AUPU GROUP HOLDING COMPANY LIMITED

奥普集团控股有限公司

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

(Stock Code: 00477)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "**Board**") of AUPU Group Holding Company Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**2013** *RMB'000*	2012 *RMB'000*
Revenue	*3*	**620,304**	568,857
Cost of sales		**(341,015)**	(292,152)
Gross profit		**279,289**	276,705
Other income		**24,648**	20,732
Gain on disposal of assets classified as held for sale		**—**	21,495
Selling and distribution expenses		**(120,064)**	(127,190)
Administrative expenses		**(38,432)**	(35,959)
Other expenses		**(34,325)**	(26,046)
Finance costs on bank loans wholly repayable within five years		**(1,700)**	(2,241)
Share of losses of associates		**(4,447)**	(1,631)
Profit before tax	*4*	**104,969**	125,865
Income tax expenses	*5*	**(22,975)**	(35,895)
Profit and total comprehensive income for the year attributable to owners of the Company		**81,994**	89,970
Earnings per share — basic (RMB)	*7*	**0.08**	0.08
Earnings per share — diluted (RMB)	*7*	**0.08**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	**2013** **RMB'000**	2012 *RMB'000*
Non-current assets			
Property, plant and equipment		**191,676**	153,323
Prepaid lease payments		**27,731**	13,118
Interests in associates	*8*	**30,917**	35,364
Available-for-sale investments	*9*	**66,000**	65,000
Amounts due from associates		**142,500**	81,500
Deferred tax assets		**10,277**	6,874
		469,101	355,179
Current assets			
Prepaid lease payments		**647**	329
Inventories		**45,695**	43,448
Trade and other receivables	*10*	**56,452**	57,400
Amounts due from associates	*12*	**1,688**	1,429
Time deposits		**110,000**	133,000
Pledged bank deposits		**85,213**	33,760
Bank balances and cash		**69,150**	61,771
		368,845	331,137
Current liabilities			
Trade, bills and other payables	*11*	**246,033**	171,702
Amounts due to associates	*12*	**462**	491
Income tax liabilities		**19,644**	21,777
Other tax liabilities		**5,595**	6,090
Short-term bank loans		**100,637**	23,733
		372,371	223,793
Net current (liabilities) assets		**(3,526)**	107,344
Total assets less current liabilities		**465,575**	462,523
Capital and reserves			
Share capital		**100,831**	102,046
Share premium and reserves		**351,257**	351,148
Equity attributable to owners of the Company		**452,088**	453,194
Non-current liability			
Deferred tax liability		**13,487**	9,329
		465,575	462,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 "Stock Exchange"). 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 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")

The Group has applied the following new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 1	Government Loans
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
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the new and revised 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 IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[2]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized.
4 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2010–2012 Cycle

The Annual Improvements to IFRSs 2010–2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IFRS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011–2013 Cycle

The Annual Improvements to IFRSs 2011–2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of IFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in unlisted equity securities currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The Directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Group's consolidated financial statements.

3. 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 2013

	Second Tier Cities	Shanghai	Jiangsu	Beijing	Zhejiang	Northeastern Region	Sichuan	Export	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE									
External sales	220,252	83,256	92,817	64,876	65,458	23,064	44,971	25,610	620,304
Inter-segment sales	—	—	—	—	64,125	—	52	—	64,177
Segment revenue	220,252	83,256	92,817	64,876	129,583	23,064	45,023	25,610	684,481
Eliminations									(64,177)
Group revenue									620,304
Segment profit	80,160	51,442	39,164	25,078	33,750	8,009	32,113	9,573	279,289
Interest income									12,612
Other unallocated income									12,036
Unallocated expenses									(192,821)
Finance costs									(1,700)
Share of losses of associates									(4,447)
Profit before tax									104,969

For the year ended 31 December 2012

	Second Tier Cities	Shanghai	Jiangsu	Beijing	Zhejiang	Northeastern Region	Sichuan	Export	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

The accounting policies of the operating segments are the same as the Group's accounting policies. 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.

Other segment information

Amounts included in the measure of segment profit or loss:

2013

	Second Tier Cities	Shanghai	Jiangsu	Beijing	Zhejiang	Northeastern Region	Sichuan	Export	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation	**1,723**	**651**	**726**	**508**	**512**	**180**	**352**	**200**	**4,852**

2012

	Second Tier Cities	Shanghai	Jiangsu	Beijing	Zhejiang	Northeastern Region	Sichuan	Export	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation	1,695	635	672	606	502	193	402	189	4,894

Revenue from major products

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

	2013	2012
	RMB'000	*RMB'000*
Bathroom masters	**377,851**	363,993
Bathroom roofs	**195,818**	173,513
Others	**46,635**	31,351
	620,304	568,857

Information about major customers

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

4. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	2013	2012
	RMB'000	*RMB'000*
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	**33,693**	43,304
— retirement benefit scheme contributions	**3,897**	4,067
— equity-settled share-based payments	**1**	1,118
Total staff costs	**37,591**	48,489
Cost of inventories recognised as an expense *(note a)*	**341,015**	292,152
Research expenditure included in other expenses	**21,500**	18,327
Depreciation of property, plant and equipment	**11,477**	10,054
Auditors' remuneration	**1,680**	1,580
Release of prepaid lease payments	**647**	329
Loss on disposal of property, plant and equipment	**113**	461
Allowance for bad and doubtful debts	**76**	3,042
Net foreign exchange loss	**—**	531
Loss on disposal of subsidiaries	**—**	20
After crediting:		
Interest income from:		
— bank deposits	**5,285**	7,323
— amounts due from associates	**7,327**	2,752
Total interest income	**12,612**	10,075
Net foreign exchange gain	**1,261**	—
Rental income	**172**	921
Government grants *(note b)*	**1,412**	1,928
Gain on disposal of assets classified as held for sale	**—**	21,495

Notes:

(a) Allowance for inventories obsolescence amounted to RMB4,798,000 (2012: RMB512,000) 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.

5. INCOME TAX EXPENSES

	2013 *RMB'000*	2012 *RMB'000*
Income tax expenses comprises		
Current tax		
— PRC Enterprise Income Tax	**22,643**	31,155
— Under(over) provision in prior years	**(423)**	—
— Land appreciation tax ("LAT")	**—**	2,640
	22,220	33,795
Deferred tax	**755**	2,100
	22,975	35,895

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% (2012: 25%). AUPU Technology is qualified as a "Hi-New Tech Enterprise" and therefore enjoys a preferential tax rate of 15% (2012: 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.

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

	2013		2012	
	RMB'000	***%***	*RMB'000*	*%*
Profit before tax	**104,969**		125,865	
Tax at the domestic income tax rate of 25% (2012: 25%)	**26,242**	**25.00**	31,466	25.00
Tax effect of expenses not deductible for tax purpose	**3,908**	**3.72**	931	0.74
Over provision in respect of prior years	**(423)**	**(0.40)**	—	—
Tax concession of a subsidiary	**(12,529)**	**(11.93)**	(11,267)	(8.95)
Tax effect of share of losses of associates	**1,112**	**1.06**	408	0.32
Effect of withholding tax	**4,665**	**4.44**	5,415	4.30
Reversal of deductible temporary differences previously 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	**22,975**	**21.89**	35,895	28.51

6. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2013 Interim — RMB0.03 (2012: 2012 interim dividend RMB0.03) per share	**31,734**	31,948
2012 Final — RMB0.04 (2012: 2011 final dividend RMB0.02) per share	**42,296**	21,348
	74,030	53,296

The final dividend of RMB0.025 in respect of the year ended 31 December 2013 per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

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

Earnings:

	2013	2012
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**81,994**	89,970

Number of shares:

	Number of ordinary shares	
	2013	2012
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,055,443,049**	1,065,720,090

For the year ended 31 December 2013 and 2012, 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 2013 and 2012.

8. INTERESTS IN ASSOCIATES

	2013	2012
	RMB'000	*RMB'000*
Cost of unlisted investments in associates	**38,000**	38,000
Share of post-acquisition losses	**(7,083)**	(2,636)
	30,917	35,364

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

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

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Chengdu Qianyin

	2013	2012
	RMB'000	*RMB'000*
Current assets	**3,153**	16,355
Non-Current Assets	**296,179**	128,172
Current Liabilities	**23,009**	23,928
Non-current Liabilities	**230,000**	62,500
Revenue	**—**	—
Loss and total comprehensive expense for the year	**(11,776)**	(1,277)
Dividends received from the associate during the year	**—**	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013	2012
	RMB'000	*RMB'000*
Net assets of Chengdu Qianyin	**46,323**	58,099
Proportion of the Group's ownership interest in Chengdu Qianyin	**41.67%**	41.67%
Goodwill *(note)*	**815**	815
Carrying amount of the Group's interest in Chengdu Qianyin	**20,118**	25,025

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 RMB815,000 was resulted in respect of this deemed acquisition of additional interest and has been included in the cost of unlisted investments in associates.

AUPU Broni

	2013	2012
	RMB'000	*RMB'000*
Current assets	**24,123**	29,333
Non-Current Assets	**40,742**	37,592
Current Liabilities	**37,868**	41,077
Non-current Liabilities	**—**	—
Revenue	**41,738**	31,543
Profit (loss) and total comprehensive income (expense) for the year	**1,149**	(2,892)
Dividends received from the associate during the year	**—**	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013	2012
	RMB'000	*RMB'000*
Net assets of AUPU Broni	**26,997**	25,848
Proportion of the Group's ownership interest in AUPU Broni	**40%**	40%
Carrying amount of the Group's interest in AUPU Broni	**10,799**	10,339

9. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	RMB'000	*RMB'000*
Available-for-sale investments comprise:		
Unlisted equity investment:		
— Haibang Cai Zhi *(note i)*	**25,000**	25,000
— Hexing Electrical *(note ii)*	**40,000**	40,000
— Yinzhi Zuobang *(note iii)*	**1,000**	—
	66,000	65,000

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 (2012: RMB25,000,000) in Haibang Cai Zhi, representing a 16.78% (2012: 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.

(ii) In 2012, AUPU Technology made an investment in Hexing Electrical amounting to RMB40,000,000, representing a 1.08% equity interest in Hangzhou Hexing.

(iii) During the year, AUPU Technology made an investment in Hangzhou Yinzhi Zuobang Venture Partnership (杭州引智佐邦投資合夥企業) ("Yinzhi Zuobang") amounting to RMB1,000,000. Pursuant to the agreement, total investment to be made by AUPU Technology is RMB5,000,000, representing a 10.42% equity interest in Yinzhi Zuobang. The remaining investment balance will be paid before 30 April 2016.

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.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*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	**36,675**	46,029
91–180 days	**10,320**	3,105
181–365 days	**286**	1,864
Over 365 days	**237**	542
Total trade receivables	**47,518**	51,540
Other receivables, deposits and prepayments	**8,934**	5,860
	56,452	57,400

The average credit period granted on sales of goods ranges from 0 to 90 days (2012: 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.

	2013	2012
	RMB'000	*RMB'000*
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	**3,042**	—
Allowance for bad and doubtful debts	**76**	3,042
At end of the year	**3,118**	3,042

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,118,000 (2012: RMB3,042,000) recognised, which the counterparties have been in financial difficulties.

Trade receivables amounting to RMB3,517,000 (2012: RMB3,834,000) 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 RMB10,843,000 (2012: RMB5,511,000) 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.

	2013	2012
	RMB'000	*RMB'000*
Aging of trade receivables which are past due but not impaired		
91–180 days	**10,320**	3,105
181–365 days	**286**	1,864
Over 365 days	**237**	542
	10,843	5,511

11. TRADE, BILLS 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 (2012: 90 days).

	2013	2012
	RMB'000	*RMB'000*
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	**76,670**	67,355
91–180 days	**1,520**	1,812
181–365 days	**214**	50
Over 365 days	**34**	647
Total trade payables	**78,438**	69,864
Aged analysis of bills payables presented based on issue date:		
Within 90 days	**47,720**	18,150
Retention sum due to suppliers	**2,148**	3,741
Advances from customers	**24,251**	18,309
Sales commission accruals	**39,903**	22,420
Other payables and accruals	**53,573**	39,218
	246,033	171,702

12. RELATED PARTY TRANSACTIONS

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

	2013	2012
	RMB'000	*RMB'000*
Amounts due from associates		
— interest bearing *(note i)*	**142,500**	81,500
— non-interest bearing *(note ii)*	**1,688**	1,429
	144,188	82,929
Analysed for reporting purpose as:		
— Non-current assets	**142,500**	81,500
— Current assets *(note ii)*	**1,688**	1,429
	144,188	82,929
Amounts due to associates		
— non-interest bearing *(note ii)*	**462**	491

Notes:

(i) Interest bearing loans of RMB142,500,000 (2012: RMB81,500,000) represents entrusted loans advanced to associates for a term of three years and bear interest at rates ranging from 6.15% to 7% (2012: 6.15% to 10%) per annum.

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

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

	2013	2012
	RMB'000	*RMB'000*
Rental income	**172**	230
Interest income	**7,327**	2,752
Purchase	**365**	1,054
Other income	**401**	744
	8,265	4,780

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

	2013	2012
	RMB'000	*RMB'000*
Short-term employee benefits	**4,432**	4,827
Post-employment benefits	**54**	63
Share-based payments	**—**	16
	4,486	4,906

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Finance Review

Revenue

For the year ended 31 December 2013, the revenue of the Group amounted to approximately RMB620,304,000, representing an increase of approximately 9.0% as compared with the revenue which amounted to approximately RMB568,857,000 for the year ended 31 December 2012. The increase in revenue was mainly attributable to the increase in revenue generated from the second tier cities and Jiangsu. Moreover, second tier cities were those major markets of the Group for the year ended 31 December 2013, accounting for 35.5% (Year 2012: 34.6%) of the Group's sales.

The revenue from bathroom master products increased from approximately RMB363,993,000 for the year ended 31 December 2012 to RMB377,851,000 for the year ended 31 December 2013, representing an increase of approximately RMB13,858,000 or approximately 3.8%. The revenue of bathroom master products accounted for approximately 64.0% and 60.9% of the Group's total revenue for the years ended 31 December 2012 and 2013 respectively.

At the same time, the revenue of bathroom roof products increased from approximately RMB173,513,000 for the year ended 31 December 2012 to approximately RMB195,818,000 for the year ended 31 December 2013, representing an increase of approximately RMB22,305,000 or approximately 12.9%. The revenue of bathroom roof products accounted for approximately 30.5% and 31.6% of the Group's total revenue for the years ended 31 December 2012 and 2013 respectively.

Costs of sales

For the year ended 31 December 2013, the costs of sales of the Group amounted to approximately RMB341,015,000, and the costs of parts and components, direct labour and overhead represented approximately 91.1% and 8.9% of the total costs of sales respectively while 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.

Other income

Other income increased from approximately RMB20,732,000 for the year ended 31 December 2012, to approximately RMB24,648,000 for the year ended 31 December 2013. It was mainly contributed by interest income, other operating income and investment income during the year ended 31 December 2013.

Selling and distribution expenses

The selling and distribution expenses for the year ended 31 December 2013 amounted to approximately RMB120,064,000 (2012: RMB127,190,000). It mainly comprised advertising expenses of approximately RMB48,204,000 (2012: RMB30,340,000), sales promotion expenses of approximately RMB7,720,000 (2012: RMB16,082,000), salaries expenses for sales and marketing staff of approximately RMB24,210,000 (2012: RMB36,260,000), after sales services expenses of approximately RMB2,851,000 (2012: RMB3,990,000) and transportation expenses of approximately RMB14,890,000 (2012: RMB15,298,000). The selling and distribution expenses for the year ended 31 December 2013 decreased by RMB7,126,000 as compared with that of the year ended 31 December 2012 was mainly due to the decrease in sales promotion expenses, and salaries expenses for sales and marketing staff.

Administrative expenses

The administrative expenses for the year ended 31 December 2013 amounted to approximately RMB38,432,000 (2012: RMB35,959,000). It mainly comprised salaries expenses of general and administrative staff of approximately RMB12,976,000 (2012: RMB13,909,000), depreciation of approximately RMB3,483,000 (2012: RMB2,818,000), professional fees of approximately RMB5,759,000 (2012: RMB6,742,000), and office expenses of approximately RMB2,767,000 (2012: RMB2,363,000). The administrative expenses for the year ended 31 December 2013 compared with that of the year ended 31 December 2012 was slightly increased.

Other expenses

Other expenses increased from approximately RMB26,046,000 for the year ended 31 December 2012 to approximately RMB34,325,000 for the year ended 31 December 2013 due to the increase in research and development costs.

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 2013 and 2012:

	Year ended 31 December 2013	Year ended 31 December 2012
Inventory turnover days *(Note)*	**48**	54

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 2013. 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 54 days for the year ended 31 December 2012 to 48 days for the year ended 31 December 2013 because the sales was increased during the year ended 31 December 2013 and the inventory management system was improved.

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 2013 and 2012:

	Year ended 31 December 2013	Year ended 31 December 2012
Turnover days of trade receivables *(Note)*	**20**	33

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 2013. 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 33 days for the year ended 31 December 2012 to 20 days for the year ended 31 December 2013, 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 2013 and 2012 is as follows:

	At 31 December 2013	At 31 December 2012
	RMB'000	*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	**36,675**	46,029
91–180 days	**10,320**	3,105
181–365 days	**286**	1,864
Over 365 days	**237**	542
Total trade receivables	**47,518**	51,540

The average credit period granted on sales of goods ranges from 0 to 90 days (2012: 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.

	2013	2012
	RMB'000	*RMB'000*
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	**3,042**	—
Allowance for bad and doubtful debts	**76**	3,042
At end of the year	**3,118**	3,042

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,118,000 (2012: RMB3,042,000) recognised, which the counterparties have been in financial difficulties.

Trade receivables amounting to RMB3,517,000 (2012: RMB3,834,000) 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 2013 and 2012:

	At 31 December 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Interest receivables	**3,270**	1,296
Prepaid expense	**412**	650
Utilities and rental deposits	**1,376**	978
Staff advances	**1,078**	1,945
Others	**2,798**	991
Total other receivables	**8,934**	5,860

The increase in the balance of other receivables as at 31 December 2013 comparing with 31 December 2012 was mainly attributable to the increase in interest receivables and prepayment of professional service fees.

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 2013 and 2012:

	Year ended 31 December 2013	Year ended 31 December 2012
Turnover days of trade payables *(Note)*	**79**	74

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 2013. 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 74 days for the year ended 31 December 2012 to 79 days for the year ended 31 December 2013. 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 2013 and 2012 is as follows:

	At 31 December 2013	At 31 December 2012
	RMB'000	*RMB'000*
Trade and bills payables analysed by age:		
Within 90 days	**124,390**	85,505
91–180 days	**1,520**	1,812
181–365 days	**214**	50
Over 365 days	**34**	647
Total trade and bills payables	**126,158**	88,014

Trade 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.

Current ratio, quick ratio and gearing ratio

The current ratio and gearing ratio of the Group for the two years ended 31 December 2013 and 2012 were as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Current ratio	**0.99**	1.48
Quick ratio	**0.87**	1.29
Gearing ratio	**0.12**	0.03

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 2013 as compared with that of 31 December 2012, because certain amounts of the Group's current assets were utilised for investments and acquisition of fixed assets during the year ended 31 December 2013.

Gearing ratio of the Group increased from 0.03 for the year ended 31 December 2012 to approximately 0.12 for the year ended 31 December 2013, because the amount of short-term bank loans and bills payable were increased during the year ended 31 December 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, 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 2013 and 31 December 2012:

	Year ended 31 December 2013	Year ended 31 December 2012
	RMB'000	*RMB'000*
Net cash from operating activities	**164,111**	154,670
Net cash used in investing activities	**(149,117)**	(5,094)
Net cash used in financing activities	**(7,615)**	(119,334)

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 2013 was approximately RMB164,111,000, while profit before tax was approximately RMB104,969,000 for the same year. The difference of approximately RMB59,142,000 was mainly caused by the adjustment of approximately RMB11,477,000 made on the depreciation of property, plant and equipment, allowance for inventories obsolescence in the amount of approximately RMB4,798,000, interest income of approximately of

RMB12,612,000, finance costs of approximately RMB1,700,000, share of losses of associates of approximately RMB4,447,000, income taxes paid in the amount of RMB24,353,000 and movements in working capital in the amount of approximately RMB72,848,000.

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.

Investing activities

Net cash used in investing activities was approximately RMB149,117,000 for the year ended 31 December 2013 which was primarily attributable to the net decrease of time deposits in the amount of approximately RMB23,000,000, purchase of available-for-sale investments in the amount of approximately RMB1,000,000 and placement of pledged bank deposits in the amount of approximately RMB126,744,000. The net cash used in investing activities were 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 investment in the amount of approximately RMB45,000,000 and placement of pledged bank deposits in the amount of approximately RMB33,760,000.

Financing activities

Net cash used in financing activities was approximately RMB7,615,000 for the year ended 31 December 2013, mainly included approximately RMB74,030,000 for dividends paid, approximately RMB34,114,000 for repayment of borrowings and proceeds from new bank loans raised approximately RMB111,018,000 during the year ended 31 December 2013. 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.

INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2013, the Group had bank borrowings of approximately RMB100,637,000.

Bank facilities

As at the close of business on 31 December 2013, the Group had undrawn facilities amounting to RMB183,647,000.

Debt securities

As at the close of business on 31 December 2013, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 31 December 2013, the Group did not have any material contingent liabilities or guarantees.

Pledge of assets

As at the close of business on 31 December 2013, the Group had pledged bank deposits of RMB85,213,000.

Capital commitments and other commitments

Capital expenditures in the consolidated financial statements in respect of:

	2013	2012
	RMB'000	*RMB'000*
Contracted for but not provided		
Acquisition of property, plant and equipment	**72,297**	4,608
Capital injection to an available-for-sale investment	**4,000**	—
	76,297	4,608
Authorised but not contracted		
Acquisition of a subsidiary	**—**	31,000

FUTURE PROSPECTS

Business

The channel transition and mechanical adjustment of the Group have achieved initial success in 2013. As of 31 December 2013, after the reform, the Group had only one branch located in Shanghai, 23 representative offices, 223 franchised agents for bathroom masters and 376 franchised agents for bathroom roof products. As of 31 December 2013, the Group had 7,280 points of sales, including 915 speciality stores (214 speciality stores at provinces and municipalities level, 363 speciality stores in prefecture cities and 338 speciality stores in county-level cities). The Group will continue to optimize and integrate the agents, increase sales and orders, keep expanding distribution team, and improve supervision system of regional market inspection and development in 2014. The expansion of the national sales range will be first-tier cities - less developed prefecture cities - developed county-level cities - further into thousands of strong towns.

In 2014, the Group will pay more attention to establishing better marketing channels, and its transformation and upgrading, and will continue to adjust channels of household appliances chain stores, speciality stores, e-commerce, real estate projects and urbanization channels to increase market coverage and sales. At present, emerging real estate projects and e-commerce channels still have a large room to grow, and e-commerce channel is the model of channel transition in the Group. E-commerce is also one of the major channels to be built in the future. The Group will make plans from special project research and development, marketing, price control, after-sales service, etc., and will consider e-commerce channel as one of the major sources of market feedback and analysis.

Brand

The Directors consider that brand management is not only a critical element of our corporate image and leading market position but also a competitive advantage of the Group. The Group paid more attention on the brand value maintenance and brand investment in 2013, through advertising in local satellite TV channels and emerging media, like CCTV, Zhejiang TV, Jiangsu TV, internet, etc., to improve AUPU brand positioning and brand maintenance. In 2014, the Group will continue to improve awareness of AUPU brand and increase advertisement investment in various ways, and to actively expand multi-media brand marketing, such as internet, WeChat, Network Video, etc. to promote our bathroom masters products with positioning in middle to high end market.

With our persistent efforts in brand building, AUPU brand has been awarded as 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

The Group will pay more attention to market opportunity and technical feature in research and development of bathroom masters in 2014. The "Pure Flat" family concept will be built based on "Pure Flat" product oriented sales model and enrich the product line. As regards to research and development of new products, series of products and various high-performance wall hanging products will be designed and researched for e-commerce channel. To upgrade the overall product's hardware to meet the high requirement of integrity and systematization in research, development and design of bathroom roof products that to develop sub-integrated system of bathroom intelligent electric appliance for the incorporation into smart home systems.

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. Currently, the Group had obtained 254 approved and authorized technology patent. Of which, there are 8 invention patents, 56 utility new model patents and 190 design patents. The approved and authorized technology patent protected the high technology design of our products and effectively set competition barriers to other market players.

Investment Decisions

The Group announced the acquisition of a production base project in Chongzhou, Sichuan (the equity interest of Chengdu AUPU Broni Kitchen & Bath Co., Ltd.) in 2012. Currently, the main structure of the factory has been completed, and production of aluminous gusset plate is expected to take place in the first half of 2014.

AUPU Technology entered into a major loan agreement with Hangzhou Qianyin Investment Company Limited ("Hangzhou Qianyin") and Chengdu Qianyin Investment Company Limited (the "Joint Venture") in November 2012. According to which, both parties agreed to contribute RMB150,000,000 to the Joint Venture proportionally on their equity interest held at that time. In May 2013, AUPU Technology and Hangzhou Qianyin agreed to contribute another RMB156,000,000 to the Joint Venture proportionally on their equity interest held at that time, and AUPU Technology will contribute RMB65,000,000 through entrusted loan. The Joint Venture will utilize the capital of the trust loan to acquire a parcel of land with 89,031 square meters for commercial and residential purpose from a Chinese local government, the aggregate consideration of the land was RMB144,000,000. The Joint Venture obtained the land in May 2013.

During the year, AUPU Technology made an investment in Hangzhou Yinzhi Zuobang Venture Partnership (杭州引智佐邦投資合夥企業) ("Yinzhi Zuobang") amounting to RMB1,000,000. Pursuant to the agreement, total investment to be made by AUPU Technology is RMB5,000,000, representing a 10.42% equity interest in Yinzhi Zuobang. The remaining investment balance will be paid before 30 April 2016.

AUPU Electrical, a wholly-owned subsidiary of the Group, entered into a construction contract of RMB70,770,000 with Zhejiang Yijian Construction Company Limited in December 2013. The contract relates to the construction project with a gross floor area of 30,880 square meters in Shangcheng Industrial Park, No. 1418, Mogan Road, Hangzhou, and that the project is mainly used for various purposes by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year, the Company repurchased a total of 14,312,000 shares of the Company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a price of HK$0.80 per share with an aggregate amount of about HK$11,449,600 (equivalent to about RMB9,071,000). These repurchased shares were cancelled during the year.

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 ended 31 December 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board confirms that the Company has complied with all applicable code provisions in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 on no less exacting terms for securities transactions by its directors and relevant officers (the "Code"). Having made specific enquiries of all the Directors, all of whom 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 the Group's financial information, oversight of the Group's financial reporting process and internal control procedures and considering issues relating to the Group's external auditor.

The financial results for the year ended 31 December 2013 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. As at the date of this announcement, the audit committee consists of three independent non-executive Directors, namely Mr. Wu Tak Lung, Mr. Cheng Houbo and Mr. Shen Jianlin and one non-executive Director, Mr. Lu Songkang.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.025 (2012: RMB0.04) per share for the year ended 31 December 2013 to shareholders whose names appear on the register of members of the Company on Wednesday, 6 June 2014. The proposed dividend is subject to the approval of shareholders at the forthcoming annual general meeting to be held on Friday, 23 May 2014 (the "AGM") and will be payable on or before 20 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014 (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 branch share registrars and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 20 May 2014.

The Company's register of members will be closed from Wednesday, 4 June 2014 to Friday, 6 June 2014 (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 branch share registrars and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 3 June 2014.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

This announcement is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aupu.cn) and the annual report containing all the information as required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2014

As at the date of this announcement, the executive Directors are Mr. Fang James and Mr. Fang Shengkang; the non-executive Directors are Mr. Lu Songkang and Mr. Lin Xiaofeng; the independent non-executive Directors are Mr. Wu Tak Lung, Mr. Cheng Houbo and Mr. Shen Jianlin.