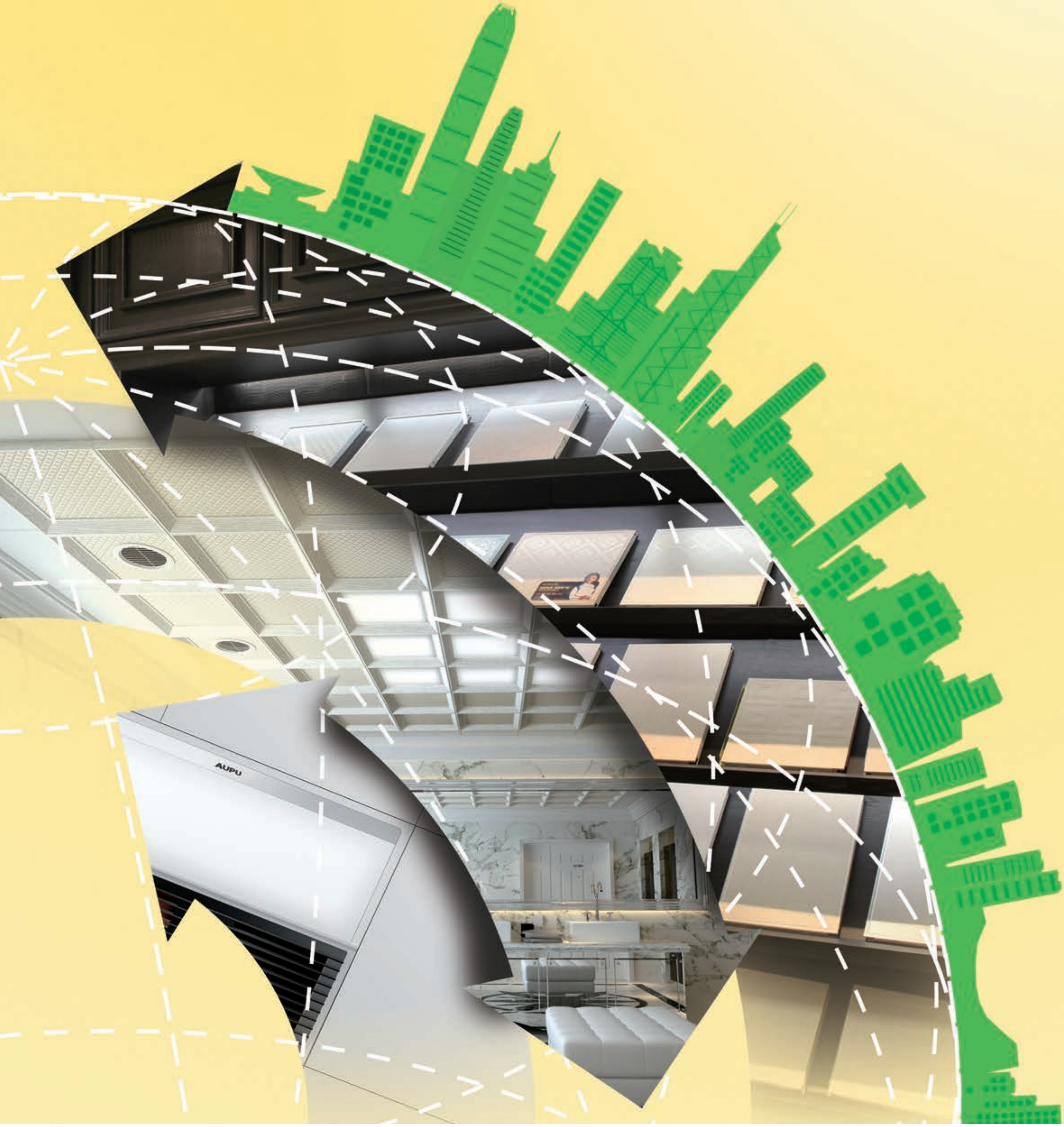
AUPU

AUPU GROUP HOLDING COMPANY LIMITED

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

(Stock Code: 00477)



Interim Report 2013

Contents

Corporate Information

Board of 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)*
Fang Shengkang
Wu Tak Lung
Cheng Houbo

Members of the Nomination Committee

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

Auditors

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

Company Secretary

Chan Ka Fat (陳家發)

Authorised Representatives

Fang James
Fang Shengkang

Stock Code

00477

Registered Office

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

Head Office and Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

Room 1201, 12th Floor
On Hong Commercial Building
145 Hennessy Road, Wanchai
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

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Room 703, North Building
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Zhejiang Province
The PRC

Website

www.aupu.cn

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of AUPU Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 25, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013 RMB'000 (unaudited)**	2012 RMB'000 (unaudited)
Revenue		**272,499**	223,358
Cost of sales		**(146,911)**	(119,147)
Gross profit		**125,588**	104,211
Gain on disposal of assets classified as held for sale		**—**	21,495
Distribution and selling expenses		**(55,709)**	(52,289)
Administrative expenses		**(16,863)**	(18,901)
Other income		**11,280**	14,130
Other expenses		**(14,428)**	(8,706)
Share of losses of associates		**(1,909)**	(527)
Finance costs		**(1,202)**	(1,584)
Profit before tax	4	**46,757**	57,829
Income tax expenses	5	**(11,577)**	(16,227)
Profit for the period and total comprehensive income attributable to owners of the Company		**35,180**	41,602
		RMB	RMB
Earnings per share			
— Basic	7	**0.03**	0.04
— Diluted	7	**0.03**	0.04

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	**170,105**	153,323
Prepaid lease payments		**28,055**	13,118
Interests in associates	9	**33,455**	35,364
Available-for-sale investments	10	**65,000**	65,000
Amounts due from associates	21	**126,500**	81,500
Deferred tax assets	11	**8,232**	6,874
Deposits for purchase of property, plant and equipment	8	**2,172**	—
		433,519	355,179
Current assets			
Inventories		**47,293**	43,448
Trade and other receivables	12	**55,301**	57,400
Prepaid lease payments		**647**	329
Amounts due from associates	21	**1,632**	1,429
Time deposits		**115,305**	133,000
Pledged bank deposits	13	**59,551**	33,760
Bank balances and cash		**42,353**	61,771
		322,082	331,137
Current liabilities			
Trade and other payables	14	**197,844**	171,702
Amount due to an associate	21	**772**	491
Income tax liabilities		**21,201**	21,777
Other tax liabilities		**5,358**	6,090
Borrowings	15	**72,572**	23,733
		297,747	223,793
Net current assets		**24,335**	107,344
Total assets less current liabilities		**457,854**	462,523

At 30 June 2013

	Notes	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Capital and reserves			
Share capital	16	**101,965**	102,046
Share premium and reserves		**344,114**	351,148
Total equity attributable to owners of the Company		**446,079**	453,194
Non-current liability			
Deferred tax liability	11	**11,775**	9,329
		457,854	462,523

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

		Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000 *(Note i)*	**Statutory reserves** RMB'000 *(Note ii)*	**Share option reserve** RMB'000 *(Note iii)*	**Share repurchase reserve** RMB'000	**Share redemption reserve** RMB'000	**Retained profits** RMB'000	**Sub-total** RMB'000	**Total** RMB'000
At 1 January 2012 (audited)	102,801	246,182	(73,274)	65,802	16,340	–	–	62,948	317,998	420,799
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	41,602	41,602	41,602
Dividends recognised as distribution *(note 6)*	–	–	–	–	–	–	–	(21,348)	(21,348)	(21,348)
Recognition of equity-settled share-based payments	–	–	–	–	1,086	–	–	–	1,086	1,086
Share repurchased and cancelled *(note 16)*	(125)	(711)	–	–	–	–	125	(125)	(711)	(836)
Repurchase of own shares pending for cancellation *(note 16)*	–	–	–	–	–	(191)	–	–	(191)	(191)
At 30 June 2012 (unaudited)	102,676	245,471	(73,274)	65,802	17,426	(191)	125	83,077	338,436	441,112
At 1 January 2013 (audited)	**102,046**	**242,067**	**(73,274)**	**75,194**	**17,458**	**(527)**	**755**	**89,475**	**351,148**	**453,194**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35,180**	**35,180**	**35,180**
Dividends recognised as distribution *(note 6)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,296)**	**(42,296)**	**(42,296)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**1**
Share repurchased and cancelled *(note 16)*	**(81)**	**(446)**	**–**	**–**	**–**	**527**	**81**	**(81)**	**81**	**–**
At 30 June 2013 (unaudited)	**101,965**	**241,621**	**(73,274)**	**75,194**	**17,459**	**–**	**836**	**82,278**	**344,114**	**446,079**

Notes:

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

(ii) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC") and the Articles of Association of Hangzhou Aupu Electrical Appliances Co., Ltd. and Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd., both are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of its registered capital. The reserve fund can be used to increase capital or to meet unexpected future losses.

No transfer has been made to the statutory reserves in respect of the net profit for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil). This transfer will be made at the year end date based on the annual profit and upon directors' approval.

(iii) The share option reserve of the Group represents the recognition of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Net cash from operating activities		**66,942**	51,421
Investing activities:			
Interest received		**5,171**	4,653
Proceeds on disposal of held for sale assets		**—**	35,035
Proceeds on disposal of property, plant and equipment		**645**	78
Purchase of available-for-sale investments		**—**	(45,000)
Purchase of property, plant and equipment		**(8,761)**	(4,635)
Deposits for purchase of property, plant and equipment		**(2,172)**	—
Purchase of prepaid lease payment		**(2,363)**	—
Placement of time deposits		**(175,305)**	(170,000)
Withdrawal of time deposits		**193,000**	177,000
Withdrawal of pledged bank deposit		**33,760**	20,000
Placement of pledged bank deposit		**(59,551)**	—
Loan to an associate		**(45,000)**	(27,000)
Repayment from associates, net		**78**	—
Acquisition of a subsidiary	20	**(30,885)**	—
Net cash used in investing activities		**(91,383)**	(9,869)
Financing activities:			
Dividends paid		**(42,296)**	(21,348)
New bank loans raised		**72,584**	23,155
Repayment of borrowings		**(23,745)**	(40,630)
Interest paid		**(1,520)**	(1,471)
Repurchase of own shares		**—**	(1,027)
Net cash from (used in) financing activities		**5,023**	(41,321)
Net (decrease) increase in cash and cash equivalents		**(19,418)**	231
Cash and cash equivalents at 1 January		**61,771**	31,529
Cash and cash equivalents at 30 June, represented by bank balances and cash		**42,353**	31,760

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. Basis of Preparation

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

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

2. Principal Accounting Policies

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

Except for the application of new and revised accounting standards as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

2. Principal Accounting Policies (Continued)

Amendments to IAS 1 presentation of items of other comprehensive income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

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

Amendments to IAS 34 interim financial reporting

(as part of the Annual Improvements to IFRSs 2009–2011 Cycle)

The Group has applied the amendments to IAS 34 Interim Financial Reporting as part of the Annual Improvements to IFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets and liabilities information as part of segment information.

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

3. Segment Information

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

For the six months ended 30 June 2013 (unaudited)

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Northeastern Region RMB'000	Sichuan RMB'000	Export RMB'000	Total RMB'000
SEGMENT REVENUE									
External sales	87,389	40,440	45,237	33,194	25,299	11,355	20,022	9,563	272,499
Inter-segment sales	—	—	—	—	50,037	—	162	—	50,199
	87,389	40,440	45,237	33,194	75,336	11,355	20,184	9,563	322,698
Eliminations									(50,199)
Group revenue									272,499
Segment profit	36,753	23,685	19,892	15,727	11,258	4,458	10,533	3,282	125,588
Interest income									5,397
Other unallocated income									5,883
Unallocated expenses									(87,000)
Finance costs									(1,202)
Share of losses of associates									(1,909)
Profit before tax									46,757

3. Segment Information (Continued)

For the six months ended 30 June 2012 (unaudited)

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Northeastern Region RMB'000	Sichuan RMB'000	Export RMB'000	Total RMB'000
SEGMENT REVENUE									
External sales	75,436	30,609	29,545	23,629	22,451	10,252	20,777	10,659	223,358
Inter-segment sales	—	—	—	—	107,392	—	87	—	107,479
	75,436	30,609	29,545	23,629	129,843	10,252	20,864	10,659	330,837
Eliminations									(107,479)
Group revenue									223,358
Segment profit	31,724	17,504	12,669	13,735	9,894	3,866	11,186	3,633	104,211
Interest income									4,797
Other unallocated income									9,333
Gain on disposal of assets classified as held for sale									21,495
Unallocated expenses									(79,896)
Finance costs									(1,584)
Share of losses of associates									(527)
Profit before tax									57,829

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

4. Profit Before Tax

Profit before tax has been arrived at:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	**19,454**	22,057
— retirement benefit scheme contributions	**1,963**	2,225
— equity-settled share-based payments	**1**	1,245
Total staff costs	**21,418**	25,527
Research expenditure included in other expenses	**8,144**	5,563
Depreciation of property, plant and equipment	**5,541**	4,639
Release of prepaid lease payments	**324**	165
Loss on disposal of property, plant and equipment	**—**	29
Cost of inventories recognised as an expense	**146,911**	119,147
Allowance for bad and doubtful debts	**76**	—
After crediting:		
Interest income		
— bank deposits	**2,681**	3,879
— amount due from an associate	**2,716**	918
Government grants *(note a)*	**916**	1,909
Gain on disposal of property, plant and equipment	**31**	—
Gain on disposal of assets classified as held for sale *(note b)*	**—**	21,495

Notes:

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

(b) During the six months ended 30 June 2012, the Group completed the disposal of assets classified as held for sale, resulting in a gain on disposal of assets classified as held for sale amounting to RMB21,495,000.

5. Income Tax Expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax	**10,489**	13,472
— Land appreciation tax	**—**	2,640
Deferred tax *(note 11)*	**1,088**	115
	11,577	16,227

The subsidiary established in the PRC, other than Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology"), is subject to enterprise income tax at a statutory tax rate of 25% (2012: 25%). AUPU Technology, a subsidiary of the Company, is qualified as "Hi-New Tech Enterprises" and therefore enjoys a preferential tax rate of 15% under EIT Law (2012: 15%).

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

According to the "Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuihan [2008] 112, a 5% of withholding tax is to be levied on the dividend declared in respect of profits earned by PRC operating subsidiaries from 2008 onwards. A provision for such withholding income tax has been made on the profits arisen during both periods from the PRC subsidiaries, which are available for distribution to its immediate holding company incorporated in Hong Kong.

During the six months ended 30 June 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.

6. Dividends

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend paid for 2012 of RMB0.04 (RMB0.02 for 2011) per share	**42,296**	21,348

In respect of the current interim period, the Directors propose that an interim dividend of RMB0.03 (2012: RMB0.03) per share will be paid to shareholders whose names appear in the register of members on 13 September 2013. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

7. Earnings Per Share

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	**35,180**	41,602

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Number of shares		
Number of shares in issue (2012: weighted average number of ordinary shares for the purpose of basic earnings per share)	**1,057,813,000**	1,067,720,000

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2013 and 2012.

8. Movements in Property, Plant and Equipment

During the period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB614,000 for cash proceeds of RMB645,000, resulting in a gain on disposal of RMB31,000.

In addition, during the current interim period, the Group spent approximately RMB6,607,000 for properties under construction and RMB2,154,000 on additions to machinery, motor vehicles, fixtures and equipment and RMB2,172,000 as deposit for addition to buildings in the PRC.

9. Interests In Associates

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Cost of unlisted investment in associates	**38,000**	38,000
Share of post-acquisition losses	**(4,545)**	(2,636)
	33,455	35,364

As at 30 June 2013 and 31 December 2012, the Group had interests in the following associates:

Name	Place and date of establishment	Proportion of ownership interest 30 June 2013	Proportion of ownership interest 31 December 2012	Registered capital RMB	Principal activity
Hangzhou AUPU Broni Kitchen & Bath Co., Ltd ("AUPU Broni") 杭州奧普博朗尼厨衛科技有限公司("奧普博朗尼")	Hangzhou, PRC 2 November 2009	**40%**	40%	30,000,000	Manufacture and distribution of electrical kitchen appliances and equipment
Chengdu Qianyin Investment Company Limited ("Chengdu Qianyin ") 成都搴銀投資有限公司 ("成都搴銀")	Chengdu, PRC 9 June 2010	**41.67%**	41.67%	60,000,000	Investment of real estate and development of automotive service

10. Available-for-sale Investments

On 9 January 2011, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology"), a subsidiary of the Company, invested in a partnership named Zhejiang Haibang Cai Zhi Venture Partnership (浙江海邦才智投資合夥企業) ("Haibang Cai Zhi"). Haibang Cai Zhi has a 74.5% investment in Zhejiang Haibang Human Resources Venture Partnership (浙江海邦人才創業投資合夥企業) ("Zhejiang Haibang") , which is a partnership focus on the investment in high-tech venture projects. Under the agreement, Aupu Technology invested a total of RMB25 million in Haibang Cai Zhi, representing a 16.78% interest in Haibang Cai Zhi.

Pursuant to the venture partnership agreement, as one of the limited partners, AUPU Technology has no power to participate in the financial and operating policy decisions of the Haibang Cai Zhi. Therefore, the Directors designated such non-derivative financial asset as available-for-sale investment.

During the year ended 31 December 2012, AUPU Technology made an investment in Hangzhou Haixing Electrical Co., Ltd (杭州海興電力科技有限公司) ("Hangzhou Haixing") amounting to RMB40 million, representing a 1.0818% equity interest in Hangzhou Haixing.

10. Available-for-sale Investments (Continued)

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Unlisted investments:		
—Haibang Cai Zhi	25,000	25,000
—Hangzhou Haixing	40,000	40,000
	65,000	65,000

11. Deferred Taxation

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

	Unrealised profit on inventories RMB'000	Other deductible temporary differences RMB'000	Withholding tax on undistributed retained earnings of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2012 (audited)	2,180	9,998	(12,533)	(355)
(Charge) credit to profit for the period *(note 5)*	587	(310)	(392)	(115)
At 30 June 2012 (unaudited)	2,767	9,688	(12,925)	(470)
At 1 January 2013 (audited)	1,868	5,006	(9,329)	(2,455)
(Charge) credit to profit for the period *(note 5)*	(889)	2,247	(2,446)	(1,088)
At 30 June 2013 (unaudited)	979	7,253	(11,775)	(3,543)

11. Deferred Taxation (Continued)

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Deferred tax assets	**8,232**	6,874
Deferred tax liability	**(11,775)**	(9,329)
	(3,543)	(2,455)

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

12. Trade and Other Receivables

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

The following is an analysis of trade receivables by age, net of allowance for doubtful debts, presented based on the invoice date.

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within 90 days	**44,720**	46,029
91–180 days	**1,654**	3,105
181–365 days	**2,088**	1,864
Over 365 days	**12**	542
Total trade receivables	**48,474**	51,540
Other receivables, deposits and prepayments	**6,827**	5,860
	55,301	57,400

13. Pledged Bank Deposits

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 3.05% to 3.30% per annum as at 30 June 2013 (2012: 3.08% to 3.30% per annum).

Pledged bank deposits amounting to RMB59,551,000 (31 December 2012: RMB33,760,000) represent deposit pledged to a bank to secure short-term bank loans and bills payables and are therefore classified as current assets. Pledged bank deposits carry at fixed interest rate ranging from 2.85% to 3.85% per annum as at 30 June 2013 (2012: 2.85% to 3.50%).

14. Trade and Other Payables

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	**74,744**	67,355
91–180 days	**1,629**	1,812
181–365 days	**793**	50
Over 365 days	**621**	647
Total trade payables	**77,787**	69,864
Aged analysis of bills payables presented based on issue date:		
Within 90 days	**25,417**	18,150
Retention sum due to suppliers	**2,252**	3,741
Advances from customers	**25,789**	18,309
Sales commission accruals	**27,869**	22,420
Other accruals	**38,730**	39,218
	197,844	171,702

15. Borrowings

All the bank borrowings were secured by the pledged bank deposits.

16. Share Capital

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.10 each		
Authorised		
At 1 January 2012, and 30 June 2012 and 2013	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2012	1,068,105,000	106,811
Shares repurchased and cancelled	(1,544,000)	(154)
As at 30 June 2012	1,066,561,000	106,657
At 1 January 2013	1,058,813,000	105,881
Shares repurchased and cancelled	(1,000,000)	100
As at 30 June 2013	1,057,813,000	105,781

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Presented as RMB		
Ordinary shares	**101,965**	102,046

During the current period, pursuant to the general mandate given to Directors of the Company, the Company cancelled 1,000,000 shares which were repurchased in December 2012.

During the six months ended 30 June 2012, pursuant to the general mandate given to Directors of the Company, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.64 to HK$0.68 each for 1,912,000 shares, of which 1,544,000 shares were cancelled during the six months ended 30 June 2012 and 368,000 shares were cancelled on 1 August 2012.

17. Share-based Payments

The Company has a share option scheme for eligible employees of the Group. There was no movement of the share options during the current period.

	Number of share options	
	30 June 2013 (unaudited)	31 December 2012 (audited)
Outstanding share options	**11,850,000**	11,850,000

18. Operating Lease Arrangements

The group as lessee

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Minimum lease payments under operating leases recognised in the condensed consolidated statement of comprehensive income	**1,241**	1,563

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within one year	**692**	609

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

The group as lessor

Property rental income earned during the period was RMB115,000 (RMB334,000 for the six months ended 30 June 2012). Certain of the Group's properties held for rental purpose, are expected to generate rental yields on an ongoing basis.

19. Capital Commitments

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Contracted for but not provided		
Acquisition of property, plant and equipment	**10,458**	4,608
Authorised but not provided		
Acquisition of a subsidiary	**—**	31,000

20. Acquisition of a Subsidiary

On 12 October 2012, the Group entered into an agreement to acquire 100% interest in Chengdu AUPU Broni Kitchen and Bathroom Technology Co., Ltd. ("Chengdu Broni"), which was ultimately held by Mr. Fang James, Mr. Lu Songkang, Mr. Fang Shengkang and Mr. Li Ruishan, being Directors of the Company. The acquisition has been completed on 17 January 2013.

The acquisition of Chengdu Broni has been accounted for as acquisition of assets as Chengdu Broni does not carry out any operation and the major assets are premises under development.

Consideration transferred

	RMB'000 (unaudited)
Cash	31,000

Assets and liabilities recognised at the date of acquisition

	RMB'000 (unaudited)
Current Assets	
Cash and cash equivalents	115
Other receivables	6,357
Non-current assets	
Property, plant and equipment	14,725
Prepaid lease payment	12,667
Current liabilities	
Other payables	2,864
	31,000

20. Acquisition of a Subsidiary (Continued)

Net cash outflow arising on acquisition

	RMB'000 (unaudited)
Consideration paid in cash	31,000
Less: cash and cash equivalent balances acquired	(115)
	30,885

21. Related Party Transactions

During the period, save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions/outstandings balances with related parties:

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Amounts due from associates		
— interest bearing *(note i)*	**126,500**	81,500
— non-interest bearing *(note ii)*	**1,632**	1,429
	128,132	82,929
Analysed for reporting purpose as:		
— Non-current assets *(note i)*	**126,500**	81,500
— Current assets *(note ii)*	**1,632**	1,429
	128,132	82,929
Amounts due to an associate		
— non-interest bearing *(note ii)*	**772**	491

Notes:

(i) The balance as at 30 June 2013 amounting to RMB126,500,000 are the unsecured entrusted loans due from associates. A total sum of RMB107,500,000 (31 December 2012: RMB62,500,000) are entrusted loans advanced to Chengdu Qianyin for terms of three years and bear interest at the rate of 6.15% (31 December 2012: 6.15%) per annum. A total of RMB19,000,000 (31 December 2012: RMB19,000,000) is the entrusted loan advanced to AUPU Broni for a term of three years (31 December 2012: two years) and bears interest at the rate of 7.00% (31 December 2012: 10%) per annum.

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

21. Related Party Transactions (Continued)

(b) During the period, the Group had the following transactions with the associates:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Purchases of goods	**301**	496
Interest income	**2,716**	918
Rental income	**115**	334
Other income	**168**	—
	3,300	1,748

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	**1,109**	1,064
Post-employment benefits	**51**	27
Share-based payments	**—**	11
	1,160	1,102

Business and Finance Review

Revenue

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

a. Second-Tier Cities

b. Shanghai

c. Jiangsu

d. Beijing

e. Zhejiang

f. Northeastern Region

g. Sichuan

h. Export

Notes: The Second-Tier cities are included Anhui, Hubei, Hebei, Henan, Shandong, Guizhou, Fujian, Yunnan, Jiangxi, Guangzhou.

The revenue of the Group for the six months ended 30 June 2013 and 2012 are analysed as follows:

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	RMB'000 Revenue	**RMB'000 Gross Profit**	RMB'000 Revenue	RMB'000 Gross Profit
Second-Tier Cities	**87,389**	**36,753**	75,436	31,724
Shanghai	**40,440**	**23,685**	30,609	17,504
Jiangsu	**45,237**	**19,892**	29,545	12,669
Beijing	**33,194**	**15,727**	23,629	13,735
Zhejiang	**25,299**	**11,258**	22,451	9,894
Northeastern Region	**11,355**	**4,458**	10,252	3,866
Sichuan	**20,022**	**10,533**	20,777	11,186
Export	**9,563**	**3,282**	10,659	3,633
Total	**272,499**	**125,588**	223,358	104,211

For the six months ended 30 June 2013, the revenue of the Group amounted to approximately RMB272.5 million, representing an increase of approximately 22% as compared with the revenue which amounted to approximately RMB223.4 million for the six months ended 30 June 2012. The increase in revenue was mainly attributable to the adjustments in marketing strategies. The revenue of AUPU Bathroom Master 3-in-1, Bathroom Roof 1+N and others accounted for approximately 63%, 31% and 6% of the Group's total revenue for the six months ended 30 June 2013, respectively.

In particular, the revenue from Jiangsu increased from approximately RMB29.5 million for the six months ended 30 June 2012 to approximately RMB45.2 million for the six months ended 30 June 2013 representing an increase of approximately RMB15.7 million or approximately 53%. For the six months ended 30 June 2013, the revenue from Second-Tier Cities amounted to approximately RMB87.4 million, representing an increase of approximately 16% as compared with the revenue from Second-Tier Cities which amounted to approximately RMB75.4 million for the six months ended 30 June 2012.

The revenue of AUPU Bathroom Roof 1+N amounted to approximately RMB85.3 million for the six months ended 30 June 2013, representing an increase of approximately 25% as compared with the revenue of AUPU Bathroom Roof 1+N which amounted to approximately RMB68.2 million for the six months ended 30 June 2012.

Cost of sales

For the six months ended 30 June 2013, the cost of sales of the Group amounted to approximately RMB146.9 million, representing an increase of approximately 23.3% as compared with the cost of sales which amounted to approximately RMB119.1 million for the six months ended 30 June 2012.

For the six months ended 30 June 2013, the costs of parts and components, direct labour and overhead represented approximately 91.4% and 8.6% of the total cost of sales respectively while the costs of parts and components, direct labour and overhead for the six months ended 30 June 2012 represented approximately 90.1% and 9.9% of the total cost of sales in the same period respectively.

Gross profit and gross profit margin

Gross profit increased from approximately RMB104.2 million for the six months ended 30 June 2012 to approximately RMB125.6 million for the six months ended 30 June 2013, representing an increase of approximately 20.5%. Overall gross profit margin was approximately 46.1% for the six months ended 30 June 2013. It was relatively stable when comparing with the gross profit margin for the six months ended 30 June 2012, which was approximately 46.7%.

Other income

Other income decreased from approximately RMB14.1 million for the six months ended 30 June 2012 to approximately RMB11.3 million for the six months ended 30 June 2013. The decrease in other income was mainly attributed to the decrease in government subsidies.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB55.7 million for the six months ended 30 June 2013. It mainly consisted of advertising expenses of approximately RMB14.6 million, sales promotion expenses of approximately RMB7.6 million, salary expenses of sales and marketing staff of approximately RMB11.6 million, after-sales services expenses of approximately RMB1.9 million and transportation expenses of approximately RMB6.7 million.

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

The selling and distribution expenses for the six months ended 30 June 2013 were stable as compared with the six months ended 30 June 2012.

Administrative expenses

The administrative expenses amounted to approximately RMB16.9 million for the six months ended 30 June 2013. It mainly consisted of salary expenses of general and administrative staff of approximately RMB4.8 million, depreciation of approximately RMB1.3 million, professional fees and related disbursements of approximately RMB3.5 million, utility expenses of approximately RMB1.1 million and office expenses of approximately RMB0.8 million.

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

Other expenses

Other expenses increased from approximately RMB8.7 million for the six months ended 30 June 2012 to approximately RMB14.4 million for the six months ended 30 June 2013, which was mainly due to the increase in research costs and the maintenance costs of intellectual property rights.

Profit before tax

Based on the above factors, the Group's profit before tax decreased from approximately RMB57.8 million for the six months ended 30 June 2012 to approximately RMB46.8 million for the six months ended 30 June 2013, representing a decrease of approximately 19%.

Income tax

Income tax expenses of the Group decreased by RMB4.6 million from approximately RMB16.2 million for the six months ended 30 June 2012 to approximately RMB11.6 million for the six months ended 30 June 2013. The effective tax rate decreased from approximately 28.1% from the six months ended 30 June 2012 to approximately 24.8% for the six months ended 30 June 2013.

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% (2012: 25%). AUPU Technology, a subsidiary of the Company, is qualified as "Hi-New Tech Enterprises" and therefore enjoys a preferential tax rate of 15% under EIT Law (2012: 15%).

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

According to the "Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuihan [2008] 112, a 5% of withholding tax is to be levied on the dividend declared in respect of profits earned by PRC operating subsidiaries from 2008 onwards. A provision for such withholding income tax has been made on the profits arisen during both periods from the PRC subsidiaries, which are available for distribution to its immediate holding company incorporated in Hong Kong.

Analysis of Financial Position

Inventory turnover

The following table sets out the summary of the Group's inventory turnover days for the six months ended 30 June 2013 and the year ended 31 December 2012:

	Six months ended 30 June 2013	Year ended 31 December 2012
Inventory turnover day *(Note)*	**56**	54

Note: The inventory turnover days for the year ended 31 December 2012 is arrived at by dividing the average inventories by cost of sales and then multiplying by 365 while the inventory turnover days for the six months ended 30 June 2013 is arrived at by dividing the average inventories by cost of sales and then multiplying by 182. Average inventories is arrived at by dividing the sum of the inventories at the beginning of year/period and that at the end of the year/period by 2. Inventory primarily comprised parts and components and finished goods. The turnover days of inventory for the six months ended 30 June 2013 were stable as compared with the turnover days of inventory for the year ended 31 December 2012. The figures for both of the two periods are considered to be at a reasonable level.

Turnover days of trade receivables

The following table sets out the summary of the Group's turnover days of trade receivables for the six months ended 30 June 2013 and the year ended 31 December 2012:

	Six months ended 30 June 2013	Year ended 31 December 2012
Turnover days of trade receivables *(Note)*	**33**	33

Note: The turnover days of trade receivables for the year ended 31 December 2012 is arrived at by dividing the average trade receivables by revenue and then multiplying by 365 while the turnover days of trade receivables for the six months ended 30 June 2013 is arrived at by dividing the average trade receivables by revenue and then multiplying by 182. Average trade receivables is arrived at by dividing the sum of the trade receivables at the beginning of year/period and that at the end of the year/period by 2. Trade receivables are arrived at by deducting the bill receivables at the end of the year/period. The turnover days of trade receivables for the six months ended 30 June 2013 were stable as compared with the turnover days of trade receivable for the year ended 31 December 2012. The figures for both of the two periods are considered to be at a reasonable level.

Aging analysis of trade receivables

The aging analysis of trade receivables of the Group as at 30 June 2013 and 31 December 2012 is as follows:

Trade and bills receivables analysed by age:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 90 days	**44,720**	46,029
91–180 days	**1,654**	3,105
181–365 days	**2,088**	1,864
Over 365 days	**12**	542
Total trade receivables	**48,474**	51,540

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

Turnover days of trade payables

The following table sets out the summary of the Group's turnover days of trade payables for the six months ended 30 June 2013 and the year ended 31 December 2012:

	Six months ended 30 June 2013	Year ended 31 December 2012
Turnover days of trade payables *(Note)*	**91**	74

Note: The turnover days of the trade payables for the year ended 31 December 2012 is arrived at by dividing average trade payables by cost of sales and then multiplying by 365 while the turnover days of the trade payables for the six months ended 30 June 2013 is arrived at by dividing average trade payables by cost of sales and then multiplying by 182. Average trade payables is arrived at by dividing the sum of the trade payables at the beginning of year/period and that at the end of the year/period by 2. The turnover days of trade payables increased from 74 days for the year ended 31 December 2012 to 91 days for the six months ended 30 June 2013. The figures for both of the two periods are considered to be at a reasonable level.

Aging analysis of trade payables

The aging analysis of trade payables of the Group as at 30 June 2013 and 31 December 2012 is as follows:

Trade payables analysed by age:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 90 days	**100,161**	85,505
91–180 days	**1,629**	1,812
181–365 days	**793**	50
Over 365 days	**621**	647
Total trade payables	**103,204**	88,014

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

Current ratio, quick ratio and gearing ratio

The current ratio, quick ratio and gearing ratio of the Group as at 30 June 2013 and 31 December 2012 were as follows:

	At 30 June 2013	At 31 December 2012
Current ratio	**1.08**	1.48
Quick ratio	**0.92**	1.29
Gearing ratio	**0.10**	0.03

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

The numbers in the above table are expressed in the form of ratio and not as a percentage. With an increase in bank borrowing, the current ratio decreased from approximately 1.48 times as at 31 December 2012 to 1.08 times as at 30 June 2013, and the quick ratio decreased from approximately 1.29 times as at 31 December 2012 to 0.92 times as at 30 June 2013. The Group had a gearing ratio of 0.03 times as at 31 December 2012 and 0.10 times as at 30 June 2013.

Liquidity, Financial Resources and Capital Structure

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

Cash flow

The table below summarises the Group's cash flow for the six months ended 30 June 2013 and 2012:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Net cash generated from operating activities	**66,942**	51,421
Net cash used in investing activities	**(91,383)**	(9,869)
Net cash (used in) from financing activities	**5,023**	(41,321)

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.

Operating activities

Cash inflow from operations is mainly derived from cash received from sales of the Group's products. Cash outflow from operations is principally paid for the purchase of parts and components, staff costs, selling and distribution expenses and administrative expenses. Net cash generated from operating activities was approximately RMB66.9 million for the six months ended 30 June 2013 while there was a net cash inflow in the amount of approximately RMB51.4 million for the six months ended 30 June 2012.

Investing activities

Net cash used in investing activities was approximately RMB91.4 million for the six months ended 30 June 2013 which was mainly attributable to the acquisition of a subsidiary amounted to approximately RMB30.9 million, net increase in placement of pledged bank deposit of approximately RMB25.8 million and amounts due from associates of approximately RMB45.0 million. Net cash used in investing activities was approximately RMB9.9 million for the six months ended 30 June 2012 which was primarily attributable to the purchase of available-for-sale investments of approximately RMB45.0 million and disposal of assets of approximately RMB35.0 million.

Financing activities

Net cash generated from financing activities was approximately RMB5.0 million for the six months ended 30 June 2013 while net cash used in financing activities was approximately RMB41.3 million for the six months ended 30 June 2012. Such increase was mainly attributable to the increase in short-term bank loans.

Indebtedness

Borrowings

All the bank borrowings were secured by the pledged bank deposits amounting to RMB59,551,000 (31 December 2012: RMB33,760,000).

Bank facilities

As at the close of business on 30 June 2013, the Group had undrawn facilities amounting to RMB77,000,000.

Debt securities

As at the close of business on 30 June 2013, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 30 June 2013, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

Pledged bank deposit represents deposit pledged to a bank to secure short-term bank loan and is therefore classified as a current asset. As at the close of business on 30 June 2013, the Group had pledged bank deposits of RMB59,551,000 (31 December 2012: RMB33,760,000).

Regarding the pledged bank deposit amounting to RMB12 million, the interest rate has been fixed to 3.3% per annum.

Regarding the pledged deposit amounting to RMB42 million, the interest rate has been fixed to 3.85% per annum.

Foreign Exchange Management

During the period, the major businesses of the Company were all settled by RMB and there was no large amount of foreign currency cash and foreign currency investment projects. The existing foreign currency capital is only used to secure the necessary expenditures of the daily businesses.

Ableby Worldwide Limited ("Ableby Worldwide"), a wholly-owned subsidiary of the Company, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology"), an indirect wholly-owned subsidiary of the Company, and the Bank of Communications Company Limited ("Bank of Communications") entered into an offshore loan with domestic guarantee financing agreements on 15 January 2013 and 7 June 2013, respectively. On 15 January 2013, Bank of Communications provided a short-term loan for ten months amounted to HK$13,000,000 to Ableby Worldwide at an annual loan interest rate of 3.85% with the total principal and interest payable in one lump sum in November 2013. On 7 June 2013, Bank of Communications provided a one-year term loan amounted to HK$53,000,000 to Ableby Worldwide at an annual loan interest rate of 2% with the total principal and interest payable in one lump sum in June 2014. As offshore banks in Hong Kong can provide lower loan interest rate as compared with the loan financing in China and Hong Kong dollars continued to depreciate against RMB during the period, the Group can obtain a higher capital loan-deposit gain with controllable risk exposure.

Human Resources

As at 30 June 2013, the Group employed approximately 789 employees (as at 31 December 2012: approximately 1,021 employees). The total personnel cost of the Group was approximately RMB21,418,000 for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RMB25,527,000). Compared to the corresponding period in 2012, the significant drop in the number of employees for the first half of 2013 was attributable to the adjustments in the Group's marketing management strategy. The change from directly-operated system to agency system in some sales area caused the number of employees to drop. Employees' remuneration packages are based on personal work experience and duties. The packages are reviewed annually by the management after taking into account the overall performance of individual staff and market conditions. The Group also participates in the state-managed pension scheme in the PRC.

Business Management

In 2013, the Group continued to implement marketing channel layout strategy, carry out the transformation of operating mechanism, set up price control mechanism for product channel, change from local directly-operated system to agency system in batches and in different phases, lower human resources expenditure, realize management capability and boost regional sales. At the same time, the Group also accelerated the pace of channel transformation and speeded up the channel expansion of e-commerce and property construction projects. These strategies achieved initial success in 2013 with the sales of e-commerce increased by 148% as compared to the corresponding period last year, and that of property construction projects increased by 4% as compared to the corresponding period last year. As at 30 June 2013, the Group operated over 6,000 points of sales, of which 751 are specialty stores. Upon restructuring, the Company still has 3 branches in Shanghai, Hangzhou and Chongqing, as well as 21 offices, and the number of franchise agents increased to 586. The Group has initially completed the integration with agents in cities above prefecture level, implemented hierarchical management of agents, and improved the assessment mechanism for regional markets development.

In 2013, the water heater business of the Company was largely promoted. The existing water heater products are divided into two major categories including storage water heater and instantaneous water heater. The sales level of the water heater business improved significantly when compared to the corresponding period last year, despite the market share of this category of product was still low. The bathroom master products maintained the leading market position. At the same time, the highly comfortable flat bathroom masters and the carbon crystal bathroom masters featuring thermal efficiency and heating function set a benchmark in the industry and stimulated stable growth of sales and profit of the Group.

Full Year Prospects

The Directors consider that, in the second half of 2013, the Group will continue to carry out the transformation of channel and operating system, and to sustain the steady growth of the market share. The bathroom master industry is expected to maintain the embedded branding efforts of each sales channel and diversified promotion of the network; the bathroom roof industry is expected to put more focus on integrated solutions and services, and core solution of the bathroom roof products (electrical appliance). As a result, the brands within the industry is expected to start to undergo the process of gradual segmentation. Channel transformation shall remain as the focus of the sales work of the Group and in the second half of 2013, the Group will continue to adjust the layout of the four core channels, namely, household appliance chain stores (KA), construction material markets and new rural areas, property construction projects and e-commerce. Through channel transformation, the Group expects to expand its market coverage and boost sales growth. The change in regional operating system will continue to adhere to the principle of replacing branches with franchise agents, in order to reduce regional human management cost and accelerate comprehensive promotion of regional sales. The Group will also set up scientific price control mechanism for the AUPU product channel, establish pricing mechanism among different regions and between online and ordinary sales, in order to prevent cross-regional sale due to price disorder.

Product Research and Development

The Directors consider that, the research and development of the Group will continue to focus on the development of energy-saving and intelligent products and keep up with the research and development approach of staying "simple, economical, comfortable and compatible", and improve the compatibility and integration of the bathroom master products and ceiling basic materials of the Group. At the same time, the Group will also continue to promote the carbon crystal heating products featuring high thermal efficiency and heating functions, along with the high efficient and silent fresh air ventilators, LED lighting system and intelligent-controlled switch system. The Group expects to continue to set new industry standards in terms of energy-saving, environmental protection, high-efficiency and comfortableness for bathroom master and bathroom roof products. The Group will also continue to extend the kitchen & electrical product mix solutions and enhance the integrated competitiveness of our diversified products. The Group aims to position AUPU as a comprehensive kitchen & sanitary solution provider for sanitary and bathroom heating and healthy kitchen products. As at 30 June 2013, the Group had established 47 "Kitchen & Sanitary Lifestyle Stores" in mainland China.

The Directors consider that the Group's core strength lies in the brand and intellectual property rights owned by the Group. These are also important assets for the Group to remain as a market leader of China's bathroom master industry and for securing the market share of other products that are distributed under AUPU brand. Since established, the Group has always focused on protection of intellectual property rights. In the first half of 2013, the Group cooperated with the municipal public security authorities in cities such as Ningbo and Jiaxing, and achieved initial success by combating the manufacturing enterprises which manufactured counterfeit AUPU products.

At present, the Group has obtained 212 approved and authorised technical patents, including 2 invention patents, 52 utility new model patents and 158 design patents. The approved and authorised high-tech patents protect the high technology design of the Group's products and effectively prevent the infringement of the market competitors.

Investing Activities

On 12 October 2012, the Group announced the acquisition of Chengdu Broni. During the reporting period, Chengdu Broni officially became a wholly-owned subsidiary of the Group. At present, the construction work concerning Chengdu Broni is still in progress; the first phase of construction work is basically completed and has passed the completion and acceptance inspection recently. The Group is formulating detailed plan to transfer some of the existing mature production lines to Chengdu Broni for production and sales.

Chengdu Qianyin Investment Company Limited, an associate in which the Group holds 41.67% of its equity interest, obtaining two pieces of commercial and residential land with a total area of 322 mu during the period. Currently, the project is still under planning and design. If no non-operating revenue is generated in the coming two to three years, it is expected that the associate company will continue to suffer from loss. Despite this, the management of the Group is still optimistic towards the long-term benefits of the project.

On 16 December 2011, the Group announced the acquisition of the 1.0818% equity interest of Hangzhou Hexing Electrical Co., Ltd. for a consideration of RMB40,000,000. At present, the operating condition of the company is healthy.

Hangzhou AUPU Broni Kitchen & Bath Co., Ltd, an associate in which the Group holds 40% of its equity interest, mainly produces integrated environmental-friendly stove products for sale. In the first half of 2013, it generated sales revenue of RMB12,450,000 (unaudited), which slightly increased when compared to the corresponding period last year, yet slight loss was recorded.

Connected Transaction

An entrusted loan agreement and a supplemental individual loan agreement (the "Entrusted Loan Agreements") were entered into among AUPU Technology, Hangzhou AUPU Broni Kitchen & Bath Co., Ltd., ("AUPU Broni") and the Bank of Communications on 16 February 2012 and 22 April 2013, respectively. As of 30 June 2013, AUPU Technology, through the Bank of Communications, had provided an entrusted loan in an aggregate sum of RMB19 million to AUPU Broni. The repayment deadline for the loan was extended to the year of 2016. The interest rate for the loan is 7% per annum and the total principal and interest shall be payable in one lump sum on the maturity date.

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 currently 72% owned by Mr. Fang Shengkang, an executive Director, 20% by Mr. Li Ruishan, an executive Director, and 8% by two 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 contemplated 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 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 shareholders' approval requirement under the Listing Rules.

Details of this connected transaction were set out in the announcement dated 22 April 2013.

Purchase, Sale or Redemption of Securities

The Company had made a repurchase of 1,000,000 shares on The Stock Exchange of Hong Kong Limited at a price of HK$0.65 per share on 4 December 2012. All these shares were cancelled on 8 January 2013.

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

Corporate Governance Practices

The Directors recognise the importance of good corporate governance in the management of the Group. During the six months ended 30 June 2013, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

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

Review by the Audit Committee

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

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

Directors' and Chief Executive's Interests and Short Positions in Shares

As at 30 June 2013, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code were as follows:

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

Name of director	Company/name of associated company	Capacity	Number of issued ordinary shares held *(Note 1)*	Approximate percentage of issued share capital of the Company/ Associated Company
Mr. Fang James *(Note 2)*	The Company	Interest in controlled corporation *(Note 2)*	576,000,000 (L)	54.45%
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)	54.45%
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 (L)	0.10%
Mr. Lu Songkang *(Note 3)*	SeeSi Universal Limited	Beneficial owner	5 shares of US$1.00 each (L)	7.04%
Mr. Chai Junqi *(Note 3)*	SeeSi Universal Limited	Beneficial owner	1 share of US$1.00 each (L)	1.41%

Notes:

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

(2) On 27 September 2010, the bonus shares issue on the basis of 1 bonus share for every two shares issued was approved at the general meeting of the Company. The number of shares held in the Company by SeeSi Universal Limited was changed to 714,000,000 shares. On 10 December 2010, SeeSi Universal Limited disposed of 38,000,000 shares at HK$1.18 per share. On 5 July 2011, SeeSi Universal Limited disposed of 100,000,000 shares at HK$0.86 per share.

(3) The entire issued share capital of SeeSi Universal Limited is owned as to 46.48%, 45.07%, 7.04% and 1.41% by Mr. Fang James, Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Chai Junqi, respectively. Save as Mr. Chai Junqi who resigned as Director of the Company on 26 August 2011 but remains directorship in certain subsidiaries in the Group, all others are Directors of the Company. As such, each of Mr. Fang James and Mr. Fang Shengkang is deemed to be interested in all the shares held by SeeSi Universal Limited in the Company.

Directors' and Chief Executive's Interests and Short Positions in Shares (Continued)

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

Notes: (Continued)

(4) SeeSi Universal Limited is the holding company of the Company and therefore is an associated corporation of the Company. As such, Mr. Fang James, Mr. Fang Shengkang and Mr. Lu Songkang, as directors of the Company, are required to disclose their interests in SeeSi Universal Limited.

(5) Mr. Fang Shengkang purchased 720,000 shares of the Company in the open market at an average price of HK$1.35 per share on 22 October 2007. Upon the approval at the general meeting of the Company held on 27 September 2010 of the bonus shares issue on the basis of one bonus share for every two shares held by shareholders whose names appear on the register of members of the Company on 24 September 2010, the number of shares which Mr. Fang Shengkang held was changed to 1,080,000 shares.

II. Long position in underlying Shares of the Company

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

Directors' and Chief Executive's Interests and Short Positions in Shares (Continued)

II. Long position in underlying Shares of the Company (Continued)

Notes:

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

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

Other than as disclosed above, none of the Directors or chief executives had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2013.

Share Option Scheme

The Company adopted a share option scheme on 16 November 2006 (the "Share Option Scheme"), a summary of the principal terms of which was set out below:

(1) Purposes of the scheme:

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

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

(2) Participants of the scheme:

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

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

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed such number of Shares representing 30% of the issued share capital of the Company from time to time. The total number of issued share in the capital of the Company was 1,057,813,000 shares as at the date of this Interim Report.

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

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

Share Option Scheme (Continued)

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

(ii) Any options granted to an Eligible Person who is a substantial Shareholder (as defined in the Listing Rules) or independent non-executive Director or their respective associates, which will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options whether exercised, cancelled or remained outstanding) to such person in the period of 12 months up to and including the date of such grant:

— representing in aggregate over 0.1% of the issued share capital of the Company; and

— having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000.00. Such further grant of options must be approved by the Shareholders in general meeting by poll convened and held in accordance with the Articles of Association of the Company and Rules 13.39(5), 13.40, 13.41 and 13.42 of the Listing Rules. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting. The aforementioned circular shall contain such information as required under Rule 17.04 of the Listing Rules.

(5) The period within which the securities must be taken up under an option:

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each option holder upon the grant of option, such period shall not exceed 10 years from the Date of Grant of the relevant option (the "Exercise Period").

(6) Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:

Amount payable for the acceptance of an option shall be the sum of HK$1.00 which shall be paid upon acceptance of the offer of such Option.

(7) Minimum period, if any, for which an option must be held before it can be exercised:

The minimum period, if any, for which an option must be held before it can be exercised is subject to such other terms as shall be determined by the Board 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.

Share Option Scheme (Continued)

(9) Remaining life of the scheme:

The Share Option Scheme has a scheme period not to exceed the period of 10 years from 16 November 2006.

On 27 September 2010, the bonus shares issue on the basis of one bonus share for every two shares held to shareholders whose names appeared on the register of members on 24 September 2010 was approved at the general meeting, pursuant to which the number of options and exercise price were adjusted accordingly as follows:

Before bonus share issue:

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

After bonus share issue:

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

Share Option Scheme (Continued)

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

As at 30 June 2013, 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 share of the Company in issue as at that date. Among the share options granted, Directors were granted options entitling them 2,850,000 shares of the Company but 2,100,000 of which were lapsed. Details of the options granted to the Directors as at 30 June 2013 are set out in the section headed "Directors' and Chief Executives' interests and Short Positions".

As at 30 June 2013, 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 2013**	**Exercised in the half year ended 30 June 2013**	**Cancelled or lapsed in the half year ended 30 June 2013**	**Outstanding as at 30 June 2013**	**Percentage of total issued share capital**	**Vesting period**	*Notes*
Directors								
Wu Tak Lung	1.49	225,000	0	0	225,000	0.02%	16/3/2008 –15/3/2017	*1,4,7,8,9*
	1.03	60,000	0	0	60,000	0.01%	3/1/2008 –2/1/2017	*3,6,7,8,9*
Shen Jianlin	1.49	112,500	0	0	112,500	0.01%	16/3/2008 –15/3/2017	*1,4,7,8,9*
	1.03	75,000	0	0	75,000	0.01%	3/1/2008 –2/1/2017	*3,6,7,8,9*
Cheng Houbo	1.49	112,500	0	0	112,500	0.01%	16/3/2008 –15/3/2017	*1,4,7,8,9*
	1.03	75,000	0	0	75,000	0.01%	3/1/2008 –2/1/2017	*3,6,7,8,9*
Other employees in aggregate for First Batch Share Options	1.49	2,400,000	0	0	2,400,000	0.23%	8/6/2008 –15/3/2017	*1,4,7,8,9*
Other employees in aggregate for Second Batch Share Options	2.07	6,900,000	0	0	6,900,000	0.65%	16/3/2008 –7/6/2017	*2,5,7,8,9*
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	*3,6,7,8,9*
Total		11,850,000	0	0	11,850,000	1.11%		

Share Option Scheme (Continued)

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

Notes:

(1) On 16 March 2007, the Directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 5.0 million shares of the Company (representing approximately 0.47% of the total issued share capital of the Company as at the date of this Interim Report) to the three independent non-executive Directors of the Company and certain senior management of the Group (collectively referred as the "First Batch of Grantees") as an incentive and reward to the First Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK$2.23 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The closing price of the Company's shares was HK$2.18 on 15 March 2007. The share options were granted to the First Batch of Grantees on such terms that the First Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

(2) On 8 June 2007, the Directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 6.45 million shares of the Company (representing approximately 0.61% of the Company's total issued share capital as at the date of this Interim Report) to certain senior and middle management of the Group (collectively referred as the "Second Batch of Grantees") as an incentive and reward to the Second Batch of Grantees for their contribution to the Group. The share options were granted at an exercise price of HK$3.11 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The closing price of the Company's shares was HK$3.02 on 7 June 2007. The share options were granted to the Second Batch of Grantees on such terms that the Second Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

(3) On 3 January 2008, the Board granted additional share options entitling the holders to subscribe for a total of 8.1 million shares of the Company (representing approximately 0.77% of the total issued share capital of the Company as at the date of this Interim Report) to the three independent non-executive Directors and the management of the Company (collectively the "Third Batch of Grantees"). The share options were granted at an exercise price of HK$1.55 and the exercise period is such period not exceeding ten years from the date of the grant of the share options. The share options were granted to the Third Batch of Grantees on such terms that the Third Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

(4) Pursuant to the Share Option Scheme, these share options were granted on 16 March 2007 and are exercisable at HK$2.23 per share from 16 March 2008 to 15 March 2017. The closing price per share immediately before the date on which the options were granted was HK$2.18.

(5) Pursuant to the Share Option Scheme, these share options were granted on 8 June 2007 and are exercisable at HK$3.11 per share from 8 June 2008 to 7 June 2017. The closing price per share immediately before the date on which the options were granted was HK$3.02.

(6) Pursuant to the Share Option Scheme, these share options were granted on 3 January 2008 and are exercisable at HK$1.55 per share from 3 January 2008 to 2 January 2017. The closing price per share immediately before the date on which the options were granted was HK$1.55.

(7) These share options represent personal interest held by the relevant participants as beneficial owner.

(8) Up to 30 June 2013, an aggregate of 12.87 million share options were lapsed due to the resignation of the relevant staff and an aggregate of 4,605,000 share options were exercised.

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

Substantial Shareholders

As at 30 June 2013, the interests or short positions of every person, other than a Director or chief executive of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholder	**Capacity**	**Number of issued ordinary shares held** *(Note 2)*	**Approximate percentage of issued share capital of the Company**
SeeSi Universal Limited *(Note 1)*	Beneficial owner	576,000,000 (L)	54.45%
Zhang Shuqing *(Note 3)*	Family interest	576,000,000 (L)	54.45%
Qiang Yan *(Note 4)*	Family interest	576,000,000 (L)	54.45%
Delta Lloyd Asset Management NV	Beneficial owner	84,068,000 (L)	7.95%

Notes:

(1) The entire issued share capital of SeeSi Universal Limited is owned as to 46.48%, 45.07%, 7.04% and 1.41% by Mr. Fang James, Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Chai Junqi respectively. Save as Mr. Chai Junqi who resigned as Director of the Company on 26 August 2011 but remains directorship in certain subsidiaries in the Group, all other shareholders of SeeSi Universal Limited, namely, Mr. Fang James, Mr. Fang Shengkang and Mr. Lu Songkang are Directors of the Company currently.

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

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

(4) Madam Qiang Yan is the spouse of Mr. Fang James, a Director of the Company, Madam Qiang Yan is therefore deemed to be interested in the interests of Mr. Fang James.

All the interests stated above represent long positions. Save as disclosed above, as at 30 June 2013, none of the substantial shareholders, other than Directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Pre-emptive Rights

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

Interim Dividend

The Board is pleased to declare that an interim dividend of RMB0.03 per share for the six months ended 30 June 2013 will be payable in cash on or before 11 October 2013 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on 13 September 2013. The interim dividend in cash will be paid in Hong Kong dollars. The conversion of RMB into Hong Kong dollars will be made at the official exchange rate of RMB against Hong Kong dollars as quoted by Bank of China on 13 September 2013.

Closure of the Register of Members

The Register of Members will be closed from 11 September 2013 to 13 September 2013 (both days inclusive), during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on 10 September 2013.

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

Hong Kong, 27 August 2013