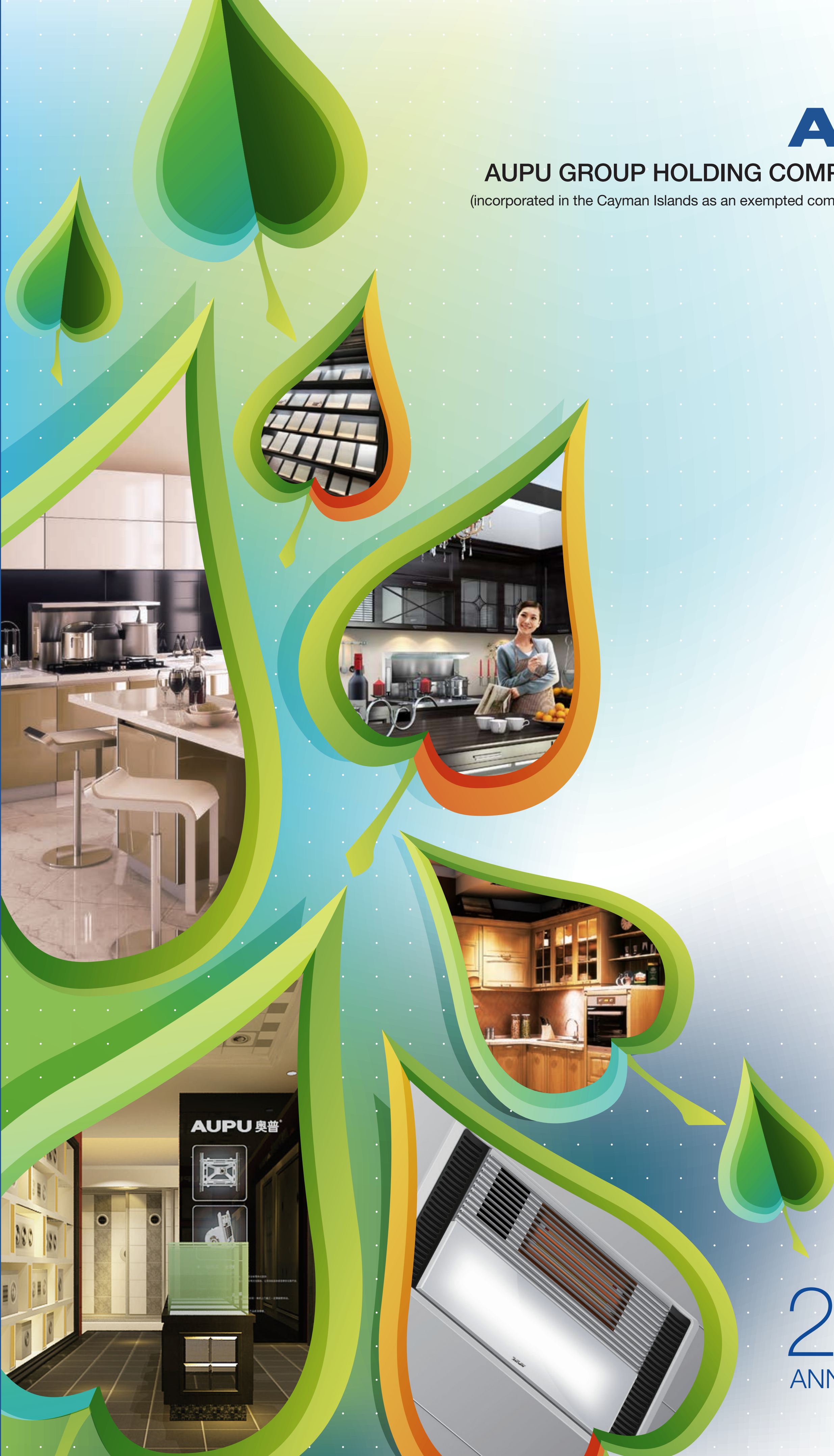
AUPU

AUPU GROUP HOLDING COMPANY LIMITED

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



2012
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Fang James (方杰) *(Chairman)*
Fang Shengkang (方勝康) *(President)*
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)*
Wu Tak Lung
Cheng Houbo
Fang Shengkang

MEMBERS OF THE NOMINATION COMMITTEE

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

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**")

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1201, 12/F
On Hong Commercial Building
145 Hennessy Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

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
345 Tiyuchang Road
Hangzhou City
Zhejiang Province
The PRC

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

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

Bank of Communications
Xiasha Hangzhou Branch
6, No. 6 Street
Xiasha Economic & Technological Development Zone
Hangzhou City
Zhejiang Province
The PRC

COMPANY LAWYERS

As to Hong Kong Law
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to Cayman Islands Law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to PRC Law
High Mark Law Firm
Room 703, North Building
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 2012, and expressed my heartfelt gratitude on behalf of the Board to the shareholders of the Company ("Shareholders") and everyone who cares for the development of the Group.

Year 2012 was a year for steady progress and to be prepared for rebound. During the year, the condition of the global economy was fast-changing. The United States fiscal cliff and the European sovereign debt crisis have made greater impact on the global economy, which curtailed worldwide public demand and accelerated structural adjustment. For the People's Republic of China ("PRC"), in general, all industries recovered from the trough after an in-depth adjustment and the economy has hit rock bottom and started to rally. Moreover, the ordinary demand and consumption of the real estate market and the entire decoration industry were stimulated in a short period of time after the implementation of the "New Urbanization" policy and the "Income-Doubling Plan" by the PRC government, and the reduction of deposit reserve ratio and interest rate twice by the Central Bank of the PRC. The Group achieved its sales-growth target set in the beginning of the year by capturing the opportune time for growth and steady progress. We also continued to speed up the transformation of our channels and its operation system, which serves as a great springboard for our growth in 2013.

RESULT REVIEW

Despite the challenging business environment, the Group continued to record a satisfactory result in 2012. The turnover of the Group for the year ended 31 December 2012 was approximately RMB568,857,000 (2011: RMB537,989,000), representing an increase of 5.7% when compared with last year. Profit attributable to equity holders was approximately RMB89,970,000 (2011: RMB72,988,000), representing an increase of 23.3% when compared with that of last year. Basic earnings per share were approximately RMB0.08. The Group's financial position remained healthy and solid without any corporate or syndicated loans. As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately RMB61,771,000. Trade and other receivables of the Group was effectively controlled at RMB57,400,000, which was 38.9% lower when compared with that of 2011. The turnover ratio was 33 days.

DISTRIBUTION OF DIVIDEND

The Board recommended the payment of a final dividend of RMB0.04 (2011: RMB0.02) per Share for the year ended 31 December 2012 to Shareholders whose names appear on the register of members of the Company on Wednesday, 5 June 2013. The proposed dividend is subject to the approval of Shareholders at the forthcoming annual general meeting to be held on Friday, 24 May 2013 ("AGM") and will be payable on or before 18 June 2013.

BUSINESS REVIEW

The Group has been striving to diversify its sales channels in order to avoid relying on a single channel and eliminate the adverse effects caused by movements among those channels. As at 31 December 2012, the Group has 6 branches, 19 offices and more than 6,000 sales points in the PRC, of which 998 are specialty stores, 52 are kitchen & sanitary lifestyle stores, covering the major cities and municipalities in the PRC. There are 556 franchise agents, increased by 137 comparing to 2011, amongst which 47 are the prefecture-level and 90 are county-level. In 2012, the Group endeavoured to expand into the emerging channels such as construction projects, e-commerce and new rural channels, resulting in a balanced interests and resources allocation among channels as a whole. In addition, in response to the market environment and the competition among channels, the Group optimized and consolidated its branches through replacing some branches, such as branches in Tianjin, with franchise agents. It enhanced the motivation of the franchise agents and allowed the branches to be developed healthily.

CHAIRMAN’S STATEMENT (CONTINUED)

The brand “AUPU” has a value of approximately RMB5.5 billion and in 2012, the Group’s “AUPU” brand scooped the accolade of “China’s 500 Most Influential Brands” published by World Brand Laboratory for the sixth year running. Leveraging on the patent for “duplex recurring heating technology”, the Group was awarded the “China Household Appliance Innovation Award” at the German Industrial Exhibition for its “奧芯” product series. The Group landed top spot on the sales of bathroom master products for 10 consecutive years and became the leader of the national standards setting team for both bathroom masters and bathroom ceilings products.

FUTURE PROSPECT

2013 is the 20th anniversary of our establishment. As a brand building company and a leading enterprise in the industry of energy-saving and environmental-friendly products, the Group has been focusing on sanitary & bathroom heating and healthy kitchen businesses with an aim to improve the PRC resident's kitchen and bathroom environment. The professional and technical support, diversified sales channels, an intelligent, environmental-friendly and energy-saving product mix, healthy cash flow, and scientific financial system management have safeguarded the stable development of the Group over the years.

In 2013, the Group will continue to optimize the composition of its mid-to high-end bathroom master and bathroom ceiling product lines, improve its kitchen & electrical product mix solutions and enhance the competitiveness of its diversified products, by using of its environmental-friendly, high efficient and energy-saving carbon crystal heating feature, indoor fresh air ventilators and multi-functional ceiling materials which stand out the integrated, eye-catching and comfortable design. It would position the Group as a comprehensive solution provider of sanitary & bathroom heating and healthy kitchen products.

In our business plan, we will accommodate to the direction of channel transformation through improvements in the management of our four core channels, namely, household appliance chain stores (“KA”), distribution (in new rural and construction material markets), construction and e-commerce. We will also accelerate the channel transformation, balance the development between channels, formulate rigid pricing strategies and manage the pricing mechanism in a scientific manner.

In 2012, the Group announced the acquisition of a subsidiary which owns a production base in Chongzhou, Sichuan, a township-level administration unit within the jurisdiction of Chengdu, Sichuan province, the PRC. Currently, the acquisition was completed and the construction of the production base is progressing smoothly and is expected to be fully completed in the second quarter of 2013. The production base is well-located at a suburban town of Chengdu, the centre of the southwest China. This investment is also in line with the advocacy of coordination and mutual development of industrialization and urbanization promoted during the 18th National Congress of the Communist Party of China. We expected that the completion and commencement of operation of this production base will enable the Group to reduce its production costs and enhance the competitiveness of its products, and, hence, support the business expansion of the Group in the southwest market in the PRC.

Fang James
Chairman

Hong Kong, the PRC,
28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCE REVIEW

For the year ended 31 December 2012, the revenue of the Group amounted to approximately RMB568,857,000, representing an increase of approximately 5.7% as compared with the revenue which amounted to approximately RMB537,989,000 for the year ended 31 December 2011. The increase in revenue was mainly attributable to the increase in revenue generated from the second tier cities and Beijing. Moreover, second tier cities were those major markets of the Group for the year ended 31 December 2012, accounting for 34.6% (Year 2011: 35.6%) of the Group's sales.

The revenue from bathroom master products increased from approximately RMB329,956,000 for the year ended 31 December 2011 to RMB363,993,000 for the year ended 31 December 2012, representing an increase of approximately RMB34,037,000 or approximately 10.3%. The revenue of bathroom master products accounted for approximately 61.3% and 64.0% of the Group's total revenue for the years ended 31 December 2011 and 2012 respectively.

At the same time, the revenue of bathroom roof products decreased from approximately RMB174,256,000 for the year ended 31 December 2011 to approximately RMB173,513,000 for the year ended 31 December 2012, representing a decrease of approximately RMB743,000 or approximately 0.4%. The revenue of bathroom roof products accounted for approximately 32.4% and 30.5% of the Group's total revenue for the years ended 31 December 2011 and 2012 respectively.

Costs of sales

For the year ended 31 December 2012, the costs of sales of the Group amounted to approximately RMB292,152,000, and the costs of parts and components, direct labour and overhead represented approximately 90.4% and 9.6% of the total costs of sales respectively while 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.

Other income

Other income increased from approximately RMB19,311,000 for the year ended 31 December 2011, to approximately RMB20,732,000 for the year ended 31 December 2012. It was mainly contributed by interest income, other operating income and non-operating income during the year ended 31 December 2012.

Selling and distribution expenses

The selling and distribution expenses for the year ended 31 December 2012 amounted to approximately RMB127,190,000 (2011: RMB118,708,000). It mainly comprised advertising expenses of approximately RMB30,340,000 (2011: RMB27,220,000), sales promotion expenses of approximately RMB16,082,000 (2011: RMB15,018,000), salaries expenses for sales and marketing staff of approximately RMB36,260,000 (2011: RMB33,697,000), after sales services expenses of approximately RMB3,990,000 (2011: RMB3,840,000) and transportation expenses of approximately RMB15,298,000 (2011: RMB14,792,000). The selling and distribution expenses for the year ended 31 December 2012 increased by RMB8,482,000 as compared with that of the year ended 31 December 2011 was mainly due to the increase in expenditures for advertising and exhibitions, and sales commission.

Administrative expenses

The administrative expenses for the year ended 31 December 2012 amounted to approximately RMB35,959,000 (2011: RMB37,446,000). It mainly comprised salaries expenses of general and administrative staff of approximately RMB13,909,000 (2011: RMB15,412,000), depreciation of approximately RMB2,818,000 (2011: RMB3,432,000), professional fees of approximately RMB6,742,000 (2011: RMB6,758,000), office expenses of approximately RMB2,363,000 (2011: RMB2,079,000) and option premium of approximately RMB1,119,000 (2011: RMB1,245,000). The administrative expenses for the year ended 31 December 2012 compared with that of the year ended 31 December 2011 was kept stable.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other expenses

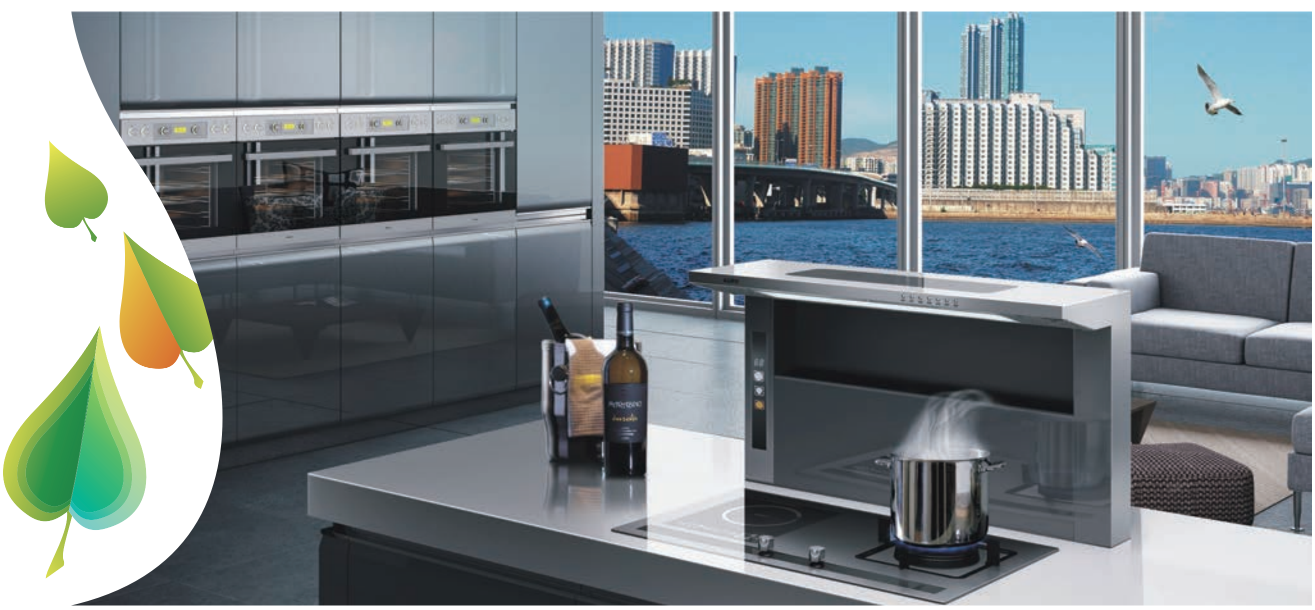
Other expenses increased from approximately RMB19,955,000 for the year ended 31 December 2011 to approximately RMB26,046,000 for the year ended 31 December 2012 due to the increase in research and development costs.

Income tax expenses

	2012 RMB'000	2011 RMB'000
Income tax expenses		
Current tax		
— PRC Enterprise Income Tax	**22,536**	14,808
— Land appreciation tax ("LAT")	**2,640**	—
— Withholding tax paid	**8,619**	507
Deferred tax	**2,100**	7,033
	35,895	22,348

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



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 based on 5% of the profits arisen during both years from the PRC subsidiaries, which are available for distribution to Tricosco Limited ("Tricosco"), a Hong Kong subsidiary of the Company.

During the year ended 31 December 2012, 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).

Due to the above situation and the increase in profit, the income tax expenses of the Group increased from approximately RMB22,348,000 for the year ended 31 December 2011 to approximately RMB35,895,000 for the year ended 31 December 2012.

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 increased from approximately RMB72,988,000 for the year ended 31 December 2011 to approximately RMB89,970,000 for the year ended 31 December 2012. The net profit margin (stated in its percentage of revenue) increased from approximately 13.6% for the year ended 31 December 2011 to approximately 15.8% for the year ended 31 December 2012.

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 2012 and 2011:

	Year ended 31 December 2012	Year ended 31 December 2011
Inventory turnover days (Note)	**54**	55

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 2012. 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.

The inventory turnover period was decreased from 55 days for the year ended 31 December 2011 to 54 days for the year ended 31 December 2012 and was stable.

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 2012 and 2011:

	Year ended 31 December 2012	Year ended 31 December 2011
Turnover days of trade receivables (Note)	**33**	35

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 2012. 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 decreased from 35 days for the year ended 31 December 2011 to 33 days for the year ended 31 December 2012, It was due to the decrease in trade receivables at the end of the year.

Aging analysis of trade receivables

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

	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice date, which approximated the respective revenue recognition dates:		
Within 90 days	**46,029**	71,872
91–180 days	**3,105**	8,969
181–365 days	**1,864**	552
Over 365 days	**542**	419
Total trade receivables	**51,540**	81,812

The average credit period granted on sales of goods ranges from 0 to 90 days (2011: 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.

	2012 RMB'000	2011 RMB'000
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	–	–
Allowance for bad and doubtful debts	3,042	–
At end of the year	3,042	–

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,042,000 (2011: nil) recognised, which the counterparties have been in financial difficulties.

Trade receivables amounting to RMB3,834,000 (2011: RMB4,495,000) were denominated in United States Dollar ("USD") which is not the functional currency of the respective entities.

Other receivables

The following table sets out the breakdown of other receivables of the Group at 31 December 2012 and 2011:

	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Interest receivables	1,296	2,939
Prepaid expense	650	3,795
Utilities and rental deposits	978	2,077
Staff advances	1,945	2,181
Others	991	1,149
Total other receivables	5,860	12,141

The decrease in the balance of other receivables as at 31 December 2012 comparing with 31 December 2011 was mainly attributable to decrease in interest receivables and advances to suppliers.

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 2012 and 2011:

	Year ended 31 December 2012	Year ended 31 December 2011
Turnover days of trade payables (Note)	74	67

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 2012. 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 increased from 67 days for the year ended 31 December 2011 to 74 days for the year ended 31 December 2012 due to the increase in trade payables. The figures for both of the two periods are considered to be at a reasonable level.

Aging analysis of trade and bills payables

The aging analysis of trade and bills payables of the Group for the two years ended 31 December 2012 and 2011 is as follows:

	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Trade and bills payables analysed by age:		
Within 90 days	85,505	45,851
91–180 days	1,812	1,382
181–365 days	50	334
Over 365 days	647	1,667
Total trade and bills payables	88,014	49,234

Trades and bills 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 2012 comparing with that of 31 December 2011 was decreased.

Current ratio, quick ratio and gearing ratio

The current ratio and gearing ratio of the Group for the two years ended 31 December 2012 and 2011 were as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
Current ratio	**1.48**	1.79
Quick ratio	**1.29**	1.61
Gearing ratio	**0.03**	0.13

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 both decreased as at 31 December 2012 as compared with that of 31 December 2011, because certain amounts of the Group's currents were utilised for investments during the year ended 31 December 2012.

Gearing ratio of the Group decreased from 0.13 for the year ended 31 December 2011 to approximately 0.03 for the year ended 31 December 2012, because substantial amount of bank loans were settled during the year ended 31 December 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, the operational costs and the expansion of production and sales network of the Group.

Cash flow

The table below summarises the Group's cash flow during the two years ended 31 December 2012 and 31 December 2011:

	Year ended 31 December 2012 RMB'000	Year ended 31 December 2011 RMB'000
Net cash from operating activities	**154,670**	62,363
Net cash used in investing activities	**(5,094)**	(76,928)
Net cash used in financing activities	**(119,334)**	(825)

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 for the year ended 31 December 2012 was approximately RMB154,670,000, while profit before tax was approximately RMB125,865,000 for the same year. The difference of approximately RMB28,805,000 was mainly caused by the adjustment of approximately RMB10,054,000 made on the depreciation of property, plant and equipment, equity-settled share-based payments expenses in the amount of approximately RMB1,118,000, interest income of approximately of RMB10,075,000, allowance for bad and doubtful debts of approximately RMB3,042,000, gain on disposal of held for sales assets of approximately RMB21,495,000 income taxes paid in the amount of RMB27,133,000 and movements in working capital in the amount of approximately RMB68,100,000.

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 year. 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.

Investing activities

Net cash used in investing activities was approximately RMB5,094,000 for the year ended 31 December 2012 which was primarily attributable to the net decrease of time deposits in the amount of approximately RMB32,000,000, purchase of available-for-sale investments in the amount of approximately RMB45,000,000 and placement of pledged bank deposits in the amount of approximately RMB33,760,000. The net cash used in investing activities were 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.

Financing activities

Net cash used in financing activities was approximately RMB119,334,000 for the year ended 31 December 2012, mainly included approximately RMB53,296,000 for dividends paid, approximately RMB82,691,000 for repayment of borrowings and proceeds from new bank loans raised approximately RMB23,733,000 during the year ended 31 December 2012. 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.

INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2012, the Group had bank borrowings of approximately RMB23,733,000.

Bank facilities

As at the close of business on 31 December 2012, the Group had undrawn facilities amounting to RMB200,000,000.

Debt securities

As at the close of business on 31 December 2012, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 31 December 2012, the Group did not have any material contingent liabilities or guarantees.

Pledge of assets

As at the close of business on 31 December 2012, the Group had pledged bank deposits of RMB33,760,000.

Capital commitments and other commitments

Capital expenditures in the consolidated financial statements in respect of:

	2012 **RMB'000**	2011 RMB'000
Contracted for but not provided		
Acquisition of property, plant and equipment	**4,608**	3,328
Capital injection to an available-for-sale investment	**—**	5,000
	4,608	8,328
Authorised but not contracted		
Acquisition of a subsidiary (note)	**31,000**	—

Note: On 12 October 2012, Tricosco, a subsidiary of the Company, entered into a share transfer agreement with Wind-Plus Group Holding Company Limited ("Wind-Plus") and Hangzhou Mingzhe Investment Company Limited ("Hangzhou Mingzhe"), pursuant to which Tricosco will acquire 51.23% and 48.77% equity interest of Chengdu AUPU Bolangni Kitchen and Bathroom Technology Co., Ltd ("Chengdu Bolangni") from Win-Plus and Hangzhou Mingzhe respectively for a total cash consideration of RMB31,000,000. Chengdu Bolangni's principal business activities are to research and develop, design, manufacture and sell the whole range of kitchen and bathroom products. By acquiring Chengdu Bolangni, part of the Group's production plants could be relocated to Chengdu and further enhance the sales in Southwest Region of the PRC, including Sichuan. Details of the acquisition were set forth in the Company's circular dated 15 November 2012.

Wind-Plus is a limited liability company incorporated in the BVI which is held as to 39.44% by Mr. Fang James, 52.11% by Mr. Fang Shengkang, 7.04% by Mr. Lu Songkang, the Directors. Hangzhou Mingzhe is a limited liability company established in the PRC which is held as to 51% by Mr. Fang Shengkang, 20% by Mr. Li Ruishan, the Directors. The acquisition is a connected transaction and independent shareholders' approval has been obtained on 30 November 2012.

Subsequent to the year ended 31 December 2012, the acquisition of Chengdu Bolangni was completed on 17 January 2013 and cash consideration of RMB31,000,000 was fully paid in January 2013.

The Directors is in the process of assessing the financial impact of the acquisition of Chengdu Bolangni. Details of the financial information of Chengdu Bolangni are set forth in the Company's circular dated 15 November 2012.

HUMAN RESOURCES

The Group employed approximately 1,021 staff as at 31 December 2012 (1,209 staff as at 31 December 2011). The total personnel cost of the Group for the year ended 31 December 2012 was RMB48,489,000 (2011: RMB53,462,000). The employee's remuneration packages are based on individual experience and job duties. The packages are reviewed annually by the management who takes into account the overall performance of the staff and market conditions. The Group also participates in state-managed pension, medical and housing provident fund scheme in mainland China.

FUTURE PROSPECTS (BUSINESS, RESEARCH AND DEVELOPMENT, BRAND NAME AND INVESTMENT DECISION)

Business

As at 31 December 2012, the Group had 6 branches, 19 offices, more than 6,000 sales points in mainland China, of which 998 are specialty stores, 52 are kitchen & sanitary lifestyle stores, 1,077 are new rural sales points, covering the major cities and municipalities in Mainland China. There are 556 franchise agents, increased by 137 comparing to 2011, amongst which 47 are the prefecture-level and 90 are county-level. The Group completed the integration of agents in markets above prefecture-level, implemented agent hierarchical management system, and improved the assessment system for regional market development. We have also made substantial achievements in building our marketing channels for our bathroom master products on three major e-commerce platforms, namely 360buy, Taobao and Egou, which attracted an increasing number of network customers for us. The Group also launched products which were only sold online to ensure a sound development of our conventional product sales.

In 2013, the Group will accommodate the direction of channel transformation through improvements of the management of our four core channels, namely, household appliance chain stores ("KA"), distribution (in new rural and construction material markets), construction and e-commerce. We will also accelerate channel transformation, balance the development among different channels, formulate rigid pricing strategies and manage pricing mechanism in a scientific manner. The Group will concentrate on improving promotion of our products through construction and e-commerce channels, making use of strong technical support to consistently enhance our products, focusing on "mid- to high-end" market positioning and caring for the customers' products experience in detail, to build up the core competitiveness of the Group's products.

Brand name

The Directors consider that brand name management is not only a critical element of our corporate image and leading market position, but also an important competitive advantage of the Group. It strengthens our status as one of the leading enterprises in formulating the national standards for both the bathroom master and bathroom ceiling industries. As an industry leader, the Group associates its brand "focusing on the heating business" and "healthy kitchen business" to enhance AUPU's brand names influence. In June 2012, AUPU brand scooped the accolade of "China's 500 Most Influential Brands" published by World Brand Laboratory for the sixth year running, with its brand value in the vicinity of RMB5.5 billion. Leveraging on the patent of "duplex recurring heating technology", the Group was awarded the "China Household Appliance Innovation Award" at the German Industrial Exhibition for its "奧芯" (Au Xin) product series, and also landed top spot on the sales of bathroom master products for 10 consecutive years in Mainland China. With our relentless efforts in brand building, AUPU brand name has clinched the titles of Zhejiang Famous Brand, Zhejiang Famous Trademark, Zhejiang Famous Corporation and China Famous Trademark. AUPU products have also obtained various certifications including ISO9000, CCC, CE and UL.

Product research and development

During the year under review, the product research and development of the Group is still primarily focusing on the development of environmental-friendly, high efficient and energy-saving carbon crystal heating products, which are accommodated with indoor fresh air ventilators, multi-functional ceiling materials, and within an integrated and comfortable design. We also optimised the composition of the mid-to-high-end bathroom master and bathroom ceiling product lines, improved the kitchen & electrical product mix solutions, and continuously enhanced the competitiveness of our diversified products. We aim to position AUPU as a comprehensive solution provider for sanitary and bathroom heating and healthy kitchen products. As at 31 December 2012, we had established 52 "AUPU Kitchen & Sanitary Lifestyle Stores" in mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AUPU Technology is accredited as the state's key high-tech enterprise and enjoys strong support from the government with the benefits of preferential tax policies. The Directors believe that enormous research and 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 the industry. As at 31 December 2012, the Group had 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 high technology design of our products and effectively set competition barriers to other market players.

Investment Decisions

In 2011, the Group invested RMB25 million in Zhejiang Haibang Cai Zhi Venture Partnership ("Haibang Caizhi") through its subsidiary, AUPU Technology, for a 16.78% equity interest in Haibang Caizhi. Haibang Caizhi principally engages in the investment of overseas returnees' high-tech venture projects that are strongly supported by the government and which are in line with the emerging strategic industries. The Directors consider that this investment will also provide a platform for the Group in seeking high technology products or application technics.

During the year under review, the Group invested RMB40 million in Hangzhou Hexing Electrical Co., Ltd. ("Hangzhou Hexing") through AUPU Technology, for a 1.0818% equity interest in Hangzhou Hexing. Hangzhou AUPU Electrical Appliances Co., Ltd. ("AUPU Electrical"), another subsidiary of the Group, entered into an asset transfer agreement with Hangzhou Hexing during the same period, pursuant to which a property of the Group situated at Moganshan Road, Hangzhou City was disposed of for a cash consideration of RMB40 million. The disposal was completed during the year and generated a gain of approximately RMB21,495,000.

The Group announced the acquisition of a production base project in Chongzhou, Sichuan (the equity interest of Chengdu AUPU Broni Kitchen & Bath Co., Ltd.) (the "Acquisition") in 2012. The Acquisition has been completed as at the date of this report. Currently, the factory construction was 60% completed, and expected to be fully completed in the first half of 2013. The production base is located in a suburban town of Chengdu, the centre of the southwest China. This investment is also in accord with the advocacy of coordination and mutual development of industrialization and urbanization promoted during the 18th National Congress of the Communist Party of China. It is expected that the completion and commencement of operation of the production base will bring significant support for the Group's business development in the southwest China market.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fang James (方杰) ("Mr. Fang"), aged 49, 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 60, 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 41, is an executive Director and executive president of the Company. Mr. Li joined the Company in November 2005 and 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: Heating & Ironing, Ventilation, Home Appliances Reliability, Services, Recycling and Testing Technologies. He was appointed as the executive Director on 26 August 2011.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Lin Xiaofeng (林曉峰) ("Mr. Lin"), aged 39, is an executive Director of the Company. He 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 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.

Mr. Lu Songkang (盧頌康) ("Mr. Lu"), aged 61, is a non-executive Director and is responsible for providing advice on financial matters of the Group. Mr. Lu is a member of the audit committee. He joined AUPU Electrical in August 1994 as an accountant of AUPU Electrical and was promoted to manager of the finance department and chief financial officer of AUPU Electrical in July 1999 and May 2001 respectively. Mr. Lu was a director of AUPU Electrical from May 2000 to November 2004. Mr. Lu was responsible for overseeing and managing financial matters of AUPU Electrical until August 2004 when Mr. Lu resigned as the chief financial officer of AUPU Electrical. Mr. Lu became a consultant of AUPU Electrical in January 2005 and stayed in this position until July 2006 when he was appointed as a non-executive Director. Mr. Lu passed the Chinese Institute of Certified Public Accountants ("CICPA") National Uniform Examination of Certified Public Accountants in May 1995 and is a member of the CICPA.

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

Mr. Wu Tak Lung (吳德龍) ("Mr. Wu"), aged 47, is an independent non-executive Director. He is a director and general manager of ABCI Investment Management Limited. He is also a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities Institute and the Association of Chartered Certified Accountants, a member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Mr. Wu currently serves as an independent non-executive director of Valuetronics Holdings Limited, a company listed on Singapore Stock Exchange and First Tractor Company Limited, a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Moreover, he was an independent non-executive director of AKM Industrial Company Limited, China Water Industry Group Limited, Neo-Neon Holdings Limited, Apollo Solar Energy Limited, iMerchants Limited and Finet Group Limited, all of which are companies listed on the Hong Kong Stock Exchange. Mr. Wu was awarded the bachelor degree of Accounting by the Hong Kong Baptist University and the master degree of Finance jointly by the University of Manchester and the University of Wales. Mr. Wu worked in an international accounting firm, Deloitte Touche Tohmatsu, for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance and/or executive director. Mr. Wu currently is a member of the committee of Jiangsu Provincial People's Political Consultative Conference and the Consultation Committee of Hong Kong Baptist University, the honorary chairman of the North Kwai Chung Scout, the chairman of the Hong Kong-Shaanxi Youth Association and the standing director of Zhaoqing and Shaoguan Youth Association.

Mr. Cheng Houbo (程厚博) ("Mr. Cheng"), aged 50, 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.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Shen Jianlin (沈建林), ("Mr. Shen"), aged 45, is an independent non-executive Director. He is also the director and senior partner of BDO International (Special General Partnership) (德豪國際會計師事務所 (特殊普通合夥)). 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 SME Board of the Shenzhen Stock Exchange, from August 2009 to August 2012. 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 and the vice president of Zhejiang Certified Public Accountant Association. He is also a tutor of the master's postgraduate programme in Hangzhou Dianzi University and Zhejiang Gongshang University. He was appointed as an independent non-executive Director on 16 November 2006.

SENIOR MANAGEMENT

Mr. Fan Yirun (范毅潤) ("Mr. Fan"), aged 51, 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 AND CHIEF FINANCIAL OFFICER

Mr. Chan Ka Fat (陳家發) ("Mr. Chan"), aged 41, is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan obtained a Bachelor of Commerce from Macquarie University in Australia, and subsequently obtained a Master of Management from the Macquarie Graduate School of Management, Macquarie University. He worked in sizable and international accounting firms as well as listed companies in Hong Kong with wide exposure and experience in auditing, accounting, financial planning, and corporate management and governance. Mr. Chan was appointed as company secretary on 1 August 2011, and was appointed as the chief financial officer of the Company on 1 September 2012.

DIRECTORS' REPORT

The Directors hereby present the annual report for 2012 and the audited consolidated financial statements for the year ended 31 December 2012.

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 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income on page 46. The Directors hereby recommend the payment of a final dividend of RMB0.04 per share to the shareholders whose names appear on the Company's register of members on Friday, 7 June 2013.

OPERATING RESULT

The profit and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB89,970,000, which represents an increase of approximately 23.3% over the consolidated profit of the Company of approximately RMB72,988,000 for the year 2011.

MAJOR CUSTOMERS AND SUPPLIERS

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

In 2012, the Company's largest supplier accounted for 21.43% (2011: 26.47%) of the total purchase of the Company and the 5 largest suppliers in aggregate accounted for 43.60% (2011: 57.20%) of the total purchase of the Company.

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

FIXED ASSETS

Details of movements of the fixed assets 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. The following table sets out the listed securities of the Company being repurchased and cancelled by the Group:

Cancellation date	The amount of repurchased Shares being cancelled	Balance of Shares after cancellation
26 April 2012	784,000	1,067,321,000
5 June 2012	760,000	1,066,561,000
1 August 2012	1,568,000	1,064,993,000
16 November 2012	6,180,000	1,058,813,000
8 January 2013	1,000,000	1,057,813,000

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had a book loss of RMB26,496,021 as at 31 December 2012 and accumulated account loss of RMB101,848,916 as of 31 December 2012 and no other reserves of the Company were available for distribution to shareholders as at 31 December 2012. 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 a profit distribution before 18 June 2013.

DIRECTORS

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

Executive Directors

Mr. Fang James
Mr. Fang Shengkang
Mr. Li Ruishan
Mr. Lin Xiaofeng

Non-executive Director

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. Fang James, Mr. Lu Songkang and Mr. Wu Tak Lung will retire by rotation, all three of them being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. A circular containing the biographical details of the director and the notice of the annual general meeting will be sent to Shareholders in due course.

DIRECTORS' SERVICE CONTRACTS

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.

The Director's remuneration is determined by reference to the prevailing market price and the Company's remuneration policy.

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 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'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 Statement of Comprehensive Income represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

DIRECTORS' REPORT (CONTINUED)

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

As at 31 December 2012, the interests of the Directors and the chief executives and their associates 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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

I. Interests in the Company and its 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)	54.40%
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)	54.40%
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. 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. Except for Mr. Chai Junqi, who is a director of certain subsidiaries of the Group, all shareholders of SeeSi Universal Limited are also the Directors. Each of Mr. Fang James and Mr. Fang Shengkang is deemed to be interested in all the shares held by SeeSi Universal Limited in the Company.

3. SeeSi Universal Limited is the holding company of the Company and therefore, an associated corporation of the Company. Accordingly, Mr. Fang James, Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Chai Junqi acting as the Directors, are required to disclose their interest held in SeeSi Universal Limited.

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.

5. On 27 September 2010, the general meeting of the Company approved to issue one bonus share for every two shares. The share certificates held by SeeSi Universal Limited became 714,000,000 shares. SeeSi Universal Limited sold 38,000,000 shares at HK$1.18 per share on 10 December 2010, and SeeSi Universal Limited sold 100,000,000 shares at HK$0.86 per share on 5 July 2011.

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 2012.

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 1,057,813,000 shares as at the date of this Annual Report.

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

(i) Any options granted to an Eligible Person who is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates shall be approved by the independent non-executive Directors and in any event if the proposed grantee is an independent non-executive Director, the vote of such grantee shall not be counted for the purposes of approving such grant.

(ii) Any options granted to an Eligible Person who is a substantial Shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("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 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 of not exceeding 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 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 the such terms that the First Batch of Grantees may exercise the options from the first anniversary of the date of the grant, and up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

On 8 June 2007, the Directors resolved to grant share options entitling the holders to subscribe for a total of 6,450,000 shares of the Company 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, 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 to 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 the terms that the Third Batch of Grantees may exercise the options from the first anniversary of 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 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 batch	16/03/2007	5,000,000	16/3/2008 to 15/3/2017	HK$2.23	HK$1.41 to HK$1.61
Second batch	8/6/2007	6,450,000	8/6/2008 to 7/6/2017	HK$3.11	HK$1.41 to HK$2.01
Third batch	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	Number of Shares	Exercise Period	Exercise Price
First batch	16/03/2007	7,500,000	16/3/2008 to 15/3/2017	HK$1.49
Second batch	8/6/2007	9,675,000	8/6/2008 to 7/6/2017	HK$2.07
Third batch	3/1/2008	12,150,000	3/1/2008 to 2/1/2017	HK$1.03

As at 31 December 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 1.12% of the issued share of the Company as at that date. Among the share options granted, Directors were granted options entitling them to subscribe 2,850,000 shares of the Company, and 2,100,000 shares of which have lapsed. Details of the options granted to the Directors as at 31 December 2012, are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares".

As at 31 December 2012, 11,850,000 (2011: 11,850,000) share options granted to eligible Directors and employees of the Group were still outstanding and details are as follows:

		Maximum number of shares that may be subscribed under share options						
Name or category of participant	Exercise price (HK$)	Outstanding as at 1 January 2012	Exercised in 2012	Cancelled/ Lapsed in 2012	Outstanding as at 31 December 2012	Percentage of total issued share capital	Vesting period	Notes
Directors								
Wu Tak Lung	1.49	225,000.00	0	0	225,000.00	0.02%	16/3/2008–15/3/2017	1,4,5,6
	1.03	60,000.00	0	0	60,000.00	0.01%	3/1/2008–2/1/2017	3,4,5,6
Shen Jianlin	1.49	112,500.00	0	0	112,500.00	0.01%	16/3/2008–15/3/2017	1,4,5,6
	1.03	75,000.00	0	0	75,000.00	0.01%	3/1/2008–2/1/2017	3,4,5,6
Cheng Houbo	1.49	112,500.00	0	0	112,500.00	0.01%	16/3/2008–15/3/2017	1,4,5,6
	1.03	75,000.00	0	0	75,000.00	0.01%	3/1/2008–2/1/2017	3,4,5,6
Other employees in aggregate for First Batch Share Options	1.49	2,400,000	0	0	2,400,000	0.22%	16/3/2008–15/3/2017	1,4,5,6
Other employees in aggregate for Second Batch Share Options	2.07	6,900,000	0	0	6,900,000	0.65%	8/6/2008–7/6/2017	2,4,5,6
Other employees in aggregate for Third Batch Share Options	1.03	1,890,000	0	0	1,890,000	0.18%	3/1/2008–2/1/2017	3,4,5,6
Total		11,850,000	0	0	11,850,000	1.12%		

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 (after bonus shares issued in 2010: 7.5 million shares) of the Company to the three independent non-executive Directors 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 are exercisable at HK$2.23 per share (after bonus shares issue in 2010: HK$1.49) from 16 March 2008 to 15 March 2017. 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 (after bonus shares issued in 2010: 9.68 million shares) of the Company to middle and senior 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 are exercisable at HK$3.11 per share (after bonus shares issued in 2010: HK$2.07) from 8 June 2008 to 7 June 2017. 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 (after bonus shares issued in 2010: 12.15 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 are exercisable at HK$1.55 per share (after bonus shares issued in 2010: HK$1.03) from 3 January 2008 to 2 January 2017. The closing price of the Company's shares was HK$1.55 on 2 January 2008. The share options were granted to the Third Batch of Grantees on the basis that the Third Batch of Grantees may exercise the options from the first anniversary of 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.

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

5. Up to 31 December 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.

6. 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 to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, its controlling shareholder, subsidiaries or fellow subsidiaries was a party or in which a Director 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 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 2012, the interests of the substantial Shareholders (as defined in the Listing Rules), other than Directors or chief executives, of the Company in the Shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital of the Company
SeeSi Universal Limited (Note 1)	Beneficial owner	576,000,000 (L)	54.40%
Zhang Shuqing (Note 3)	Family interest	576,000,000 (L)	54.40%
Qiang Yan (Note 4)	Family interest	576,000,000 (L)	54.40%

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. Except for Mr. Chai Junqi, who is a director of certain subsidiaries of the Group, all shareholders of SeeSi Universal Limited are also the Directors.

(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. 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. Madam Qiang Yan is therefore deemed to be interested in the interests of Mr. Fang James.

Save as disclosed above, as at 31 December 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.

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 Listing Rules. The Company considers all the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS

On 16 February 2012, an entrusted loan agreement was entered into between Hangzhou AUPU Bathroom and Kitchen Technology Company Limited ("AUPU Bathroom"), an indirect wholly-owned subsidiary of the Company, Hangzhou AUPU Broni Bathroom and Kitchen Technology Company Limited ("AUPU Broni") and the Bank of Communications Company Limited (the "Entrusted Loan Agreement"). Pursuant to the Entrusted Loan Agreement, AUPU Bathroom, through the Bank of Communications Company Limited, provided 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, subject to the terms and conditions set out therein. The interest rate for the loan shall be 10% per annum and interest will be payable on a quarterly basis. As at the date of this report, a sum of RMB 8 million was settled.

AUPU Broni is owned as to 40% by Tricosco Limited, an indirect wholly-owned subsidiary of the Company, and 60% by Hangzhou Qian Cai Investment Company Limited ("Hangzhou Company"). Hangzhou Company is 67.5% owned by Mr. Fang Shengkang, an executive Director, 20% by Mr. Li Ruishan, an executive Director, and 12.5% by five other natural persons. As such, AUPU Broni is an associate (as defined in the Listing Rules) of Mr. Fang Shengkang and Mr. Li Ruishan and therefore a connected person of the Company. Accordingly, the transactions comtemplated under the Entrusted Loan Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios represented by the aggregate amount of the aforesaid entrusted loan was less than 5% as determined in accordance with the Rule 14A.66(2)(a) of the Listing Rules, the transactions contemplated under the Entrusted Loan Agreement are only subject to the reporting and announcement requirements but are exempt from independent shareholder's approval requirement under the Listing Rules.

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.

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 the best knowledge of its Directors, as at the latest practicable date prior to the bulk printing of this annual report, the Company has maintained a sufficient public float throughout the period from 1 January 2012 to 31 December 2012.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.04 per share for the year ended 31 December 2012 to Shareholders whose names appear on the register of members of the Company on Friday, 7 June 2013. The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Friday, 24 May 2013 and will be payable on or before 18 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013 (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 Tuesday, 21 May 2013.

The Company's register of members will be closed from Wednesday, 5 June 2013 to Friday, 7 June 2013 (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, 4 June 2013.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year, pursuant to the general mandate given to Directors, 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$0.10 each of the Company	Price per Share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
April 2012	784,000	0.66	0.65	514,600
May 2012	760,000	0.68	0.65	514,800
June 2012	368,000	0.64	0.64	235,520
July 2012	1,200,000	0.60	0.58	711,000
October 2012	6,180,000	0.65	0.64	4,016,200
December 2012	1,000,000	0.65	0.65	650,000
	10,292,000			6,642,120

Among these repurchased Shares, 9,292,000 Shares were cancelled during the year and 1,000,000 Shares were cancelled on 8 January 2013.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

Please refer to Corporate Governance Report on page 36 to 43 of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 on no less exacting terms for securities transactions by the Directors and relevant officers (the "Code"). All Directors and relevant officers have confirmed their compliance during the year under review 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 review of the Group's financial information, oversight of the Group's financial reporting process and internal controls procedures and considering issues relating to the Group's external auditor.

The financial results for the year ended 31 December 2012 and the accounting principles and policies adopted by the Group have been reviewed by the audit committee of the Company with the management of the Group. The audit committee of the Company 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 with Mr. Wu Tak Lung as Chairman.

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, 28 March 2013

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 Listing Rules, the audit committee has been established in compliance with the Code.

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, has conducted tracking analysis based on the internal audit procedures and reminders from external accountants, implemented and provided feedbacks on the rectification exercise of the relevant implementation departments of the Group. The Group will engage an external party to conduct analysis and review as and when necessary.

The Company has established the remuneration committee to review the remuneration policy for the coming years and its implementation.

To further enhance the effectiveness of the Group's corporate governance, the Company has established the nomination committee and adopted the terms of reference of the nomination committee. The nomination committee is responsible for reviewing the structure, size and composition of the then Board, including the skills, knowledge and experience possessed by the Directors, and making recommendations on any proposed changes to the Board to complement the strategy of the Group.

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.

The Group also regularly monitors the time devoted by a Board member to perform his/her duties and provides guidelines to the Directors, including, but not limited to, "A Guide on Directors' Duties" issued by the Companies Registry and the guidelines for directors issued by the Hong Kong Institute of Directors, for daily revision and reference.

FUNCTIONS OF THE BOARD

The Board 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 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.

CORPORATE GOVERNANCE PRACTICES

The Group has complied with all the code provisions set out in the Code on Corporate Governance Practices (before 1 April 2012) and the Corporate Governance Code (from 1 April 2012) 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 and meetings of the committees of the Board. It also sets forth to review the time required for a Board member to perform his/her duties, the remunerations of the Directors and senior management, internal controls, appointment of 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 and was re-appointed on 16 November 2012. 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 on 16 November 2012 and is subject to retirement by rotation as required under the articles of association of the Company.

BOARD COMPOSITION

The Company is committed to the view and maintain that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgment. During the year ended 31 December 2012, the Board had complied at all times and met the requirement of the Listing Rules that at least three Independent Non-executive Directors sit on the Board (representing more than one third of all Board members) and at least one of them has appropriate professional accounting or related financial management expertise. The Company is also committed to the view that the independent non-executive Directors should be of sufficient number and calibre for their views and judgement to carry weight. The independent non-executive Directors, biographical details of whom are set out in the Section headed "Directors and Senior Management" in this annual report, are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment.

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

The Board has established specific committees with written terms of reference to assist it for effective implementation of its functions, namely, the audit committee, nomination committee and remuneration committee. Specific responsibilities have been delegated to the above committees.

The Board delegates specific tasks to the Group's management including the implementation of strategies and decisions approved by the Board and the preparation of accounts for approval by the Board before public reporting. The chairman is responsible for developing strategic direction and development of the Group and the president (performing the role of a chief executive officer), working with and supported by the Directors, is responsible for managing the Group's business affairs, including the implementation of strategies adopted by the Board and attending to the formulation and successful implementation of the Group's policies and assuming full accountability to the Board for all the Group's operations.

The independent non-executive Directors provide the Company with diversified industry expertise, advise the management on strategy development, ensure that the Board 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/she 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 has any financial, business, family or other material/relevant relationship with one another.

ATTENDANCE OF MEETINGS

Ten meetings of the Board were held respectively on 16 February 2012, 20 March 2012, 6 April 2012, 24 August 2012, 27 September 2012, 12 October 2012, 31 October 2012, 2 November 2012, 6 November 2012 and 3 December 2012 during the period from 1 January 2012 to 31 December 2012. The meetings held on 20 March 2012 and 24 August 2012 were on-site meetings while the other ones were conducted by telephone conferences. The attendance of each Director is as follows:

Name of Directors	Board meeting	Remuneration committee of the Board	Audit committee of the Board	EGM/AGM	Nominate Committee of the Board
	No. of Attendance/No. of Meetings	No. of Attendance/No. of Meetings	No. of Attendance/ No. of Meetings	No. of Attendance/ No. of Meetings	No. of Attendance/ No. of Meetings
Fang James *(Chairman and executive Director)*	10/10	N/A	N/A	2/2	1/1
Fang Shengkang *(President and executive Director)*	10/10	1/1	N/A	0/2	1/1
Li Ruishan *(Executive Director)*	10/10	N/A	N/A	0/2	N/A
Lin Xiaofeng *(Executive Director)*	10/10	N/A	N/A	0/2	N/A
Lu Songkang *(Non-executive Director)*	10/10	N/A	2/2	0/2	N/A
Wu Tak Lung *(Independent non-executive Director)*	10/10	1/1	2/2	2/2	1/1
Cheng Houbo *(Independent non-executive Director)*	10/10	1/1	2/2	0/2	1/1
Shen Jianlin *(Independent non-executive Director)*	10/10	1/1	2/2	0/2	1/1

AUDIT COMMITTEE

The Company established the audit committee on 16 November 2006 with written terms of reference in compliance with the Code. The primary duties of the audit committee include the review of the Group's financial information, oversight of the financial reporting processes and internal control procedures and considering issues relating to the Group's external auditor of the Group report on the Company's internal control and risk management review and processes and the re-appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. The audit committee also met the external auditor twice without the presence of the executive Directors during the year. 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 20 March 2012 and 24 August 2012 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 for approval. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditors. The Company's annual results for the year ended 31 December 2012 have been reviewed by the audit committee.

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. Shen Jianlin as the chairman. The remuneration committee held one meeting on 20 March 2012 during the reporting period and reviewed the remuneration policy of 2011 and planned the remuneration policy of 2012. Pursuant to the Rules 3.25 to 3.27 of the Listing Rules, the Group appointed Mr. Shen Jianlin (being an independent non-executive Director) as chairman of the remuneration committee on 21 March 2012 while Mr. Fang Shengkang resigned from the office of chairman of remuneration committee on the same day.

Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements. In addition, pursuant to the Code Provision B.1.5, the annual remuneration of the member of the senior management by band for the year ended 31 December 2012 is set out below:

Remuneration band (HK$)	Number of individual
Nil to HK$1,000,000	2

NOMINATION COMMITTEE

The Board established the nomination committee on 21 March 2012 with written terms of reference in compliance with the Code. The primary duties of the nomination committee include reviewing the structure, size and composition (including the skills, knowledge and experience possessed by the Directors) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and assessing the independence of independent non-executive Directors. It comprises 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.

The nomination committee held one meeting during the reporting period. The Company has not appointed any new Director during the year.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted 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 and relevant officers. All Directors and relevant officers have confirmed their compliance with the required standards set out in the Model Code during the year under review.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors of the Company have actively participated in the trainings organized by the Company and self-learning to maintain their professional knowledge and skills and participate in continuous professional development. During the year ended 31 December 2012, all the Directors attended a seminar regarding information disclosure and major responsibilities of directors under the Listing Rules, and information related to the relevant guidelines for directors to all Directors for daily revision and reference. That seminar was held by the Company and facilitated by the Company's lawyer. From time to time, the Company delivers materials received from lawyers or regulatory bodies to Directors for their own study.

INDEPENDENT AUDITOR'S REMUNERATION

The independent auditor of the Company, Deloitte Touche Tohmatsu, received audit fees amounting to approximately RMB1,580,000 for the year under review. No non-audit services was provided by the independent auditor of the Company during the year.

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 of the Company and to review the internal controls in material aspects (such as financial management and compliance).

The Group placed the division under the audit committee of the Board as a permanent function of the audit committee to enhance its independence in internal auditing. The Board 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 and timely disclosure through the following methods: 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. The Company also 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 has opened an investor relationships forum which contains the following contents (including but not limited to):

a. relevant systems of the Company, such as manual of code on corporate governance, rules of security dealings, rules of disclosure of price sensitive information, articles of association, shareholders communication policy and procedures for shareholders to propose a person for election as a director;

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

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

d. structure of the Group, composition of the Board and terms of reference of each committee under the Board.

SHAREHOLDERS' RIGHT

(i) Procedures for members to convene an extraordinary general meeting ("EGM") and putting forward proposals at general meeting

Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall, at all times have the right, by written requisition sent to the Company's head office in the PRC and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Shareholders concerned themselves may do so in the same manner as that in which EGM may be convened by the Board.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the company secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

The notice period to be given to all the registered members for consideration of the proposal raised by the shareholders concerned at an EGM should follow the requirements set out in Article 59 of the Articles of Association of the Company.

(ii) Procedures for a member to propose a person for election as a director

Qualified shareholder must sign a notice stating his intention to propose a person for election and the proposed person must sign a letter of consent stating his willingness to be elected, both of which shall be lodged at the Head Office of the Company located at No. 210, 21st Street, Xiasha Economic & Technological Development Zone, Hangzhou, Zhejiang, The People's Republic of China or 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, with a notice of at least seven (7) days is given. If the notices are submitted after the dispatch of the notice of the general meeting appointed such election, the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

(iii) Procedures for directing Shareholders' enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or the head office in the PRC for the attention of the company secretary or chairman. They may also attend the annual general meetings and other general meetings of the Company to direct their enquires to the Board.

There was no change in the Company's constitutional documents during the year ended 31 December 2012.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Chan Ka Fat. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge in 2012.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 101, which comprise the consolidated statement of financial position as at 31 December 2012, 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 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 2012, 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

28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	5	**568,857**	537,989
Cost of sales		**(292,152)**	(284,744)
Gross profit		**276,705**	253,245
Other income		**20,732**	19,311
Gain on disposal of assets classified as held for sale		**21,495**	—
Selling and distribution expenses		**(127,190)**	(118,708)
Administrative expenses		**(35,959)**	(37,446)
Other expenses		**(26,046)**	(19,955)
Finance costs on bank loans wholly repayable within five years		**(2,241)**	(1,327)
Share of (losses) profits of associates		**(1,631)**	216
Profit before tax	6	**125,865**	95,336
Income tax expenses	7	**(35,895)**	(22,348)
Profit and total comprehensive income for the year attributable to owners of the Company		**89,970**	72,988
Earnings per share — basic (RMB)	9	**0.08**	0.07
Earnings per share — diluted (RMB)	9	**0.08**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	11	**153,323**	155,529
Prepaid lease payments	12	**13,118**	13,447
Interests in associates	14	**35,364**	25,995
Available-for-sale investments	15	**65,000**	20,000
Amounts due from associates	32	**81,500**	—
Deferred tax assets	16	**6,874**	12,178
		355,179	227,149
Current assets			
Prepaid lease payments	12	**329**	329
Inventories	17	**43,448**	43,634
Trade and other receivables	18	**57,400**	93,953
Amounts due from associates	32	**1,429**	10,336
Time deposits	19	**133,000**	165,000
Pledged bank deposits	19	**33,760**	87,000
Bank balances and cash	19	**61,771**	31,529
		331,137	431,781
Assets classified as held for sale	13	**—**	16,180
		331,137	447,961
Current liabilities			
Trade, bills and other payables	20	**171,702**	135,416
Amounts due to associates	32	**491**	353
Income tax liabilities		**21,777**	15,115
Other tax liabilities	21	**6,090**	8,203
Short-term bank loans	22	**23,733**	82,691
		223,793	241,778
Net current assets		**107,344**	206,183
Total assets less current liabilities		**462,523**	433,332

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	23	**102,046**	102,801
Share premium and reserves	24	**351,148**	317,998
Equity attributable to owners of the Company		**453,194**	420,799
Non-current liability			
Deferred tax liability	16	**9,329**	12,533
		462,523	433,332

The consolidated financial statements on pages 46 to 101 were approved and authorised for issue by the board of directors on 28 March 2013 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 2012

	Attributable to owners of the Company									
	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)	Share repurchase reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2011	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	—	—	—	—	—	—	—	(85,448)	(85,448)	(85,448)
Exercise of share options	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
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	89,970	89,970	89,970
Transfer	—	—	—	9,392	—	—	—	(9,392)	—	—
Dividends recognised as distribution (note 8)	—	—	—	—	—	—	—	(53,296)	(53,296)	(53,296)
Recognition of equity-settled share-based payments	—	—	—	—	1,118	—	—	—	1,118	1,118
Shares repurchased and cancelled (note 23)	(755)	(4,115)	—	—	—	—	755	(755)	(4,115)	(4,870)
Repurchase of own shares pending for cancellation (note 23)	—	—	—	—	—	(527)	—	—	(527)	(527)
At 31 December 2012	**102,046**	**242,067**	**(73,274)**	**75,194**	**17,458**	**(527)**	**755**	**89,475**	**351,148**	**453,194**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Profit before tax		125,865	95,336
Adjustments for:			
Equity-settled share-based payments expenses		1,118	1,245
Depreciation of property, plant and equipment		10,054	10,683
Allowance for inventories obsolescence		512	1,863
Allowance for bad and doubtful debts		3,042	—
Release of prepaid lease payments		329	543
Loss on disposal of property, plant and equipment		461	18
Gain on disposal of held for sales assets		(21,495)	—
Loss on disposal of subsidiaries	26	20	—
Finance costs		2,241	1,327
Share of losses (profits) of associates		1,631	(216)
Interest income		(10,075)	(8,008)
Operating cash flows before movements in working capital		113,703	102,791
Increase in inventories		(326)	(3,426)
Decrease (Increase) in trade and other receivables		34,811	(22,608)
Increase in trade and other payables		35,728	1,169
Decrease (increase) in other tax liabilities		(2,113)	702
Cash generated from operations		181,803	78,628
Income taxes paid		(27,133)	(16,265)
Net cash from operating activities		154,670	62,363
Investing activities			
Interest received		8,779	5,069
Additional contribution in an associate		(11,000)	—
Proceeds on disposal of property, plant and equipment		121	259
Purchases of property, plant and equipment		(8,430)	(10,380)
Proceeds from held for sales assets, net		37,675	—
Purchase of available-for-sale investments		(45,000)	(20,000)
Withdrawal of time deposits		215,000	347,000
Placement of time deposits		(183,000)	(312,000)
Repayment from associates		20,045	124
Withdrawal of pledged bank deposits		87,000	—
Placement of pledged bank deposits		(33,760)	(87,000)
Advance of loan to associates		(92,500)	—
Cash flows in respect of the disposal of subsidiaries	26	(24)	—
Net cash used in investing activities		(5,094)	(76,928)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Financing activities		
New bank loans raised	23,733	82,691
Repayment of borrows	(82,691)	—
Repayment of interest expense of bank loans	(1,683)	—
Dividends paid	(53,296)	(85,448)
Repurchase of own shares	(5,397)	—
Proceeds from exercise of share option	—	1,932
Net cash used in financing activities	(119,334)	(825)
Net increase (decrease) in cash and cash equivalents	30,242	(15,390)
Cash and cash equivalents at beginning of year	31,529	46,919
Cash and cash equivalents at end of year represented by bank balances and cash	61,771	31,529

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 ("the Directors") consider that its parent and ultimate holding company is SeeSi Universal Limited ("SeeSi"), a company incorporated in the British Virgin Islands (the "BVI"). 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 33.

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

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

In the current year, the Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to IFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

Annual Improvements to IFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to IFRSs 2009–2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The Directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

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

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:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Directors anticipate that the application of IFRS9 will have no material impact on the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. I (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. I (SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that these five standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013. The Directors expect the application of the new standards will not have any material impact to the financial position to the Group expect more extensive disclosures may be required in the future.

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 the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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.

Income and expenses of subsidiaries acquired or disposed of during the year ended 31 December 2012 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.

Interests 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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 an associate of the Group, profits and losses rising 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:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- 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.

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. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are 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.

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 before tax" 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 reflects 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.

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 with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating units) 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 (or cash-generating units) in prior years. A reversal of an impairment loss is recognised as income immediately.

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 loss on 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

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

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.

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.

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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

Financial liabilities (including trade and other payables, short-term bank loans and amounts due to associates) 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, 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.

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

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 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets 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.

Critical judgments in applying accounting policies

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 within the next financial year.

Depreciation

The carrying value of the Group's property, plant and equipment as at 31 December 2012 was RMB153,323,000 (2011: RMB155,529,000). 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

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.

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 2012, the carrying amount of inventories is RMB43,448,000 (net of allowance for inventories of RMB3,488,000) (31 December 2011: carrying amount of RMB43,634,000, net of allowance for inventories of RMB2,976,000).

Key sources of estimation uncertainty

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

Income tax expenses

As at 31 December 2012, a deferred tax assets of RMB6,874,000 (2011: RMB12,178,000) mainly relate to unrealised profits on inter-branch/company sales and other deductible temporary differences as set out in note 16. The Directors 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 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 investments

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 2012, the carrying amount of available-for-sale investment measured at cost is RMB65,000,000 (31 December 2011: RMB20,000,000).

Estimated impairment of trade receivables and amounts due from associates

Allowance for trade receivables and amounts due from associates are made based on the evaluation of collectability and ageing analysis of accounts and on directors' judgment by reference to the estimation of future cash flows discounted at an effective interest rate to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2012, the carrying amount of trade receivables is RMB51,540,000 (net of allowance for doubtful debts of RMB3,042,000) (31 December 2011: carrying amount of RMB81,812,000, without allowance for doubtful debts). As at 31 December 2012, the carrying amount of the amounts due from associates is RMB81,500,000 (2011: Nil) and there was no allowance for doubtful debts have been recognised.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on geographical information of goods (i.e., bathroom masters, bathroom roofs, etc) delivered.

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 and operating segment:

For the year ended 31 December 2012

	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	197,085	73,771	78,076	70,427	58,370	22,382	46,725	22,021	568,857
Inter-segment sales	—	—	—	—	268,808	—	90	—	268,898
Segment revenue	197,085	73,771	78,076	70,427	327,178	22,382	46,815	22,021	837,755
Eliminations									(268,898)
Group revenue									568,857
Segment profit	87,995	41,888	35,695	42,078	26,646	9,178	25,439	7,786	276,705
Interest income									10,075
Gain on disposal of assets classified as held for sale									21,495
Other unallocated income									10,657
Unallocated expenses									(189,195)
Finance costs									(2,241)
Share of losses of associates									(1,631)
Profit before tax									125,865

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

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, gain on disposal of assets classified as held for sale, selling and distribution expenses, administrative expenses, share of profits (losses) of associates and finance costs. This is the measure reported to the Board 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. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

Amounts included in the measure of segment profit or loss:

2012

	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	1,695	635	672	606	502	193	402	189	4,894

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

Revenue from major products

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

	2012 RMB'000	2011 RMB'000
Bathroom masters	363,993	329,956
Bathroom roofs	173,513	174,256
Others	31,351	33,777
	568,857	537,989

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:

	2012 RMB'000	2011 RMB'000
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	43,304	47,954
— retirement benefit scheme contributions (note 29)	4,067	4,263
— equity-settled share-based payments (note 25)	1,118	1,245
Total staff costs	48,489	53,462
Cost of inventories recognised as an expense (note a)	292,152	284,744
Research expenditure included in other expenses	18,327	13,761
Depreciation of property, plant and equipment	10,054	10,683
Auditors' remuneration	1,580	1,504
Release of prepaid lease payments	329	543
Loss on disposal of property, plant and equipment	461	18
Allowance for bad and doubtful debts	3,042	—
Net foreign exchange loss	531	—
Loss on disposal of subsidiaries	20	—
After crediting:		
Interest income from:		
— bank deposits	7,323	6,940
— amounts due from associates	2,752	1,068
Total interest income	10,075	8,008
Net foreign exchange gain	—	1,329
Rental income	921	863
Government grants (note b)	1,928	1,590
Gain on disposal of assets classified as held for sale (note 13)	21,495	—

Notes:

(a) Allowance for inventories obsolescence amounted to RMB512,000 (2011: RMB1,863,000) has been recognised in the current year and is 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 non-recurring.

7. INCOME TAX EXPENSES

	2012 RMB'000	2011 RMB'000
Income tax expenses comprises		
Current tax		
— PRC Enterprise Income Tax	22,536	14,808
— Land appreciation tax ("LAT")	2,640	—
— Withholding tax paid	8,619	507
	33,795	15,315
Deferred tax (note 16)	2,100	7,033
	35,895	22,348

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

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

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 based on 5% of the profits arisen during both years from the PRC subsidiaries, which are available for distribution to Tricosco Limited ("Tricosco"), a Hong Kong subsidiary of the Company.

During the year ended 31 December 2012, the Group completed the disposal of a property included in assets classified as held for sale, resulting in the payment of land appreciation tax of RMB2,640,000 (2011: Nil).

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:

	2012		2011	
	RMB'000	%	RMB'000	%
Profit before tax	125,865		95,336	
Tax at the domestic income tax rate of 25% (2011: 25%)	31,466	25.00	23,834	25.00
Tax effect of expenses not deductible for tax purpose	931	0.74	2,348	2.46
Tax concession of a subsidiary	(11,267)	(8.95)	(7,470)	(7.83)
Tax effect of share of (profits) losses of associates	408	0.32	(54)	(0.06)
Effect of withholding tax	5,415	4.30	3,690	3.87
Reversal of deductible temporary differences perviously recognised	6,962	5.53	—	—
LAT	2,640	2.09	—	—
Tax effect on LAT	(660)	(0.52)	—	—
Tax charge and effective tax rate for the year	35,895	28.51	22,348	23.44

8. DIVIDENDS

	2012	2011
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2012 Interim — RMB0.03 (2011: 2011 interim dividend RMB0.04) per share	31,948	42,724
2011 Final — RMB0.02 (2011: 2010 final dividend RMB0.04) per share	21,348	42,724
	53,296	85,448

The final dividend of RMB0.04 in respect of the year ended 31 December 2012 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:

	2012 RMB'000	2011 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**89,970**	72,988

Number of shares:

	Number of ordinary shares 2012	2011
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,065,720,090**	1,068,032,507

For the year ended 31 December 2012 and 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 both in 2012 and 2011.

10. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of directors and chief executive are analysed as follows:

Year ended 31 December 2012

	Fees RMB'000	Salaries and other benefit RMB'000	Bonus RMB'000 (note 4)	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Fang James	—	469	1,138	13	—	1,620
Fang Shengkang (note 1)	—	471	1,138	13	—	1,622
Li Ruishan (note 2)	—	341	478	13	—	832
Lin Xiaofeng (note 2)	—	60	—	—	—	60
	—	1,341	2,754	39	—	4,134
Non-executive directors:						
Lu Songkang	100	—	—	1	—	101
Independent non-executive directors:						
Cheng Houbo	50	—	—	—	2	52
Shen Jianlin	50	—	—	—	2	52
Wu Tak Lung	97	—	—	—	4	101
	197	—	—	—	8	205
	297	1,341	2,754	40	8	4,440

10. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Year ended 31 December 2011

	Fees RMB'000	Salaries and other benefit RMB'000	Bonus RMB'000 (note 4)	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Fang James	—	364	420	13	—	797
Fang Shengkang (note 1)	—	365	420	13	—	798
Li Ruishan (note 2)	—	173	252	8	—	433
Lin Xiaofeng (note 2)	—	20	—	—	—	20
Chai Junqi (note 3)	—	187	—	—	—	187
	—	1,109	1,092	34	—	2,235
Non-executive directors:						
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

Notes:

(1) Mr. Fang Shengkang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(2) Mr. Li Ruishan and Mr. Lin Xiaofeng were appointed as executive directors on 26 August 2011.

(3) Mr. Chai Junqi resigned on 26 August 2011.

(4) The bonus is determined by the Board of Directors based on the financial performance of the Group.

10. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Of the five individuals with the highest emoluments in the Group, three (2011: four) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2011: one) individuals were as follows:

	2012 RMB'000	2011 RMB'000
Basic salaries and allowances	435	215
Retirement benefit contributions	23	13
Equity-settled share-based payments	8	40
	466	268

Their emoluments were within the following bands:

	2012 No. of Employees	2011 No. of Employees
Nil to HK$1,000,000	2	5
HK$1,000,001 to HK$1,500,000	1	—
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	1	—
	5	5

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 2011	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	(23,812)	—	—	—	—	(23,812)
Disposals	—	—	(1,068)	(1,198)	—	(2,266)
At 31 December 2011	138,587	6,838	9,970	19,739	19,320	194,454
Additions	151	22	3,440	3,970	847	8,430
Disposals	(2,169)	(398)	(722)	(1,962)	—	(5,251)
At 31 December 2012	136,569	6,462	12,688	21,747	20,167	197,633
ACCUMULATED DEPRECIATION						
At 1 January 2011	20,033	2,843	6,261	11,272	—	40,409
Provided for the year	6,747	544	939	2,453	—	10,683
Eliminated on disposals	—	—	(891)	(1,098)	—	(1,989)
Reclassified as held for sale	(10,178)	—	—	—	—	(10,178)
At 31 December 2011	16,602	3,387	6,309	12,627	—	38,925
Provided for the year	5,950	553	1,049	2,502	—	10,054
Eliminated on disposals	(1,958)	(358)	(601)	(1,752)	—	(4,669)
At 31 December 2012	20,594	3,582	6,757	13,377	—	44,310
CARRYING VALUES						
At 31 December 2011	121,985	3,451	3,661	7,112	19,320	155,529
At 31 December 2012	115,975	2,880	5,931	8,370	20,167	153,323

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 values, 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

	2012 RMB'000	2011 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**13,118**	13,447
Current assets	**329**	329
	13,447	13,776

The carrying amount represents the prepaid rentals for two pieces of land use rights situated in the PRC under a medium-term lease of 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 Hangzhou 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 RMB40,000,000. During the year ended 2012, the Group completed the disposal of the property and recorded a gain on disposal of RMB21,495,000.

14. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of unlisted investments in associates (note)	**38,000**	27,000
Share of post-acquisition losses	**(2,636)**	(1,005)
	35,364	25,995

Note: During the year ended 31 December 2012, the Group made additional contribution of RMB11,000,000 in Chengdu Qianyin Investment Company Limited ("Chengdu Qianyin"). The Group's equity interest in Chengdu Qianyin increased from 30% to 41.67%. Goodwill of RMB848,000 was resulted in respect of this deemed acquisition of additional interest and has been included in the cost of unlisted investments in associates.

14. INTERESTS IN ASSOCIATES (Continued)

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

Name of Entity	Place and date of establishment	Proportion of ownership interest 31 December 2012	2011	Registered capital RMB 2012	2011	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 2010	**40%**	40%	**30,000,000**	30,000,000	Manufacture and distribution of electrical kitchen appliances and equipment
Chengdu Qianyin 成都牽銀投資有限公司	Chengdu, PRC 9 June 2011	**41.67%**	30%	**60,000,000**	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:

	2012 RMB'000	2011 RMB'000
Total assets	**211,377**	111,058
Total liabilities	**(127,505)**	(33,996)
Net assets	**83,872**	77,062
Group's share of the associates' net assets	**34,516**	25,995
Total revenue	**31,543**	39,570
Total (loss) profit for the year	**(4,169)**	232
Group's share of the associates' (losses) profits of the year	**(1,631)**	216

15. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Available-for-sale investments comprise:		
Unlisted investment:		
— Haibang Cai Zhi (note i)	25,000	20,000
— Hexing Electrical (note ii)	40,000	—
	65,000	20,000

Notes:

(i) On 9 January 2011, AUPU Technology 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 focusing on the investment in high-tech venture projects. Under the agreement, Aupu Technology invested a total of RMB25,000,000 (2011: RMB20,000,000) in Haibang Cai Zhi, representing a 16.78% (2011: 16.67%) 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.

(ii) During the year, AUPU Technology made an investment in Hexing Electrical amounting to RMB40,000,000, representing a 1.08% equity interest in Hangzhou Hexing.

Available-for-sale investments are measured at cost less any identified impairment losses at the end of the reporting period. Since these equity investments do not have a quoted market price in an active market and the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be reliably measured.

16. DEFERRED TAX ASSETS AND LIABILITY

The following are the major deferred tax assets (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 2011	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)
(Charge) credit to profit or loss (note 7)	(312)	(4,992)	3,204	(2,100)
At 31 December 2012	1,868	5,006	(9,329)	(2,455)

(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 RMB8,619,000 (2011: RMB507,000).

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

	2012 RMB'000	2011 RMB'000
Deferred tax assets	6,874	12,178
Deferred tax liability	(9,329)	(12,533)
	(2,455)	(355)

17. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**5,948**	9,226
Finished goods	**37,500**	34,408
	43,448	43,634

18. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice date, which approximated the respective revenue recognition dates:		
Within 90 days	**46,029**	71,872
91–180 days	**3,105**	8,969
181–365 days	**1,864**	552
Over 365 days	**542**	419
Total trade receivables	**51,540**	81,812
Other receivables, deposits and prepayments	**5,860**	12,141
	57,400	93,953

The average credit period granted on sales of goods ranges from 0 to 90 days (2011: 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.

	2012 RMB'000	2011 RMB'000
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	**—**	—
Allowance for bad and doubtful debts	**3,042**	—
At end of the year	**3,042**	—

18. TRADE AND OTHER RECEIVABLES (Continued)

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,042,000 (2011: nil) recognised, which the counterparties have been in financial difficulties.

Trade receivables amounting to RMB3,834,000 (2011: RMB4,495,000) were denominated in United States Dollar ("USD") which is not the functional currency of the respective entities.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB5,511,000 (2011: RMB9,940,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

	2012 RMB'000	2011 RMB'000
Aging of trade receivables which are past due but not impaired		
91–180 days	3,105	8,969
181–365 days	1,864	552
Over 365 days	542	419
	5,511	9,940

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 at fixed interest rate ranging from 3.08% to 3.30% per annum as at 31 December 2012 (2011: 2.92% to 3.50% per annum).

Pledged bank deposits represent deposit pledged to a bank to secure short-term bank loans and are therefore classified as current assets amounting to RMB33,760,000 (31 December 2011: RMB87,000,000). Pledged bank deposits carry at fixed interest rate ranging from 2.85% to 3.50% per annum as at 31 December 2012 (2011: 3.55% to 3.95%).

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 0.35% per annum as at 31 December 2012 (2011: 0.01% to 0.95% per annum).

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

Bank balances amounting to RMB10,872,000 and RMB497,000 (2011: RMB5,284,000 and RMB1,268,000) were denominated in Hong Kong Dollar ("HK$") and USD, respectively (note 30), which are not the functional currencies of the respective entities.

19. OTHER FINANCIAL ASSETS (Continued)

Bank balances, pledged bank deposits, time deposits and cash of RMB217,162,000 (2011: RMB276,977,000) 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, bills 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: 90 days).

	2012 RMB'000	2011 RMB'000
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	67,355	45,851
91–180 days	1,812	1,382
181–365 days	50	334
Over 365 days	647	1,667
Total trade payables	69,864	49,234
Aged analysis of bills payables presented based on issue date:		
Within 90 days	18,150	—
Retention sum due to suppliers	3,741	2,085
Advances from customers	18,309	18,031
Sales commission accruals	22,420	25,636
Other payables and accruals	39,218	40,430
	171,702	135,416

21. OTHER TAX LIABILITIES

	2012 RMB'000	2011 RMB'000
Value added tax	5,836	7,768
Others	254	435
	6,090	8,203

22. SHORT-TERM BANK LOANS

	2012 RMB'000	2011 RMB'000
Bank loans (secured and variable rate)		
Repayable within one year	**23,733**	82,691

During the year ended 31 December 2012, the Group obtained one new variable-rate borrowing in the aggregate amount of HK$28,000,000 (2011: HK$102,000,000), which carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 300 basis points (2011: HIBOR plus 300 basis points) per annum. The borrowings were secured by pledged bank deposits and repayable within one year.

At the end of the reporting period, the Group has undrawn borrowing facilities amounting to RMB200,000,000 (2011: RMB17,309,000).

23. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2012, and 31 December 2012 and 2011	**5,000,000,000**	500,000
Issued and fully paid:		
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
At 1 January 2012	**1,068,105,000**	106,811
Shares repurchased and cancelled	**(9,292,000)**	(930)
At 31 December 2012	**1,058,813,000**	105,881

23. SHARE CAPITAL (Continued)

	2012 RMB'000	2011 RMB'000
Presented as RMB Ordinary shares	**102,046**	102,801

During the current year, 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 summarised below ranging from HK$0.59 to HK$0.68 each for 10,292,000 shares, of which 9,292,000 shares were cancelled during the current year and 1,000,000 shares were cancelled on 8 January 2013.

Month of repurchase	No. of ordinary shares of HK$0.10 each of the Company	Price per Share Highest HK$	Price per Share Lowest HK$	Aggregate consideration paid RMB'000
April 2012	784,000	0.66	0.65	417
May 2012	760,000	0.68	0.67	420
August 2012	1,568,000	0.64	0.58	772
November 2012	6,180,000	0.65	0.65	3,261
	9,292,000			4,870
November 2012	1,000,000	0.65	0.65	527
	10,292,000			5,397

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.

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.

24. RESERVES (Continued)

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 2012 and 2011 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 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 10,545,000 (2011: 11,850,000), representing approximately 1.0% (2011: 1.1%) 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$5,000,000 must be approved in advance by the Company's shareholders.

The exercise price is determined by the Directors, 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.

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 for the period from date of grant to the first anniversary, from date of first anniversary to the second anniversary, after date of second anniversary to the date of third anniversary, after date of third anniversary to the fourth anniversary and after date of fourth anniversary to the expiry of the exercise period, respectively.

The following table discloses movements of the Company's share options held by directors and employees during the years ended 31 December 2012 and 2011:

Option type	Outstanding at 01/01/2012	Forfeited during the year (note)	Outstanding at 31/12/2012
2007A	2,850,000	(600,000)	2,250,000
2007B	6,900,000	(600,000)	6,300,000
2008A	2,100,000	(105,000)	1,995,000
	11,850,000	(1,305,000)	10,545,000
Exercisable at the end of the year			10,545,000
Weighted average exercise price	1.75	1.72	1.75

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Option type	Outstanding at 01/01/2011	Forfeited during the year (note)	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

Note: The forfeiture represented the share options granted to eligible directors and employees of the Group, which were forfeited upon their resignation in both years.

Except for the share options forfeited as disclosed above, there was no option that has been exercised under the share option scheme by employees for the year ended 31 December 2012.

For the year ended 31 December 2011, there were 2,205,000 options that had been exercised under the share option scheme by employees on 12 January 2011, which accounted for as a 0.21% of existing issued share capital before issuance of the relevant shares. The exercise price per share was 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.

The Group recognised an expense of RMB1,118,000 for the year ended 31 December 2012 (2011: RMB1,245,000) in relation to the share options granted by the Company.

26. DISPOSAL OF SUBSIDIARIES

On 15 October 2012, the Group disposed of its subsidiaries, Shambhala Energy Company Limited ("Shambhala") and Best Wick International Holdings Limited ("Best Wick") to an independent third party for a cash consideration of US$1.

26. DISPOSAL OF SUBSIDIARIES (Continued)

At the time of disposal of its subsidiaries, the net assets of Shambhala and Best Wick at the date of disposal were as follows:

	15 October 2012 RMB'000
Analysis of assets and liabilities over which control was lost:	
Bank balances and cash	24
Other payables	(4)
Net assets disposed of and loss on disposal of subsidiaries	20
Net cash outflow arising on disposal	24

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	2012 RMB'000	2011 RMB'000
Minimum lease payments under operating leases recognised in the consolidated statement of comprehensive income for the year	3,337	2,829

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:

	2012 RMB'000	2011 RMB'000
Within one year	609	1,936
In the second to fifth year inclusive	—	1,136
	609	3,072

Operating lease payments represent rentals payable by the Group for certain branch offices and warehouses. Leases are negotiated for a lease term of 1 year (2011: ranging from 1 to 5 years) at inception.

The Group as lessor

Property rental income earned during the year was RMB230,000 (2011: RMB240,000). Leases are negotiated for a lease term of 1 year (2011: 1 year). There were no future minimum lease payments as the lease contracts were expired and not yet renewed prior to the end of the reporting period in both years.

28. CAPITAL COMMITMENTS

Capital expenditures in the consolidated financial statements in respect of:

	2012 RMB'000	2011 RMB'000
Contracted for but not provided		
Acquisition of property, plant and equipment	4,608	3,328
Capital injection to an available-for-sale investment	—	5,000
	4,608	8,328
Authorised but not provided		
Acquisition of a subsidiary (note 34)	31,000	—

29. 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 RMB4,067,000 (2011: RMB4,263,000) represents contributions payable to these retirement benefits schemes by the Group in respect of the current accounting period.

30. 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 net debt, which includes short-term bank loans, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves including retained earnings.

30. CAPITAL RISK MANAGEMENT (Continued)

The Directors 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.

31. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, time deposits, pledged bank deposits, bank balances and cash, amounts due from/to associates, trade, bills 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

	2012 RMB'000	2011 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	364,296	378,616
Available-for-sale instruments	65,000	20,000
Financial liabilities		
Amortised costs	116,538	135,690

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.

31. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

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

	Assets		Liabilities	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**4,331**	5,763	**—**	—
HK$	**10,872**	5,284	**23,261**	84,018

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% (2011: 5%) increase and decrease in RMB against HK$ and USD 5% (2011: 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 2012 would have been increased/decreased by RMB288,000 (2011: decreased/increased by RMB2,793,000).

(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 32), time deposits and pledged bank 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.

31. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

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 (2011: 50 basis point) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2011: 50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would have decreased/increased by RMB81,000 (2011: RMB317,000). 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 (2011: 10 basis point) higher/lower on bank balances and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would have decreased/increased by RMB44,000 (2011: RMB24,000). 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 decreased during the current year mainly due to the decrease in variable rate debt instruments.

Credit risk

As at 31 December 2012, 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 consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 14% (2011: 18%) 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 2012, approximately 77% (2011: 77%) of the bank balances were deposited at five (2011: 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.

As at 31 December 2012, with respect to amounts due from associates in the amount of RMB81,500,000, the Group consider the credit risk is limited because the Group will closely monitor the financial statements of the associates.

31. 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. 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. Specially, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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 RMB'000	Six months to one year RMB'000	Over one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2012						
Non-derivative financial liabilities						
Trade, bills and other payables	**—**	**92,314**	**—**	**—**	**92,314**	**92,314**
Amounts due to associates	**—**	**491**	**—**	**—**	**491**	**491**
Short-term bank loans	**3.9576%**	**23,095**	**1,052**	**—**	**24,147**	**23,733**
		115,900	**1,052**	**—**	**116,952**	**116,538**
2011						
Non-derivative financial liabilities						
Trade, bills and other payables	—	52,239	407	—	52,646	52,646
Amounts due to associates	—	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

31. FINANCIAL INSTRUMENTS (Continued)

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.

32. RELATED PARTY TRANSACTIONS

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

	2012 RMB'000	2011 RMB'000
Amounts due from associates		
— interest bearing (note i)	81,500	10,000
— non-interest bearing (note ii)	1,429	336
	82,929	10,336
Analysed for reporting purpose as:		
— Non-current assets	81,500	—
— Current assets	1,429	10,336
	82,929	10,336
Amounts due to associates		
— non-interest bearing (note ii)	491	353

Notes:

(i) The balance as at 31 December 2012 amounting to RMB81,500,000 are the unsecured entrusted loans due from associates. During the year ended 31 December 2012, a total sum of RMB65,500,000 are two entrusted loans advanced to Chengdu Qianyin for terms of three years and bear interest at the rate of 6.15% per annum, RMB3,000,000 out of which has been repaid to the Group during 2012. A total of RMB27,000,000 is the entrusted loan advanced to AUPU Broni for a term of two years and bears interest at the rate of 10.00% per annum, RMB8,000,000 out of which has been repaid to the Group during 2012.

The balance as at 31 December 2011 amounting to RMB10,000,000 was the unsecured entrusted loan due from Chengdu Qianyin for a term of one year and bears interest at rate of 6.56% per annum and the amount was fully repaid to the Group during 2012.

(ii) The amounts are unsecured and repayable on demand.

32. RELATED PARTY TRANSACTIONS (Continued)

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

	2012 RMB'000	2011 RMB'000
Trade sales	—	8
Rental income	230	240
Interest income	2,752	1,068
Purchase	1,054	1,976
Other income	744	—
	4,780	3,292

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

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	4,827	2,705
Post-employment benefits	63	60
Share-based payments	16	69
	4,906	2,834

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

33. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2012 and 2011 are as follow:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share registered capital/registered capital held by the Company				Principal activities
			Direct		Indirect		
			2012	2011	**2012**	2011	
Ableby Worldwide Limited 藝寶環球有限公司	BVI 18 May 2006	Ordinary shares US$1	**100%**	100%	**–**	–	Investment holding
Tricosco	Hong Kong 20 June 2006	Ordinary shares HK$1	**–**	–	**100%**	100%	Investment holding
Shambhala*	Cayman 22 July 2012	Ordinary shares US$1	**N/A**	100%	**–**	–	Investment holding
Best Wick*	The British Virgin Islands	Ordinary shares US$1	**–**	–	**N/A**	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%**	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%**	100%	Manufacture and distribution of bathroom masters, exhaust fans and other home appliances

* Subsidiaries disposed of during 2012

34. EVENT AFTER THE REPORTING PERIOD

On 12 October 2012, Tricosco, a subsidiary of the Company, entered into a share transfer agreement with Wind-Plus Group Holding Company Limited ("Wind-Plus") and Hangzhou Mingzhe Investment Company Limited ("Hangzhou Mingzhe"), pursuant to which Tricosco will acquire 51.23% and 48.77% equity interest of Chengdu AUPU Bolangni Kitchen and Bathroom Technology Co., Ltd ("Chengdu Bolangni") from Win-Plus and Hangzhou Mingzhe respectively for a total cash consideration of RMB31,000,000. Chengdu Bolangni's principal business activities are to research and develop, design, manufacture and sell the whole range of kitchen and bathroom products. By acquiring Chengdu Bolangni, part of the Group's production plants could be relocated to Chengdu and further enhance the sales in Southwest Region of the PRC, including Sichuen. Details of the acquisition were set forth in the Company's circular dated 15 November 2012.

Wind-Plus is a limited liability company incorporated in the BVI which is held as to 39.44% by Mr. Fang James, 52.11% by Mr. Fang Shengkang, 7.04% by Mr. Lu Songkang, the directors of the Company. Hangzhou Mingzhe is a limited liability company established in the PRC which is held as to 51% by Mr. Fang Shengkang, 20% by Mr. Li Ruishan, the directors of the Company. The acquisition is a connected transaction and independent shareholders' approval has been obtained on 30 November 2012.

34. EVENT AFTER THE REPORTING PERIOD (Continued)

Subsequent to the year ended 31 December 2012, the acquisition of Chengdu Bolangni was completed on 17 January 2013 and cash consideration of RMB31,000,000 was fully paid in January 2013.

The Directors is in the process of assessing the financial impact of the acquisition of Chengdu Bolangni. Details of the financial information of Chengdu Bolangni are set forther in the Company's circular dated 15 November 2012.

35. 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:

	2012 RMB'000	2011 RMB'000
Assets		
Investments in subsidiaries	229,591	262,580
Trade and other receivables	211	178
Bank balances and cash	1,722	8,009
	231,524	270,767
Liabilities		
Other payables	3,053	2,216
Amounts due to subsidiaries	32,494	92,175
Income tax liabilities	48	48
	35,595	94,439
Net assets	195,929	176,328
Capital and reserves		
Share capital	102,046	102,801
Share premium and reserves	93,883	73,527
Equity attributable to owners of the Company	195,929	176,328
	195,929	176,328

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserve

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Share repurchase reserve RMB'000	Capital redemption reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2011	102,613	243,377	16,156	—	—	(139,282)	120,251	222,864
Profit and total comprehensive income for the year	—	—	—	—	—	35,735	35,735	35,735
Dividends recognised as distribution	—	—	—	—	—	(85,448)	(85,448)	(85,448)
Exercise of share options	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	16,340	—	—	(188,995)	73,527	176,328
Profit and total comprehensive income for the year	—	—	—	—	—	77,176	77,176	77,176
Dividends recognised as distribution	—	—	—	—	—	(53,296)	(53,296)	(53,296)
Recognition of equity-settled share-based payments	—	—	1,118	—	—	—	1,118	1,118
Shares repurchased and cancelled	(755)	(4,115)	—	—	755	(755)	(4,115)	(4,870)
Repurchase of own shares pending for cancellation	—	—	—	(527)	—	—	(527)	(527)
At 31 December 2012	102,046	242,067	17,458	(527)	755	(165,870)	93,883	195,929

SUMMARY OF FINANCIAL INFORMATION

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

	For the year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012 RMB'000**
Results					
Revenue	528,006	541,505	524,461	537,989	**568,857**
Income tax expenses	(18,375)	(23,933)	(15,281)	(22,348)	**(35,895)**
Profit attributable to owners of the Company	61,098	92,050	79,325	72,988	**89,970**
Dividends	92,266	70,900	77,990	85,448	**53,296**

	As at 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012 RMB'000**
Assets and Liabilities					
Total assets	523,006	599,775	595,918	675,110	**686,316**
Total liabilities	(123,010)	(175,086)	(165,836)	(254,311)	**(233,122)**
Equity attributable to owners of the Company	399,996	424,689	430,082	420,799	**453,194**

Design And Produced By: EDICO Financial Press Services Limited
設計及製作：鉅京財經印刷服務有限公司