AUPU GROUP HOLDING COMPANY LIMITED
奧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 2014

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 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	**2014** *RMB'000*	2013 *RMB'000*
Revenue	*3*	**784,263**	620,304
Cost of sales		**(409,455)**	(341,015)
Gross profit		**374,808**	279,289
Other income		**28,787**	24,648
Selling and distribution expenses		**(104,995)**	(120,064)
Administrative expenses		**(40,088)**	(38,432)
Other expenses		**(36,128)**	(34,325)
Finance costs on bank loans wholly repayable within five years		**(2,532)**	(1,700)
Share of losses of associates		**(9,162)**	(4,447)
Profit before tax	*4*	**210,690**	104,969
Income tax expenses	*5*	**(40,442)**	(22,975)
Profit and total comprehensive income for the year attributable to owners of the Company		**170,248**	81,994
Earnings per share — basic (RMB)	*7*	**0.16**	0.08
Earnings per share — diluted (RMB)	*7*	**0.16**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	**2014** **RMB'000**	2013 RMB'000
Non-current assets			
Property, plant and equipment		**219,691**	191,676
Prepaid lease payments		**27,084**	27,731
Interests in associates	*8*	**21,755**	30,917
Available-for-sale investments	*9*	**67,500**	66,000
Amounts due from associates		**136,500**	142,500
Deferred tax assets		**9,637**	10,277
		482,167	469,101
Current assets			
Prepaid lease payments		**647**	647
Inventories		**69,937**	45,695
Trade, bills and other receivables	*10*	**59,166**	55,577
Amounts due from associates		**3,273**	2,563
Held-for-trading investments	*11*	**30,000**	—
Time deposits		**167,000**	110,000
Pledged bank deposits		**139,968**	85,213
Bank balances and cash		**41,647**	69,150
		511,638	368,845
Current liabilities			
Trade, bills and other payables	*12*	**283,885**	246,033
Amounts due to associates		**—**	462
Income tax liabilities		**25,134**	19,644
Other tax liabilities		**7,983**	5,595
Short-term bank loans		**110,442**	100,637
		427,444	372,371
Net current assets (liabilities)		**84,194**	(3,526)
Total assets less current liabilities		**566,361**	465,575
Capital and reserves			
Share capital		**100,940**	100,831
Share premium and reserves		**446,305**	351,257
Equity attributable to owners of the Company		**547,245**	452,088
Non-current liability			
Deferred tax liability		**19,116**	13,487
		566,361	465,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 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 amendments to International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Except as disclosed below, 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.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. 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 applicable to when the recoverable amount of an asset or a

CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised IFRSs' in issue but not effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosures Initiative[5]
Amendments to IAS 16 and IAS 38	Clarifications of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 July 2014.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on 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.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

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 1 July 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 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements 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. As the amendments do not contain any effective date, they are considered to be immediately effective.

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 IAS 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 of the Company do not anticipate that the application of these amendments 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 amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements to IFRSs 2012–2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect 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 (Guangdong, Hunan, Hubei, Henan, Hebei, etc.)

(b) Shanghai

(c) Jiangsu

(d) Beijing

(e) Zhejiang

(f) Northeastern Region (Heilongjiang, Liaoning, Jilin, etc.)

(g) Sichuan

(h) Export (Hong Kong, Taiwan, Australia, Korea, etc.)

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 2014

	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	**281,234**	**88,001**	**120,141**	**71,508**	**117,590**	**21,178**	**53,988**	**30,623**	**784,263**
Inter-segment sales	**—**	**—**	**—**	**—**	**31,014**	**—**	**—**	**—**	**31,014**
Segment revenue	**281,234**	**88,001**	**120,141**	**71,508**	**148,604**	**21,178**	**53,988**	**30,623**	**815,277**
Eliminations					**(31,014)**				**(31,014)**
Group revenue									**784,263**
Segment profit	**137,559**	**44,326**	**61,263**	**33,210**	**53,400**	**10,206**	**23,878**	**10,966**	**374,808**
Interest income									**15,550**
Other unallocated income									**13,237**
Unallocated expenses									**(181,211)**
Finance costs									**(2,532)**
Share of losses of associates									**(9,162)**
Profit before tax									**210,690**

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

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.

Revenue from major products

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

	2014	2013
	RMB'000	*RMB'000*
Bathroom masters	**474,245**	377,851
Bathroom roofs	**273,325**	195,818
Others	**36,693**	46,635
	784,263	620,304

Information about major customers

No individual major customer contribute over 10% of the total revenue of the Group for both years.

4. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	2014	2013
	RMB'000	*RMB'000*
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	**32,411**	33,693
— retirement benefit scheme contributions	**5,174**	4,897
— equity-settled share-based payments	**—**	1
Total staff costs	**37,585**	38,591
Cost of inventories recognised as an expense *(note a)*	**409,455**	341,015
Research expenditure included in other expenses	**30,010**	21,500
Depreciation of property, plant and equipment	**13,134**	11,477
Auditors' remuneration	**1,680**	1,680
Release of prepaid lease payments	**647**	647
Loss on disposal of property, plant and equipment	**20**	113
Write off for bad and doubtful debts	**500**	—
Allowance for bad and doubtful debts	**—**	76
After crediting:		
Interest income from:		
— bank deposits	**6,896**	5,285
— amounts due from associates	**8,654**	7,327
Total interest income	**15,550**	12,612
Net foreign exchange gain (loss)	**(1,447)**	1,261
Rental income	**259**	172
Government grants *(note b)*	**4,100**	1,412

Notes:

(a) Reverse for allowance of inventories obsolescence amounting to RMB1,970,000 (2013: Allowance of RMB4,798,000) has been recognised in the current year.

(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

	2014	2013
	RMB'000	*RMB'000*
Income tax expenses comprises		
Current tax		
— PRC Enterprise Income Tax	**35,982**	22,643
— Over provision in prior years	**(1,809)**	(423)
	34,173	22,220
Deferred tax	**6,269**	755
	40,442	22,975

No provision for income tax has been made for the Company and group entities established in the Cayman Islands 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%. AUPU Technology is qualified as a "Hi-New Tech Enterprise" and therefore enjoys a preferential tax rate of 15% (2013: 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.

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

	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**210,690**		104,969	
Tax at the domestic income tax rate of 25%	**52,672**	**25.00**	26,242	25.00
Tax effect of expenses not deductible for tax purpose	**2,931**	**1.39**	3,908	3.72
Over provision in respect of prior years	**(1,809)**	**(0.86)**	(423)	(0.40)
Tax effect of share of loss of associate	**2,290**	**1.09**	1,112	1.06
Tax concession of a subsidiary	**(25,046)**	**(11.90)**	(12,529)	(11.94)
Effect of withholding tax	**9,404**	**4.46**	4,665	4.44
Tax charge and effective tax rate for the year	**40,442**	**19.20**	22,975	21.89

6. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2014 Interim — HKD0.06 (2014: 2013 interim dividend RMB0.03) per share	**49,726**	31,734
2013 Final — RMB0.025 (2013: 2012 final dividend RMB0.04) per share	**26,489**	42,296
	76,215	74,030

The final dividend of HKD0.10 in respect of the year ended 31 December 2014 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:

	2014	2013
	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)	**170,248**	81,994

Number of shares:

	Number of ordinary shares	
	2014	2013
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,043,946,027**	1,055,443,049
Effect of dilutive potential ordinary shares		
Share-based payment transactions	**26,519**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,043,972,546**	1,055,443,049

For the year ended 31 December 2013, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the Company's options were higher than the average market price in 2013.

8. INTERESTS IN ASSOCIATES

	2014	2013
	RMB'000	*RMB'000*
Cost of unlisted investments in associates	**38,000**	38,000
Share of post-acquisition losses	**(16,245)**	(7,083)
	21,755	30,917

As at 31 December 2014 and 2013, 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**
		2014	2013	**2014**	2013	
Chengdu Qianyin Investment Company Limited 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
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	**40.00%**	40.00%	**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 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

	2014	2013
	RMB'000	*RMB'000*
Current Assets	**3,009**	3,153
Non-current Assets	**351,455**	296,179
Current Liabilities	**31,293**	23,009
Non-current Liabilities	**302,963**	230,000
Revenue	**—**	—
Loss and total comprehensive expense for the year	**(26,115)**	(11,776)
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:

	2014	2013
	RMB'000	*RMB'000*
Net assets of Chengdu Qianyin	**20,208**	46,323
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	**9,236**	20,118

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

	2014	2013
	RMB'000	*RMB'000*
Current Assets	**16,622**	24,123
Non-current Assets	**39,796**	40,742
Current Liabilities	**16,121**	37,868
Non-current Liabilities	**9,000**	—
Revenue	**43,436**	41,738
Profit and total comprehensive income for the year	**4,300**	1,149
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:

	2014	2013
	RMB'000	*RMB'000*
Net assets of AUPU Broni	**31,297**	26,997
Proportion of the Group's ownership interest in AUPU Broni	**40%**	40%
Carrying amount of the Group's interest in AUPU Broni	**12,519**	10,799

9. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	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)*	**2,500**	1,000
	67,500	66,000

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 (2013: RMB25,000,000) in Haibang Cai Zhi, representing a 16.78% (2013: 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") (杭州海興電力科技股份有限公司) amounting to RMB40,000,000, representing a 1.08% equity interest in Hexing Electrical.

(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 RMB1,500,000. Pursuant to the agreement, total investment to be made by AUPU Technology is RMB5,000,000, representing a 7.35% 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, BILLS AND OTHER RECEIVABLES

	2014	2013
	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	**37,685**	36,675
91–180 days	**9,381**	10,320
181–365 days	**771**	286
Over 365 days	**2,103**	237
Total trade and bills receivables	**49,940**	47,518
Other receivables, deposits and prepayments	**9,226**	8,059
	59,166	55,577

The average credit period granted on sales of goods ranges from 0 to 90 days (2013: 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.

	2014	2013
	RMB'000	*RMB'000*
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	**3,118**	3,042
Allowance for bad and doubtful debts	**—**	76
At end of the year	**3,118**	3,118

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,118,000 (2013: RMB3,118,000) recognised, which the counterparties have been in financial difficulties.

Trade receivables amounting to RMB6,936,000 (2013: RMB3,517,000) 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 RMB4,433,000 (2013: RMB2,238,000) 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.

	2014	2013
	RMB'000	*RMB'000*
Aging of trade receivables which are past due but not impaired		
91–180 days	**1,559**	1,715
181–365 days	**771**	286
Over 365 days	**2,103**	237
	4,433	2,238

11. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments

	2014	2013
	RMB'000	*RMB'000*
Held-for-trading investments include:		
Bank financial products	**30,000**	—

The investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including notes or bonds issued and circulated in the PRC in accordance with the entrusted agreements entered into between the parties involved. The investment yield at a floating rate. The Group and the company approximate their fair value as referenced to quoted prices in active markets.

12. 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 (2013: 90 days).

	2014	2013
	RMB'000	*RMB'000*
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	**91,216**	76,670
91–180 days	**2,155**	1,520
181–365 days	**753**	214
Over 365 days	**391**	34
Total trade payables	**94,515**	78,438
Aged analysis of bills payables presented based on issue date:		
Within 90 days	**62,840**	47,720
Retention sum due to suppliers	**8,571**	2,148
Advances from customers	**27,578**	24,251
Sales commission accruals	**33,941**	39,903
Other payables and accruals	**56,440**	53,573
	283,885	246,033

13. RELATED PARTY TRANSACTIONS

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

	2014	2013
	RMB'000	*RMB'000*
Amounts due from associates		
— interest bearing *(note i)*	**136,500**	142,500
— non-interest bearing *(note ii)*	**3,273**	2,563
	139,773	145,063
Analysed for reporting purpose as:		
— Non-current assets	**136,500**	142,500
— Current assets *(note ii)*	**3,273**	2,563
	139,773	145,063
Amounts due to associates		
— non-interest bearing *(note ii)*	**—**	462

Notes:

(i) Interest bearing loans of RMB136,500,000 (2013: RMB142,500,000) represents entrusted loans advanced to associates for a term of three years and bear interest at rates ranging from 6.15% to 7% (2013: 6.15% to 7%) per annum.

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

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

	2014	2013
	RMB'000	*RMB'000*
Rental income	**172**	172
Interest income	**8,654**	7,327
Purchase	**—**	365
Other income	**428**	401
	9,254	8,265

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

	2014	2013
	RMB'000	*RMB'000*
Short-term employee benefits	**7,809**	4,432
Post-employment benefits	**51**	54
	7,860	4,486

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 2014, the revenue of the Group amounted to approximately RMB784,263,000, representing an increase of approximately 26.43% as compared with the revenue which amounted to approximately RMB620,304,000 for the year ended 31 December 2013. The increase in revenue was mainly attributable to the lauching of new products and channel reform. The revenue generated from the second tier cities, Zhejiang and Jiangsu increased significantly. Second tier cities were those major markets of the Group for the year ended 31 December 2014, accounting for 35.9% (Year 2013: 35.5%) of the Group's sales.

The revenue from bathroom master products increased from approximately RMB377,851,000 for the year ended 31 December 2013 to RMB474,245,000 for the year ended 31 December 2014, representing an increase of approximately RMB96,394,000 or approximately 25.5%. The revenue of bathroom master products accounted for approximately 60.5% and 60.9% of the Group's total revenue for the years ended 31 December 2014 and 2013 respectively.

At the same time, the revenue of bathroom roof products increased from approximately RMB195,818,000 for the year ended 31 December 2013 to approximately RMB273,325,000 for the year ended 31 December 2014, representing a increase of approximately RMB77,507,000 or approximately 39.6%. The revenue of bathroom roof products accounted for approximately 34.9% and 31.6% of the Group's total revenue for the years ended 31 December 2014 and 2013 respectively.

Costs of sales

For the year ended 31 December 2014, the costs of sales of the Group amounted to approximately RMB409,455,000, and the costs of parts and components, direct labour and overhead represented approximately 92.1% and 7.9% of the total costs of sales respectively while 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.

Other income

Other income increased from approximately RMB24,648,000 for the year ended 31 December 2013, to approximately RMB28,787,000 for the year ended 31 December 2014. It was mainly contributed by increase in interest income and sales of consumables during the year ended 31 December 2014.

Selling and distribution expenses

The selling and distribution expenses for the year ended 31 December 2014 amounted to approximately RMB104,995,000 (2013: RMB120,064,000). It mainly comprised advertising expenses of approximately RMB34,537,000 (2013: RMB48,204,000), sales promotion expenses of approximately RMB2,574,000 (2013: RMB7,720,000), salaries expenses for sales and marketing staff of approximately RMB23,073,000 (2013: RMB24,210,000), after sales services expenses of approximately RMB1,802,000 (2013: RMB2,851,000) and transportation expenses of approximately RMB15,630,000 (2013: RMB14,890,000). The selling and distribution expenses for the year ended 31 December 2014 decreased by RMB15,069,000 as compared with that of the year ended 31 December 2013 was mainly due to the decrease in advertising expenses, sales promotion expenses and after sales services expenses.

Administrative expenses

The administrative expenses for the year ended 31 December 2014 amounted to approximately RMB40,088,000 (2013: RMB38,432,000). It mainly comprised salaries expenses of general and administrative staff of approximately RMB16,865,000 (2013: RMB12,976,000), depreciation of approximately RMB5,734,000 (2013: RMB3,483,000), professional fees of approximately RMB4,987,000 (2013: RMB5,759,000), and office expenses of approximately RMB2,513,000 (2013: RMB2,767,000). The administrative expenses for the year ended 31 December 2014 compared with that of the year ended 31 December 2013 was slightly increased.

Other expenses

Other expenses increased from approximately RMB34,325,000 for the year ended 31 December 2013 to approximately RMB36,128,000 for the year ended 31 December 2014 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 2014 and 2013:

	Year ended 31 December 2014	Year ended 31 December 2013
Inventory turnover days *(Note)*	**52**	48

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 2014. 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 increased from 48 days for the year ended 31 December 2013 to 52 days for the year ended 31 December 2014 because the inventory level was increased to cope with the increased sales during the year ended 31 December 2014.

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 2014 and 2013:

	Year ended 31 December 2014	Year ended 31 December 2013
Turnover days of trade receivables *(Note)*	**10**	20

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 2014. 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 20 days for the year ended 31 December 2013 to 19 days for the year ended 31 December 2014. It was mainly due to the increase in sales during the year ended 31 December 2014.

Aging analysis of trade receivables

The aging analysis of trade receivables of the Group at 31 December 2014 and 2013 is as follows:

	At 31 December 2014 *RMB'000*	At 31 December 2013 *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	**38,854**	36,675
91–180 days	**8,212**	10,320
181–365 days	**771**	286
Over 365 days	**2,103**	237
Total trade and bills receivables	**49,940**	47,518

The average credit period granted on sales of goods ranges from 0 to 90 days (2013: 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.

	2014 *RMB'000*	2013 *RMB'000*
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	**3,118**	3,042
Allowance for bad and doubtful debts	**—**	76
At end of the year	**3,118**	3,118

Trade receivables amounting to RMB6,936,000 (2013: RMB3,517,000) 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 2014 and 2013:

	At 31 December 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Interest receivables	**1,714**	3,270
Prepaid expense	**4,249**	412
Utilities and rental deposits	**1,338**	1,376
Staff advances	**833**	1,078
Others	**1,093**	2,798
Total other receivables	**9,277**	8,934

The increase in the balance of other receivables as at 31 December 2014 comparing with 31 December 2013 was mainly attributable to the increase in 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 2014 and 2013:

	Year ended 31 December 2014	Year ended 31 December 2013
Turnover days of trade payables *(Note)*	**77**	79

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 2014. Average trade payables is arrived at by dividing the sum of the trade payables at the beginning of year and that at the end of the year by 2. The turnover days of trade payables decreased from 79 days for the year ended 31 December 2013 to 77 days for the year ended 31 December 2014. 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 2014 and 2013 is as follows:

	At 31 December 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Trade and bills payables analysed by age:		
Within 90 days	**154,057**	124,390
91–180 days	**2,155**	1,520
181–365 days	**753**	214
Over 365 days	**391**	34
Total trade and bills payables	**157,356**	126,158

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 2014 and 2013 were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Current ratio	**1.20**	0.99
Quick ratio	**1.03**	0.87
Gearing ratio	**0.11**	0.12

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.

Both the current ratio and quick ratio increased as at 31 December 2014 as compared with that of 31 December 2013, because certain amounts of the Group's current assets were increased, especially the bank deposits, for the year ended 31 December 2014.

Gearing ratio of the Group decreased from 0.12 for the year ended 31 December 2013 to approximately 0.11 for the year ended 31 December 2014. It was stable when comparing with that for 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 2014 and 31 December 2013:

	Year ended 31 December 2014 *RMB'000*	Year ended 31 December 2013 *RMB'000*
Net cash from operating activities	**173,439**	164,111
Net cash used in investing activities	**(133,364)**	(149,117)
Net cash used in financing activities	**(67,578)**	(7,615)

The Group's working capital mainly comes from net cash inflow 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 2014 was approximately RMB173,439,000 while profit before tax was approximately RMB210,690,000 for the same year. The difference of approximately RMB37,251,000 was mainly caused by the adjustment of approximately RMB13,134,000 made on the depreciation of property, plant and equipment, reversal of inventories obsolescence in the amount of approximately RMB1,970,000, interest income of approximately of RMB15,550,000, finance costs of approximately RMB2,532,000, share of losses of associates of approximately RMB9,162,000 and income taxes paid in the amount of RMB28,682,000.

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.

Investing activities

Net cash used in investing activities was approximately RMB133,364,000 for the year ended 31 December 2014 which was primarily attributable to the net increase in time deposits in the amount of approximately RMB57,000,000, purchase of property, plant and equipment in the amount of approximately RMB41,179,000 and increase in pledged bank deposits in the amount of approximately RMB54,755,000. The net cash used in investing activities were 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 property, plant and equipment in the amount of approximately RMB36,774,000 and increase in pledged bank deposits in the amount of approximately RMB51,453,000.

Financing activities

Net cash used in financing activities was approximately RMB67,578,000 for the year ended 31 December 2014, which mainly included approximately RMB76,215,000 for dividends paid, approximately RMB102,213,000 for repayment of borrowings, and proceeds from new bank loans raised approximately RMB112,018,000 during the year ended 31 December 2014. 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.

INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2014, the Group had bank borrowings of approximately RMB110,442,000.

Bank facilities

As at the close of business on 31 December 2014, the Group had undrawn facilities amounting to RMB200,000,000.

Debt securities

As at the close of business on 31 December 2014, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 31 December 2014, the Group did not have any material contingent liabilities or guarantees.

Pledge of assets

As at the close of business on 31 December 2014, the Group had pledged bank deposits of RMB139,968,000.

Capital commitments and other commitments

Capital expenditures in the consolidated financial statements in respect of:

	2014	2013
	RMB'000	*RMB'000*
Contracted for but not provided		
Acquisition of property, plant and equipment	**48,072**	72,297
Capital injection to an available-for-sale investment	**2,500**	4,000
	50,572	76,297

FUTURE PROSPECTS

Channel Strategy

In 2015, bathroom master products were imprinted with a mid to high-end product image, with channel strategy set at big KA concept (the original KA channel mainstream home appliance chain stores and speciality stores) plus distribution channel, so as to secure the mid to high-end market position of the brand. This business segment also achieved other significant breakthroughs and established new countryside channel. By virtue of its product-adaptability (pure flat installation), the CHUNPING (Pure Flat) bathroom master series has seized a larger chunk of the distribution channels of other brands in the gusset plates market.

Being the epitome of the Group's channel transition, as well as one of our important sales channels, e-commerce has contributed to the Group's overall increase in sales. Currently, our e-commerce channel is still operating primarily on the basis of a franchise system, pursuant to which the Company acts as the provider of the commercial platform while some of the channel profits are shared among professional e-commerce franchised agents. The Group developed best-laid plan covering various areas, including product development, e-commerce promotion and sales policy, in an effort to coordinate promotion with the relevant agents. Moreover, bathroom roof products have adopted burgeoning sales models including O2O (online to offline) and TV Shopping, in which the Company was responsible for establishing the commercial platform for product promotion while offline agents were responsible for product design, services and installation. The e-commerce channel is an important channel for user feedback, through which the Group could reach the consumers regardless of distance and direct their feedback into review of the development, production and sales policy of new products.

Product Strategy

In 2015, the research and development focus on high-end bathroom master products centers around intelligent control and the Internet, and the product design tends to be more simplistic, modern and youthful. As for the research and development of bathroom roof products, the Group altered AUPU's old positioning as a specialist bathroom appliance manufacturer, and opted to provide systematic comprehensive bathroom solutions based on module appliances, staying closely in tuned with the integrated ceiling development trend. In 2014, the Group put forward a number of new gusset plate models under our new brand series, including "YINXIANG (Impression)", "OUFAN (European Classics)"," JINXIU (Grandeur)", "JINYU (Golden Jade)", "JINGJIE (Catharsis)", and "NAIDE (Enduring Virtue)", as well as some core module appliances featuring "AOXIN Gen-2", "TANJING" and "XINYUE", with emphasis on constructing systematic integrated bathroom solutions, in a bid to constantly enrich our product mix and meet the needs of different consumer segments.

Brand Strategy

The Group also focuses on maintaining our products' appeal to younger generations. With the 80s and 90s generations becoming the main consumer group, the content of our brand advertising and our brand channels will be made more in tuned with this main consumer group comprising of younger generations. Currently, in addition to putting part of our advertising effort in mainstream local satellite TVs and CCTV's financial and news channels so as to continue to build up our high-end brand image, the Group also conducts low-cost innovative advertising through the Internet, new media, smart phones, etc.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Board hereby confirms that the Company has complied with the Code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code on no less exacting terms for securities transactions by its directors and relevant officers (the "Code"), during the year under review, all of whom have confirmed their compliance with the required standards set out in the Model Code and the Code.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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 2014 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, including Mr. Wu Tak Lung, Mr. Shen Jianlin and Mr. Gan Weimin and one non-executive Director, Mr. Lu Songkang.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HKD0.10 (2013: RMB0.025) per share for the year ended 31 December 2014 to shareholders whose names appear on the register of members of the Company on Friday, 5 June 2015. The proposed dividend is subject to the approval of shareholders at the forthcoming annual general meeting to be held on Wednesday, 27 May 2015 ("AGM") and will be payable on or before Friday, 19 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Friday, 22 May 2015 to Wednesday, 27 May 2015 (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 Thursday, 21 May 2015.

The Company's register of members will be closed from Wednesday, 3 June 2015 to Friday, 5 June 2015 (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, 2 June 2015.

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 of Hong Kong Limited (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, 26 March 2015

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