAL (Continued)

During the current period, pursuant to the general mandate given to Directors of the Company, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited at prices ranging summarised below from HK\$0.64 to HK\$0.68 each for 1,912,000 shares, of which 1,544,000 shares were cancelled during the current period and 368,000 shares were cancelled on 1 August 2012.

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per Share		Aggregate consideration paid RMB
		Highest HKD	Lowest HKD	
April 2012	784,000	0.66	0.65	416,672
May 2012	760,000	0.67	0.68	419,445
June 2012	1,544,000	0.64	0.64	836,117
	368,000			191,320
	1,912,000			1,027,437

17. SHARE-BASED PAYMENTS

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

	Number of share options	
	30 June 2012 (unaudited)	31 December 2011 (audited)
Outstanding Share-based payments	11,850,000	11,850,000

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

18. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Minimum lease payments under operating leases recognised in the condensed consolidated statement of comprehensive income	1,563	1,557

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	1,215	1,936
In the second to fifth year inclusive	1,116	1,136
	2,331	3,072

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

The Group as Lessor

Property rental income earned during the period was RMB818,000 (RMB466,000 for the six months ended 30 June 2011). Certain of the Group's properties held for rental purpose, are expected to generate rental yields of 5% on an ongoing basis.

19. CAPITAL COMMITMENTS

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
(i) acquisition of property, plant and equipment	3,328	3,328
(ii) investment in available-for-sale investment	—	5,000
	3,328	8,328

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

20. RELATED PARTY TRANSACTIONS

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Amounts due from associates		
Current		
— interest bearing (<i>note a</i>)	10,000	10,000
— non-interest bearing	706	336
	10,706	10,336
Non-current		
— interest bearing (<i>note b</i>)	27,000	—
Amounts due to associates		
— non-interest bearing	352	353

Notes:

- (a) The balance amounting to RMB10,000,000 is an unsecured entrusted loan due from Chengdu Qianyin Investment Company Limited for a term of one year which will be matured in November 2012 and bears interest at the rate of 6.56% per annum.
- (b) The balance amounting to RMB27,000,000 is an entrusted loan due from Hangzhou AUPU Broni Kitchen & Bath Co., Ltd for a term of two years which will be matured in April 2014 and bears interest at the rate of 10% per annum.

During the period, the Group has the following transaction with the associates:

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Purchases of goods	496	—
Interest income	918	607
Rental income	334	—

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

20. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Short-term employee benefits	1,064	866
Post-employment benefits	27	28
Share-based payments	11	67
	1,102	961

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

Share Repurchase

Subsequent to 30 June 2012, the Company repurchased its own shares from The Stock Exchange of Hong Kong Limited at price ranging from HK\$0.58 to HK\$0.60 each for 1,200,000 shares. These shares were cancelled following the repurchase.

22. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 24 August 2012.

Management Discussion and Analysis

BUSINESS AND FINANCE REVIEW

Revenue

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

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

The revenue of the Group for the six months ended 30 June 2012 and 2011 are analysed as follows:

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	RMB'000 Revenue	RMB'000 Gross Profit	RMB'000 Revenue	RMB'000 Gross Profit
Second-Tier Cities	75,436	31,724	90,940	38,183
Shanghai	30,609	17,504	32,411	19,100
Jiangsu	29,545	12,669	37,766	17,636
Beijing	23,629	13,735	21,628	13,651
Zhejiang	22,451	9,894	25,315	11,832
Northeastern Region	10,252	3,866	15,662	5,635
Sichuan	20,777	11,186	17,122	9,126
Export	10,659	3,633	9,262	3,070
Total	223,358	104,211	250,106	118,233

Management Discussion and Analysis (continued)

For the six months ended 30 June 2012, the revenue of the Group amounted to approximately RMB223.4 million, representing a decrease of approximately 10.7% as compared with the revenue which amounted to approximately RMB250.1 million for the six months ended 30 June 2011. The decrease in revenue was mainly attributable to the decrease in revenue of AUPU Bathroom Master and AUPU Bathroom Roof I+N. The revenue of AUPU Bathroom Master 3-in-1 and exhaust fans accounted for approximately 65.6% and 63.3% of the Group's total revenue for the six months ended 30 June 2012 and 2011 respectively.

In particular, the revenue from Second-Tier Cities decreased from approximately RMB90.9 million for the six months ended 30 June 2011 to approximately RMB75.4 million for the six months ended 30 June 2012, representing a decrease of approximately RMB15.5 million or approximately 17.0%. For the six months ended 30 June 2012, the revenue from Jiangsu amounted to approximately RMB29.5 million, representing a decrease of approximately 21.8% as compared with the revenue from Jiangsu which amounted to approximately RMB37.8 million for the six months ended 30 June 2011.

The revenue of AUPU Bathroom Roof I+N amounted to approximately RMB68.2 million for the six months ended 30 June 2012, representing a decrease of approximately 17.2% as compared with the revenue of AUPU Bathroom Roof I+N which amounted to approximately RMB82.4 million for the six months ended 30 June 2011.

Cost of sales

For the six months ended 30 June 2012, the cost of sales of the Group amounted to approximately RMB119.1 million, representing an decrease of approximately 9.7% as compared with the cost of sales which amounted to approximately RMB131.9 million for the six months ended 30 June 2011.

For the six months ended 30 June 2012, the costs of parts and components, direct labour and overhead represented approximately 90.1% and 9.9% of the total cost of sales respectively while the costs of parts and components, direct labour and overhead for the six months ended 30 June 2011 represented approximately 89.9% and 10.1% of the total cost of sales in the same period respectively.

Gross profit and gross profit margin

Gross profit decreased from approximately RMB118.2 million for the six months ended 30 June 2011 to approximately RMB104.2 million for the six months ended 30 June 2012, representing a decrease of approximately 12%. Overall gross profit margin was approximately 46.7% for the six months ended 30 June 2012. It was relatively stable when comparing with the gross profit margin for the six months ended 30 June 2011, which was approximately 47.3%.

Other income and gain on disposal of assets classified as held for sale

Other income increased from approximately RMB8.7 million for the six months ended 30 June 2011 to approximately RMB14.1 million for the six months ended 30 June 2012. In current period, the Group completed the disposal of assets classified as held for sale, resulting in the gain on disposal of assets classified as held for sale amounting to RMB21.5 million.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB52.3 million for the six months ended 30 June 2012. It mainly consisted of advertising expenses of approximately RMB12.1 million, sales promotion expenses of approximately RMB2.8 million, salary expenses of sales and marketing staff of approximately RMB14.0 million, after-sales services expenses of approximately RMB2.0 million and transportation expenses of approximately RMB6.4 million.

Management Discussion and Analysis (continued)

The selling and distribution expenses amounted to approximately RMB52.4 million for the six months ended 30 June 2011. It mainly consisted of advertising expenses of approximately RMB8.5 million, sales promotion expenses of approximately RMB8.1 million, salary expenses of sales and marketing staff of approximately RMB16.1 million, after-sales services expenses of approximately RMB1.8 million and transportation expenses of approximately RMB6.6 million.

The selling and distribution expenses for the six months ended 30 June 2012 were stable as compared with the six months ended 30 June 2011.

Administrative expenses

The administrative expenses amounted to approximately RMB18.9 million for the six months ended 30 June 2012. It mainly consisted of salary expenses of general and administrative staff of approximately RMB7.1 million, depreciation of approximately RMB1.5 million, professional fees and related disbursements of approximately RMB3.0 million, office expenses of approximately RMB1.0 million and the amortisation of share option cost about RMB1.1 million.

The administrative expenses amounted to approximately RMB14.6 million for the six months ended 30 June 2011. It mainly comprised of salary expenses of general and administrative staff of approximately RMB6.5 million, depreciation of approximately RMB1.7 million, professional fees and related disbursements of approximately RMB1.2 million and office expenses of approximately RMB1.6 million and the amortisation of share option cost about RMB0.9 million.

The increase in administrative expenses for the six months ended 30 June 2012 as compared with the six months ended 30 June 2011 was mainly due to the increase in the salary expenses of general and administrative staff and professional fees and related disbursements.

Other expenses

Other expenses increased from approximately RMB7.0 million for the six months ended 30 June 2011 to approximately RMB8.7 million for the six months ended 30 June 2012 due to the increase in research costs.

Profit before tax

Based on the above factors, the Group's profit before tax increased from approximately RMB51.8 million for the six months ended 30 June 2011 to approximately RMB57.8 million for the six months ended 30 June 2012, representing an increase of approximately 11.6%.

Income tax

Income tax of the Group amounted to RMB16.2 million for the six months ended 30 June 2012, representing an increase of RMB1.3 million from RMB14.9 million for the corresponding period of 2011. The effective tax rate decreased from approximately 28.8% from the six months ended 30 June 2011 to approximately 28.1% for the six months ended 30 June 2012.

The subsidiary established in the PRC, other than Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. is subject to enterprise income tax at a statutory tax rate of 25% (2011: 25%). Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., ("AUPU Technology"), a subsidiary of the company is qualified as "Hi-New Tech Enterprises" and therefore enjoys a preferential tax rate of 15% under EIT Law (2011: 15%).

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

Management Discussion and Analysis (continued)

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, a 5% of withholding tax is to be levied on the dividend declared in respect of profits earned by PRC operating subsidiaries from 2008 onwards. A provision for such withholding income tax has been made on the profits arisen during both periods from the PRC subsidiaries, which are available for distribution to its immediate holding company incorporated in Hong Kong.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased from approximately RMB36.9 million for the six months ended 30 June 2011 to approximately RMB41.6 million for the six months ended 30 June 2012.

ANALYSIS OF FINANCIAL POSITION

Inventory turnover

The following table sets out the summary of the Group's inventory turnover days for the six months ended 30 June 2012 and the year ended 31 December 2011:

	Six months ended 30 June 2012	Year ended 31 December 2011
Inventory turnover day (Note)	73	55

Note: The inventory turnover days for the year ended 31 December 2011 is arrived at by dividing the average inventories by cost of sales and then multiplying by 365 while the inventory turnover days for the six months ended 30 June 2012 is arrived at by dividing the average inventories by cost of sales and then multiplying by 182. Average inventories is arrived at by dividing the sum of the inventories at the beginning of year/period and that at the end of the year/period by 2. Inventory primarily comprised parts and components and finished goods. The turnover days of inventory increased from 55 days for the year ended 31 December 2011 to 73 days for the six months ended 30 June 2012 due to the decrease in sales during the six months ended 30 June 2012. The figures for both of the two periods are considered to be at a reasonable level.

Turnover days of trade receivables

The following table sets out the summary of the Group's turnover days of trade receivables for the six months ended 30 June 2012 and the year ended 31 December 2011:

	Six months ended 30 June 2012	Year ended 31 December 2011
Turnover days of trade receivables (Note)	39	35

Note: The turnover days of trade receivables for the year ended 31 December 2011 is arrived at by dividing the average trade receivables by revenue and then multiplying by 365 while the turnover days of trade receivables for the six months ended 30 June 2012 is arrived at by dividing the average trade receivables by revenue and then multiplying by 182. Average trade receivables is arrived at by dividing the sum of the trade receivables at the beginning of year/period and that at the end of the year/period by 2. Trade receivables are arrived at by deducting the bill receivables at the end of the period. The turnover days of trade receivables increased from 35 days for the year ended 31 December 2011 to 39 days for the six months ended 30 June 2012. The figures for both of the two periods are considered to be at a reasonable level.

Aging analysis of trade receivables

The aging analysis of trade receivables of the Group as at 30 June 2012 and 31 December 2011 is as follows:

Trade receivables analysed by age:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 90 days	29,958	71,872
91–180 days	6,831	8,969
181–365 days	9,737	552
Over 365 days	660	419
Total trade receivables	47,186	81,812

Most of the authorised agents of the Group are required to place deposits or pay upon delivery of the Group's products. The balances of trade receivables are mainly related to retail chain stores which are usually granted credit terms ranging from 0 to 90 days, depending on several factors such as the length of relationship, financial strength and settlement history of each customer. No material long outstanding trade receivables were identified at the end of the current period.

Management Discussion and Analysis (continued)

Turnover days of trade payables

The following table sets out the summary of the Group's turnover days of trade payables for the six months ended 30 June 2012 and the year ended 31 December 2011:

	Six months ended 30 June 2012	Year ended 31 December 2011
Turnover days of trade payables (Note)	73	67

Note: The turnover days of the trade payables for the year ended 31 December 2011 is arrived at by dividing average trade payables by cost of sales and then multiplying by 365 while the turnover days of the trade payables for the six months ended 30 June 2012 is arrived at by dividing average trade payables by cost of sales and then multiplying by 182. Average trade payables is arrived at by dividing the sum of the trade payables at the beginning of year/period and that at the end of the year/period by 2. The turnover days of trade payables increased from 67 days for the year ended 31 December 2011 to 73 days for the six months ended 30 June 2012. The figures for both of the two periods are considered to be at a reasonable level.

Aging analysis of trade payables

The aging analysis of trade payables of the Group as at 30 June 2012 and 31 December 2011 is as follows:

Trade payables analysed by age:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 90 days	43,701	45,851
91–180 days	1,036	1,382
181–365 days	200	334
Over 365 days	1,084	1,667
Total trade payables	46,021	49,234

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

Current ratio, quick ratio and gearing ratio

The current ratio, quick ratio and gearing ratio of the Group as at 30 June 2012 and 31 December 2011 were as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current ratio	1.70	1.79
Quick ratio	1.46	1.61
Gearing ratio	0.10	0.13

Note: Current ratio is arrived at by dividing the current assets by current liabilities at the end of the corresponding year/period. Quick ratio is calculated as total current assets excluding inventories divided by total current liabilities at end of the year/period. Gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year/period.

The numbers in the above table are expressed in the form of ratio and not as a percentage. With a decrease in current assets of the Group, the current ratio slightly decreased from approximately 1.79 times as at 31 December 2011 to 1.70 times as at 30 June 2012, and the quick ratio decreased from approximately 1.61 times as at 31 December 2011 to 1.46 times as at 30 June 2012. The Group had a gearing ratio of 0.13 times as at 31 December 2011 and 0.10 times as at 30 June 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Cash flow

The table below summarises the Group's cash flow for the six months ended 30 June 2012 and 2011:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Net cash generated from operating activities	51,421	56,184
Net cash used in investing activities	(9,869)	(64,168)
Net cash (used in) from financing activities	(41,321)	788

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.

Management Discussion and Analysis (continued)

Operating activities

Cash inflow from operations is mainly derived from cash received from sales of the Group's products. Cash outflow from operations is principally paid for the purchase of parts and components, staff costs, selling and distribution expenses and administrative expenses. Net cash generated from operating activities was approximately RMB51.4 million for the six months ended 30 June 2012 while there was a net cash inflow in the amount of approximately RMB56.2 million for the six months ended 30 June 2011.

Investing activities

Net cash used in investing activities was approximately RMB9.9 million for the six months ended 30 June 2012 which was primarily attributable to the purchase of available-for-sale investments of approximately RMB45.0 million and disposal of held for sale assets of approximately RMB35.0 million. Net cash used in investing activities was approximately RMB64.2 million for the six months ended 30 June 2011 which was primarily attributable to a net increase in time deposit of approximately RMB44.0 million and a net increase in time deposit of approximately RMB3.0 million.

Financing activities

Net cash used in financing activities was approximately RMB41.3 million for the six months ended 30 June 2012 while net cash generated from financing activities was approximately RMB0.8 million for the six months ended 30 June 2011. Such a decrease was mainly attributable to the repayment of short-term bank loans.

INDEBTEDNESS

Borrowings

All the bank borrowings were secured by the pledged bank deposits amounting to RMB67,000,000 (31 December 2011: RMB87,000,000).

Bank facilities

As at the close of business on 30 June 2012, the Group had undrawn facilities amounting to RMB34,784,000.

Debt securities

As at the close of business on 30 June 2012, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 30 June 2012, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

Pledged bank deposit represents deposit pledged to a bank to secure short-term bank loan and is therefore classified as a current asset. As at the close of business on 30 June 2012, the Group had pledged bank deposits of RMB67,000,000 (31 December 2011: RMB87,000,000).

Management Discussion and Analysis (continued)

The interest rate of the pledged bank deposits amounting to RMB43.0 million is related to EURO/USD exchange rate. 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.

Regarding to the other pledged deposit amounting to RMB24.0 million, the interest rates has been fixed to 3.5% per annum.

MATERIAL ACQUISITION AND DISPOSAL

- (1) 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"). The Equity Transfer was completed and full payment of RMB40 million has been paid to Heixing Holding during the six months ended 30 June 2012.
- (2) On 16 December 2011, AUPU Electrical entered into the Asset Transfer Agreement with Heixing Electrical for a disposal of a property from the Group at a cash consideration of RMB40 million. The disposal was completed during the six months ended 30 June 2012.

CAPITAL COMMITMENTS AND OTHER COMMITMENTS

As at 30 June 2012, the capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment amounted to approximately RMB3.3 million (31 December 2011: RMB3.3 million) and the Group had no other significant capital commitment other than those mentioned above.

HUMAN RESOURCES

As at 30 June 2012, the Group employed approximately 1,151 employees (as at 31 December 2011: approximately 1,209 employees). The total personnel cost of the Group was RMB25,527,000 for the six months ended 30 June 2012 (corresponding period 2011: RMB27,749,000). Employees' remuneration packages are based on individual performance, qualification, competence and job duties. The packages are reviewed annually by the management after taking into account the overall performance of the staff and market conditions. The Group also participates in the state-managed pension scheme in the PRC.

FUTURE PROSPECTS

In the second half of 2012, the global economy is still beset with tremendous uncertainties and volatilities. Economic growth in China shows a downward trend due to the discontinued inflation-pull investments and limited domestic demand. Given that the PRC government's strictly controlled policies on the real estate market will last for a long period of time, there are no obvious signs that show the end of the downcycle of the real estate market. The longer the fall in real estate sales remain, the lower the sales of the overall household renovation consumption market.

Amid the uncertainties in the external economic environment, the Board considers that it will continue to focus on adjusting the sales channels, achieving steady growth and innovations development for the second half of the year. In 2012, apart from the traditional KA sales channel, other channels such as construction projects, household improvements, e-commerce, new rural channels and group buying are rapidly growing. The revolution in channel development will bring about tremendous changes in sales techniques and methods. The Directors are of the view that the Group should endeavour to raise its innovative ability and explore new growth potentials to actively cope with the changing market landscape and competition formats.

Management Discussion and Analysis (continued)

PRODUCT RESEARCH AND DEVELOPMENT

The Directors consider that the Group's business will focus on the development of energy-saving and intelligent products, improving the compatibility and integration of the Group's products and ceiling solutions, whilst bringing convenience to our product users. In 2012, the Group newly launched the carbon crystal series new bathroom masters and the UK series new bathroom ceilings, setting new industry standards for bathroom masters and bathroom ceilings in terms of installation, energy-saving, efficiency and coziness.

In the second half of the year, the Group continues to develop the concept of "AUPU Kitchen & Sanitary Lifestyle Stores" (奧普廚衛生活館) as part of the product user-end revamp, product restructuring, upgrade initiatives, and integrates sanitary & bathroom product mix and kitchen & electrical product mix into the concept of "AUPU Kitchen & Sanitary Lifestyle Stores" that gradually position AUPU brand name as a professional sanitary & bathroom warming and healthy kitchen solution provider. As at 30 June 2012, the Group has established 46 "AUPU Kitchen & Sanitary Lifestyle Stores" in mainland China.

Strong product development capability is one of the key factors to succeed in the household electrical appliance industry. It also 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, including 3 invention patents, 44 utility new model patents and 148 design patents. The approved and authorised high-tech patents protect the design of the Group's products and effectively set market entry barriers for peers.

PROTECTION OF TRADEMARKS AND INTELLECTUAL PROPERTY RIGHTS

The Directors consider that the core competitiveness of the enterprise lies in the Group's brand name and intellectual property rights. Since its establishment, the Group has attached high importance to the protection of intellectual property rights and has taken measures actively. During the period, the Group saw significant achievements in the protection of AUPU brand name and intellectual property rights, curbing the infringements effectively by market competitors.

MANAGEMENT OF MARKETING CHANNELS

With respect to the Group's bathroom products, customers now opt for styles and service convenience over product functions. The target regions have also shifted from individual cities to small-to-medium size cities and towns, with channels changing from single outlet to multi-channels. The Group will timely adjust its strategies, accelerate development of channel diversification, improve channel structure, strengthen brand building and enhance product differentiation. The Group's sales proposals will continue to focus on regulating the market pricing mechanism, seeking channel breakthrough (by stabilising KA channels, accelerating the development and construction of e-commerce and new rural channel whilst reducing reliance on KA channels); expanding market share; speeding up the sales of bathroom ceiling; and stepping up the promotion of Kitchen & Sanitary Lifestyle Stores. In view of the adjustment of multi-channel operating strategies, the Directors consider that, based on the characteristics and changes of the target markets, considerable adjustments of gross profit margin will better cater for the needs of market expansion and channel development.

As at 30 June 2012, the Group operated over 6,000 points of sales and 748 specialty stores. The Group had 7 branches and 18 offices, as well as 506 franchise agents covering the major cities and municipalities in China. The Group completed the integration with agents in markets at prefecture level and above, implemented hierarchical management for agents, and improved the assessment mechanism for regional markets development. The Directors are of the view that, in the second half of 2012, the Group's sales plan will focus on formulating and regulating the activities for hunting of agents in third-tier and fourth-tier markets; attaching to channel development and feature upgrade; regulating market mechanism; strengthening channel breakthrough in construction projects, home improvements, e-commerce, new rural channels and group buying; and enhancing operating ability and efficiency to strengthen the marketing of bathroom masters, bathroom ceilings, and kitchen and sanitary lifestyle stores.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the current period, pursuant to the general mandate given to Directors of the Company, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of HK\$0.10 each of the Company	Price per Share		Aggregate consideration paid RMB
		Highest HK\$	Lowest HK\$	
April 2012	784,000	0.66	0.65	416,672
May 2012	760,000	0.67	0.68	419,445
	1,544,000			836,117
June 2012	368,000	0.64	0.64	191,320
	1,912,000			1,027,437

Among these repurchased shares, 1,544,000 shares were cancelled during the current period and 368,000 shares were cancelled on 1 August 2012.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

The Directors of the Company recognise the importance of good corporate governance in the management of the Group. During the three months ended 31 March 2012, the Company complied with the code provisions of the Code on Corporate Governance Practices as set out in the then Appendix 14 to the Listing Rules. During the three months from 1 April 2012 to 30 June 2012, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

Other Information (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2012, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

I. Long position in shares of the Company and an associated corporation

Name of director	Company/name of associated company	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of issued share capital of the Company/Associated Company
Mr. Fang James (Note 2)	The Company	Interest in controlled corporation (Note 2)	576,000,000	54.00%
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	54.00%
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) On 27 September 2010, the bonus shares issue on the basis of 1 bonus share for every two shares issued was approved at the general meeting of the Company. The number of shares held in the Company by SeeSi Universal Limited was changed to 714,000,000 shares. On 10 December 2010, SeeSi Universal Limited disposed of 38,000,000 shares at HK\$1.18 per share. On 5 July 2011, SeeSi Universal Limited disposed of 100,000,000 shares at HK\$0.86 per share.
- (3) 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 as Mr. Chai Junqi who resigned as Director of the Company on 26 August 2011 but remains directorship in certain subsidiaries in the Group, all others are Directors of the Company. As such, each of Mr. Fang James and Mr. Fang Shengkang is deemed to be interested in all the shares held by SeeSi Universal Limited in the Company.
- (4) SeeSi Universal Limited is the holding company of the Company and therefore is an associated corporation of the Company. As such, Mr. Fang James, Mr. Fang Shengkang and Mr. Lu Songkang, as directors of the Company, are required to disclose their interests in SeeSi Universal Limited.
- (5) 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 was changed to 1,080,000 shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

II. Long position in underlying Shares of the Company

Name of director	Company/ name of associated company	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of issued share capital of the company/ Associated Company
Mr. Wu Tak Lung	The Company	Beneficial owner	a. share options with rights to subscribe 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 30 June 2012.

Other Information (continued)

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) Purposes of the scheme:

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

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

(2) Participants of the scheme:

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

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

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed such number of Shares representing 30% of the issued share capital of the Company from time to time. The total number of issued share in the capital of the Company was 1,066,561,000 shares as at the date of this Interim Report.

(4) Maximum entitlement of each participant under the scheme:

- (i) Any options granted to an Eligible Person who is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates shall be approved by the independent non-executive Directors and in any event if the proposed grantee is an independent non-executive Director, the vote of such grantee shall not be counted for the purposes of approving such grant.
- (ii) Any options granted to an Eligible Person who is a substantial Shareholder (as defined in the Listing Rules) or independent non-executive Director or their respective associates, which will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options whether exercised, cancelled or remained outstanding) to such person in the period of 12 months up to and including the date of such grant:
 - representing in aggregate over 0.1% of the issued share capital of the Company; and
 - having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000.00. Such further grant of options must be approved by the Shareholders in general meeting by poll convened and held in accordance with the Articles of Association of the Company and Rules 13.39(5), 13.40, 13.41 and 13.42 of the Listing Rules. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting. The aforementioned circular shall contain such information as required under Rule 17.04 of the Listing Rules.

SHARE OPTION SCHEME (Continued)

(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 (representing approximately 0.47% of the total issued share capital of the Company as at the date of this Interim Report) to the three independent non-executive Directors of the Company and certain senior management of the Group (collectively the "First Batch Grantees") as an incentive and reward to the First Batch Grantees for their contribution to the Group.

The share options were granted at an exercise price of HK\$2.23 and the exercise period is such a period not exceeding ten years from the date of the grant of the share options. The share options were granted to the First Batch Grantees on such terms that the First Batch Grantees may exercise the options on the first anniversary from the date of the grant and up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

Other Information (continued)

SHARE OPTION SCHEME (Continued)

(9) Remaining life of the scheme: (Continued)

On 8 June 2007, the Directors resolved to grant share options entitling the holders to subscribe for a total of 6,450,000 shares of the Company (representing approximately 0.60% of the Company's total issued share capital as at the date of this Interim Report) to middle and senior management of the Company (collectively referred as the "Second Batch of Grantees") as an incentive and reward to the Second Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK\$3.11 and the exercise period is such a period not exceeding ten years from the date of the grant of the share options. The share options were granted to the Second Batch of Grantees on such terms that the Second Batch of Grantees may exercise the options on the first anniversary from the date of the grant and up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

On 3 January 2008, the Board granted additional share options entitling the holders to subscribe for a total of 8,100,000 shares of the Company (representing approximately 0.76% of the total issued share capital of the Company as at the date of this Interim Report) to the three independent non-executive Directors and the management of the Company (collectively the "Third Batch of Grantees"). The share options were granted at an exercise price of HK\$1.55 and the exercise period is such a period not exceeding ten years from the date of the grant of the share options. The share options were granted to the Third Batch of Grantees on such terms that the Third Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

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 Phase	3/1/2008	12,150,000	3/1/2008 to 2/1/2017	HK\$1.03

SHARE OPTION SCHEME (Continued)

(9) Remaining life of the scheme: (Continued)

As at 30 June 2012, 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 but 2,100,000 of which were lapsed. Details of the options granted to the Directors as at 30 June 2012 are set out in the section headed "Directors' and Chief Executives' interests and Short Positions".

As at 30 June 2012, 11,850,000 share options granted to eligible Directors and employees of the Group were still outstanding and details are as follows:

Name or category of participant	Exercise price (HK\$)	Outstanding as at 1 January 2012	Maximum number of shares that may be subscribed under share options		Outstanding as at 30 June 2012	Percentage of total issued share capital	Vesting period	Notes
			Exercised in the half year ended 30 June 2012	Cancelled or lapsed in the half year ended 30 June 2012				
<i>Directors</i>								
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
<i>Other employees in aggregate for First Batch Share Options</i>	1.49	2,400,000	0	0	2,400,000	0.23%	8/6/2008 –15/3/2017	1,4,7,8,9
<i>Other employees in aggregate for Second Batch Share Options</i>	2.07	6,900,000	0	0	6,900,000	0.65%	16/3/2008 –7/6/2017	2,5,7,8,9
<i>Other employees in aggregate for Third Batch Share Options</i>	1.03	1,890,000	0	0	1,890,000	0.18%	3/1/2008 –2/1/2017	3,6,7,8,9
Total		11,850,000	0	0	11,850,000	1.11%		

Other Information (continued)

SHARE OPTION SCHEME (Continued)

(9) Remaining life of the scheme: (Continued)

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 (representing approximately 0.47% of the total issued share capital of the Company as at the date of this Interim Report) to the three independent non-executive Directors of the Company and certain senior management of the Group (collectively referred as the "First Batch of Grantees") as an incentive and reward to the First Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK\$2.23 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The closing price of the Company's shares was HK\$2.18 on 15 March 2007. The share options were granted to the First Batch of Grantees on such terms that the First Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.
- (2) On 8 June 2007, the Directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 6.45 million shares of the Company (representing approximately 0.60% of the Company's total issued share capital as at the date of this Interim Report) to certain senior and middle management of the Group (collectively referred as the "Second Batch of Grantees") as an incentive and reward to the Second Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK\$3.11 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The closing price of the Company's shares was HK\$3.02 on 7 June 2007. The share options were granted to the Second Batch of Grantees on such terms that the Second Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.
- (3) On 3 January 2008, the Board granted additional share options entitling the holders to subscribe for a total of 8.1 million shares of the Company (representing approximately 0.76% of the total issued share capital of the Company as at the date of this Interim Report) to the three independent non-executive Directors and the management of the Company (collectively the "Third Batch of Grantees"). The share options were granted at an exercise price of HK\$1.55 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The share options were granted to the Third Batch of Grantees on such terms that the Third Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.
- (4) Pursuant to the Share Option Scheme, these share options were granted on 16 March 2007 and are exercisable at HK\$2.23 per share from 16 March 2008 to 15 March 2017. The closing price per share immediately before the date on which the options were granted was HK\$2.18.
- (5) Pursuant to the Share Option Scheme, these share options were granted on 8 June 2007 and are exercisable at HK\$3.11 per share from 8 June 2008 to 7 June 2017. The closing price per share immediately before the date on which the options were granted was HK\$3.02.
- (6) Pursuant to the Share Option Scheme, these share options were granted on 3 January 2008 and are exercisable at HK\$1.55 per share from 3 January 2008 to 2 January 2017. The closing price per share immediately before the date on which the options were granted was HK\$1.55.
- (7) These share options represent personal interest held by the relevant participants as beneficial owner.
- (8) Up to 30 June 2012, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the interests or short positions of every person, other than a Director or chief executive of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held <i>Note</i>	Approximate percentage of issued share capital of the Company
SeeSi Universal Limited (<i>Note 1</i>)	Beneficial owner	576,000,000 (L) (<i>Note 2</i>)	54.00%
Zhang Shuqing (<i>Note 3</i>)	Family interest	576,000,000 (L)	54.00%
Qiang Yan (<i>Note 4</i>)	Family interest	576,000,000 (L)	54.00%

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 as Mr. Chai Junqi who resigned as Director of the Company on 26 August 2011 but remains directorship in certain subsidiaries in the Group, all other shareholders of SeeSi Universal Limited, namely, Mr. Fang James, Mr. Fang Shengkang and Mr. Lu Songkang are Directors of the Company currently.
- (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.
- (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 30 June 2012, 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.

PRE-EMPTIVE RIGHTS

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

INTERIM DIVIDEND

The Board is pleased to declare that an interim dividend of RMB0.03 per share for the six months ended 30 June 2012 will be payable in cash on or before 5 October 2012 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on 14 September 2012. The interim dividend in cash will be paid in Hong Kong dollars. The conversion of RMB into Hong Kong dollars will be made at the official exchange rate of RMB against Hong Kong dollars as quoted by Bank of China on 14 September 2012.

Other Information (continued)

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from 12 September 2012 to 14 September 2012 (both days inclusive), during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on 11 September 2012.

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

Hong Kong, 24 August 2012