

AUPU

AUPU GROUP HOLDING COMPANY LIMITED

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

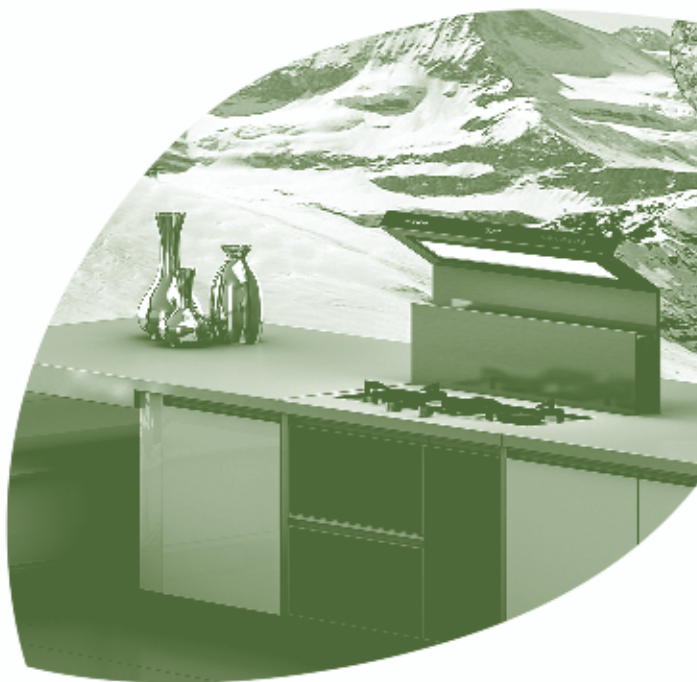


Interim 
Report 2015 



CONTENTS

02	Corporate Information
04	Report on Review of Condensed Consolidated Financial Statements
05	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
06	Condensed Consolidated Statement of Financial Position
07	Condensed Consolidated Statement of Changes in Equity
08	Condensed Consolidated Statement of Cash Flows
09	Notes to the Condensed Consolidated Financial Statements
24	Management Discussion and Analysis
35	Other Information





Corporate Information

BOARD OF DIRECTORS

Executive Directors

Fang James (方杰) (*Chairman*)
Fang Shengkang (方勝康) (*President*)
Wu Xingjie (吳興杰)

Non-executive Directors

Lu Songkang (盧頌康)
Lin Xiaofeng (林曉峰)

Independent Non-executive Directors

Wu Tak Lung (吳德龍)
Shen Jianlin (沈建林)
Gan Weimin (甘為民)

MEMBERS OF THE AUDIT COMMITTEE

Wu Tak Lung (*Chairman*)
Shen Jianlin
Lu Songkang
Gan Weimin

MEMBERS OF THE REMUNERATION COMMITTEE

Shen Jianlin (*Chairman*)
Fang Shengkang
Wu Tak Lung
Gan Weimin

MEMBERS OF THE NOMINATION COMMITTEE

Gan Weimin (*Chairman*)
Wu Tak Lung
Shen Jianlin
Fang James
Fang Shengkang

AUDITORS

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

COMPANY SECRETARY

Chan Ka Fat (陳家發)

AUTHORISED REPRESENTATIVES

Fang James
Fang Shengkang

STOCK CODE

00477

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

Corporate Information (Continued)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 6/F Queen's Centre
58-64 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China CITIC Bank
Hangzhou Tianshui Branch
345 Tiyuchang Road
Hangzhou City
Zhejiang Province
The PRC

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

Industrial and Commercial Bank of China (Asia) Limited

34/F, ICBC Tower
3 Garden Road Central
Hong Kong

Bank of Communications

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

COMPANY LAWYERS

As to Hong Kong Law
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
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As to Cayman Islands Law
Conyers Dill & Pearman
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Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE

www.aupu.cn

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF AUPU GROUP HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of AUPU Group Holding Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 23, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue		423,235	346,967
Cost of sales		(221,396)	(185,061)
Gross profit		201,839	161,906
Other income		26,643	14,009
Distribution and selling expenses		(55,333)	(50,603)
Administrative expenses		(19,594)	(15,058)
Other expenses		(15,875)	(19,705)
Other losses		(1,795)	—
Share of losses of associates		(2,545)	(2,508)
Finance costs		(2,889)	(1,194)
Profit before tax	4	130,451	86,847
Income tax expenses	5	(33,285)	(16,012)
Profit for the period and total comprehensive income attributable to owners of the Company		97,166	70,835
		RMB	RMB
Earnings per share			
— Basic	7	0.09	0.07
— Diluted	7	0.09	0.07

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	236,647	219,691
Prepaid lease payments		26,760	27,084
Interests in associates	9	19,210	21,755
Available-for-sale investments	10	67,500	67,500
Amounts due from associates	20	136,500	136,500
Deferred tax assets	11	20,349	9,637
		506,966	482,167
Current assets			
Prepaid lease payments		647	647
Inventories		52,558	69,937
Trade, bills and other receivables	12	83,381	59,166
Amounts due from associates	20	3,778	3,273
Held-for-trading investments		—	30,000
Time deposits	13	85,000	167,000
Pledged bank deposits	13	222,713	139,968
Bank balances and cash		176,883	41,647
		624,960	511,638
Current liabilities			
Trade, bills and other payables	14	272,117	283,885
Amounts due to associates	20	1,757	—
Income tax liabilities		42,375	25,134
Other tax liabilities		13,650	7,983
Borrowings	15	213,209	110,442
		543,108	427,444
Net current assets		81,852	84,194
Total assets less current liabilities		588,818	566,361
Capital and reserves			
Share capital	16	101,129	100,940
Share premium and reserves		463,429	446,305
Total equity attributable to owners of the Company		564,558	547,245
Non-current liability			
Deferred tax liability	11	24,260	19,116
		588,818	566,361

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Statutory reserves	Share option reserve	Capital redemption reserve	Retained profits	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	100,831	233,684	(73,274)	84,871	17,459	1,970	86,547	351,257	452,088
Profit and total comprehensive income for the period	—	—	—	—	—	—	70,835	70,835	70,835
Dividends recognised as distribution (note 6)	—	—	—	—	—	—	(26,489)	(26,489)	(26,489)
At 30 June 2014 (unaudited)	100,831	233,684	(73,274)	84,871	17,459	1,970	130,893	395,603	496,434
At 1 January 2015 (audited)	100,940	235,754	(73,274)	94,573	16,404	1,970	170,878	446,305	547,245
Profit and total comprehensive income for the period	—	—	—	—	—	—	97,166	97,166	97,166
Dividends recognised as distribution (note 6)	—	—	—	—	—	—	(82,586)	(82,586)	(82,586)
Exercise of share options (note 17)	189	6,702	—	—	(4,158)	—	—	2,544	2,733
At 30 June 2015 (unaudited)	101,129	242,456	(73,274)	94,573	12,246	1,970	185,458	463,429	564,558

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	NOTE	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Net cash generated from operating activities		77,602	43,060
Investing activities:			
Interest received		7,214	8,817
Dividends received		14,716	—
Purchase of property, plant and equipment		(23,816)	(14,671)
Placement of time deposits		(55,000)	(151,500)
Withdrawal of time deposits		137,000	90,000
Withdrawal of pledged bank deposit		103,141	59,085
Placement of pledged bank deposit		(185,886)	(3,975)
Withdrawal of held-for-trading investment		30,000	—
Advance to associates		(505)	(1,114)
Repayment from associates		—	24
Deposit received	9	10,000	—
Net cash generated from (used in) investing activities		36,864	(13,334)
Financing activities:			
Dividends paid		(82,586)	(26,489)
New bank loans raised		102,767	—
Repayment of borrowings		—	(41,106)
Interest paid		(2,144)	(1,181)
Proceeds from exercise of share option		2,733	—
Net cash generated from (used in) financing activities		20,770	(68,776)
Net increase (decrease) in cash and cash equivalents		135,236	(39,050)
Cash and cash equivalents at 1 January		41,647	69,150
Cash and cash equivalents at 30 June, represented by bank balances and cash		176,883	30,100

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The directors of the Company anticipate that the application of the amendments will have no material impact on the results and financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION

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

For the six months ended 30 June 2015 (unaudited)

	Second		Jiangsu RMB'000	Beijing RMB'000	Northeastern			Export RMB'000	Total RMB'000
	Tier Cities RMB'000	Shanghai RMB'000			Zhejiang RMB'000	Region RMB'000	Sichuan RMB'000		
SEGMENT REVENUE									
External sales	140,999	55,116	70,843	37,381	68,417	12,292	29,199	8,988	423,235
Inter-segment sales	–	–	–	–	14,317	–	–	–	14,317
	140,999	55,116	70,843	37,381	82,734	12,292	29,199	8,988	437,552
Eliminations					(14,317)				(14,317)
Group revenue									423,235
Segment profit	62,838	26,755	36,029	19,162	33,638	6,162	14,212	3,043	201,839
Interest income									7,992
Dividend income									14,716
Other unallocated income									3,935
Unallocated expenses									(92,597)
Finance costs									(2,889)
Share of losses of associates									(2,545)
Profit before tax									130,451

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2014 (unaudited)

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	Northeastern Region RMB'000	Sichuan RMB'000	Export RMB'000	Total RMB'000
SEGMENT REVENUE									
External sales	127,393	46,018	55,138	28,247	38,085	11,751	28,788	11,547	346,967
Inter-segment sales	—	—	—	—	15,183	—	—	—	15,183
	127,393	46,018	55,138	28,247	53,268	11,751	28,788	11,547	362,150
Eliminations					(15,183)				(15,183)
Group revenue									346,967
Segment profit	58,051	25,133	26,097	12,269	17,305	5,394	13,895	3,762	161,906
Interest income									7,602
Other unallocated income									6,407
Unallocated expenses									(85,366)
Finance costs									(1,194)
Share of losses of associates									(2,508)
Profit before tax									86,847

Segment profit represents the gross profit earned by each segment without allocation of interest income, dividend income, other income and expenses, other losses, selling and distribution expenses, administrative expenses, share of results of associates and finance costs. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

4. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<i>After charging:</i>		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	18,536	15,568
— retirement benefit scheme contributions	1,967	1,839
Total staff costs	20,503	17,407
Research expenditure included in other expenses	14,146	15,138
Depreciation of property, plant and equipment	6,858	5,687
Release of prepaid lease payments	324	555
Cost of inventories recognised as an expense	221,396	185,061
Allowance for bad and doubtful debts	1,795	—
<i>After crediting:</i>		
Interest income		
— bank deposits	4,458	3,156
— amount due from an associate	3,534	4,446
Dividend income	14,716	—
Government grants (note a)	254	1,067

Note:

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	38,553	11,083
– Withholding tax paid in this year	300	3,525
Deferred tax (note 11)	(5,568)	1,404
	33,285	16,012

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% (2014: 25%) under Enterprise Income Tax (EIT) Law. AUPU Technology, a subsidiary of the Company, is qualified as “Hi-New Tech Enterprises” and the certification expired in this period, therefore, Aupu Technology is subject to enterprise income tax rate of 25% (2014: 15%). The Company is in the process of applying for a new Hi-New Tech Enterprises’ certification.

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

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

6. DIVIDENDS

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Final dividend paid for 2014 of Hong Kong Dollars (“HK\$”) 0.10 (2013 final: RMB0.025) per share	82,586	26,489

In respect of the current interim period, the directors propose that an interim dividend of HK\$0.08 (2014: HK\$0.06) per share will be paid to shareholders whose names appear in the register of members on 18 September 2015. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	97,166	70,835

	Six months ended 30 June	
	2015 (unaudited)	2014 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,045,267,301	1,043,501,000

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2015 and 2014.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB22,540,000 for properties under construction and RMB1,145,000 on additions to machinery, motor vehicles, fixtures and equipment and RMB131,000 for addition to buildings in the PRC.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

9. INTERESTS IN ASSOCIATES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Cost of unlisted investment in associates	38,000	38,000
Share of post-acquisition profit (losses)	(18,790)	(16,245)
	19,210	21,755

As at 30 June 2015, the Group had interests in the following associate:

Name	Place and date of establishment	Proportion of ownership interest		Registered capital RMB	Principal activity
		30 June 2015	31 December 2014		
Hangzhou AUPU Broni Kitchen & Bath Co., Ltd 杭州奥普博朗尼厨衛科技 有限公司	Hangzhou, PRC 2 November 2009	40%	40%	30,000,000	Manufacture and distribution of electrical kitchen appliances and equipment
Chengdu Qianyin Investment Company Limited 成都牽銀投資有限公司	Chengdu, PRC 9 June 2010	41.67%	41.67%	60,000,000	Investment of real estate

The Company entered into an agreement (the "Sales and Purchase Agreement") with Dazhou City Dongfu Commercial & Trading Company Limited ("Dongfu") on 15 April 2015 to dispose of its 41.67% equity interest in an associate, Chengdu Qianyin Investment Company Limited, together with loan to that associate with carrying amounts of RMB7,206,000 and RMB127,500,000 as at 30 June 2015, respectively, for an aggregated cash consideration of RMB164,080,000. Deposit of RMB10,000,000 was received on 27 March 2015.

The details of this transaction was disclosed in the Company's announcement on discloseable transaction dated 15 April 2015.

Subsequent to 15 April 2015, the purchaser failed to make payment of RMB2,620,000 and RMB1,960,000 on 16 April 2015 and 1 August 2015, respectively, in accordance with the payment schedule and the Sales and Purchase Agreement is voidable by the Company in accordance with terms set out in the Sales and Purchase Agreement.

Directors of the Company are of the view that the purchaser will not be able to exercise significant influence until full payments to the Group pursuant to the terms of the Sales and Purchase Agreement at which time the Group is obliged to transfer its rights over the associate. As the Company still has significant influence over Chengdu Qianyin Investment Company Limited, the investment continued to be accounted for an interest in an associate at 30 June 2015.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

10. AVAILABLE-FOR-SALE INVESTMENTS

At 30 June 2015, the available-for-sale investments of the Group are summarized as follows:

- (i) AUPU Technology has an investment in partnership named Zhejiang Haibang Cai Zhi Venture Partnership (浙江海邦才智投資合夥企業) (“Haibang Cai Zhi”) amounting to RMB25,000,000, representing a 16.78% interest in Haibang Cai Zhi.

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

- (ii) AUPU Technology has an investment in Hangzhou Hexing Electrical Co., Ltd. (杭州海興電力科技有限公司) (“Hexing Electrical”) amounting to RMB40,000,000, representing a 1.08% equity interest in Hexing Electrical.

- (iii) In 2013, 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, representing 10.42% equity interest in Yinzhi Zuobang. AUPU Technology made an additional investment in Hangzhou Yinzhi Zuobang amounting to RMB1,500,000 in 2014 (the total investment amounted to RMB2,500,000). Pursuant to the agreement, the total investment to be made by the Group is RMB5,000,000, with remaining RMB2,500,000 to be paid up before 30 April, 2016.

During 2014, the paid in capital of Yinzhi Zuobang was increased by RMB20,000,000. As a result, the Group’s equity interest in Yinzhi Zuobang was diluted from 10.42% to 7.35%.

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Unlisted investments:		
– Haibang Cai Zhi	25,000	25,000
– Hexing Electrical	40,000	40,000
– Yinzhi Zuobang	2,500	2,500
	67,500	67,500

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

11. DEFERRED TAXATION

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

	Unrealised profit on inventories RMB'000	Other deductible temporary differences RMB'000	Withholding tax on undistributed retained earnings of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2014 (audited)	658	9,619	(13,487)	(3,210)
(Charge) credit to profit for the period (note 5)	50	(1,053)	(401)	(1,404)
At 30 June 2014 (unaudited)	708	8,566	(13,888)	(4,614)
At 1 January 2015 (audited)	829	8,808	(19,116)	(9,479)
(Charge) credit to profit for the period (note 5)	(8)	4,296	(5,144)	(856)
Effect of change in tax rate (note 5)	553	5,871	—	6,424
At 30 June 2015 (unaudited)	1,374	18,975	(24,260)	(3,911)

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Deferred tax assets	20,349	9,637
Deferred tax liability	(24,260)	(19,116)
	(3,911)	(9,479)

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

12. TRADE, BILLS AND OTHER RECEIVABLES

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

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within 90 days	48,967	38,854
91–180 days	11,321	8,212
181–365 days	11,512	771
Over 365 days	1,614	2,103
Total trade and bills receivables	73,414	49,940
Other receivables, deposits and prepayments	9,967	9,226
	83,381	59,166

18

AUPU Group Holding Company Limited

13. OTHER FINANCIAL ASSETS

The time deposits held in banks are denominated in RMB and with an initial term of six to twelve months. The deposits carry at fixed interest rate ranging from 2.75% to 3.30% per annum as at 30 June 2015 (2014: 2.55% to 4.30% per annum).

Pledged bank deposits represent deposit pledged to a bank to secure short-term bank loans and bills payables and are therefore classified as current assets amounting to RMB222,713,000 (31 December 2014: RMB139,968,000). Pledged bank deposits carry at fixed interest rate ranging from 3.08% to 3.59% per annum as at 30 June 2015 (2014: 3.08% to 3.25%).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

14. TRADE, BILLS AND OTHER PAYABLES

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	88,270	91,216
91–180 days	1,857	2,155
181–365 days	569	753
Over 365 days	600	391
Total trade payables	91,296	94,515
Aged analysis of bills payables presented based on issue date:		
Within 90 days	48,760	62,840
Retention sum due to suppliers	11,436	8,571
Deposit received from Dongfu	10,000	—
Advances from customers	24,363	27,578
Sales commission accruals	35,837	33,941
Other accruals	50,425	56,440
	272,117	283,885

15. BORROWINGS

At 30 June 2015, the Group had bank borrowings of RMB213,209,000, including RMB193,209,000 demonstrated in Hong Kong dollars. The borrowings were repayable within one year.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

16. SHARE CAPITAL

	Number of shares	Amounts HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2014, and 30 June 2014 and 2015	5,000,000,000	500,000
<i>Issued and fully paid:</i>		
At 1 January 2015	1,044,866,000	104,487
Shares option exercise	2,362,500	236
As at 30 June 2015	1,047,228,500	104,723
	30 June 2015	31 December 2014
	RMB'000	RMB'000
	(unaudited)	(audited)
Presented as RMB Ordinary shares	101,129	100,940

17. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was approved and adopted pursuant to a resolution passed on 16 November 2006 and will expire on 15 November 2016. The Scheme has been granted to recognise the contributions of directors and employees of the Company and its subsidiaries to the growth of the Group and to incentivise them going forward.

	Outstanding at 31/12/2014	Lapsed during the period	Exercised during the period	Outstanding at 30/06/2015
Option type				
2007A	2,137,500	—	2,137,500	—
2007B	4,500,000	225,000	—	4,275,000
2008A	225,000	—	225,000	—
	6,862,500	225,000	2,362,500	4,275,000
Exercisable at the end of the year				4,275,000
Weighted average exercise price	HK\$1.86			HK\$2.07

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

18. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Minimum lease payments under operating leases recognised in the condensed consolidated statement of profit or loss and other comprehensive income	492	595

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within one year	701	363
In second years	301	—
In third years to fifth years inclusive	904	—
Total	1,906	363

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

The Group as Lessor

Property rental income earned during the period was RMB129,600 (RMB86,400 for the six months ended 30 June 2014) which are generated from lease of certain properties of the Group negotiated on a yearly basis.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

19. CAPITAL COMMITMENTS

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Acquisition of property, plant and equipment	31,671	48,072
Capital contribution to an equity investment	2,500	2,500
	34,171	50,572

20. RELATED PARTY TRANSACTIONS

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Amounts due from associates		
– interest bearing (note i)	136,500	136,500
– non-interest bearing (note ii)	3,778	3,273
	140,278	139,773
Analysed for reporting purpose as:		
– Non-current assets (note i)	136,500	136,500
– Current assets (note ii)	3,778	3,273
	140,278	139,773
Amounts due to an associate		
– non-interest bearing (note ii)	1,757	–

Notes:

- (i) The balance as at 30 June 2015 amounting to RMB136,500,000 (2014: RMB136,500,000) are the unsecured entrusted loans due from associates for a term of three years and bears interest at rates ranging from 6.15% to 7% (2014: 6.15% to 7%) per annum.
- (ii) The amounts are unsecured and repayable on demand.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

20. RELATED PARTY TRANSACTIONS (Continued)

(b) During the period, the Group has the following transaction with the associates:

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Purchases of goods	1,757	2
Interest income	3,534	4,446
Rental income	86	86
Other income	443	428
	5,820	4,962

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Short-term employee benefits	1,400	1,029
Post-employment benefits	34	17
	1,434	1,046



Management Discussion and Analysis

BUSINESS AND FINANCE REVIEW

Revenue

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

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

Note: The Second-Tier cities included Anhui, Hubei, Hebei, Henan, Shandong, Guizhou, Fujian, Yunnan, Jiangxi, Guangzhou. Sichuan Region included Sichuan and Chongqing.

The revenue of the Group for the six months ended 30 June 2015 and 2014 are analysed as follows:

	Six months ended 30 June 2015		Six months ended 30 June 2014	
	RMB'000 Revenue	RMB'000 Gross Profit	RMB'000 Revenue	RMB'000 Gross Profit
Second-Tier Cities	140,999	62,838	127,393	58,051
Shanghai	55,116	26,755	46,018	25,133
Jiangsu	70,843	36,029	55,138	26,097
Beijing	37,381	19,162	28,247	12,269
Zhejiang	68,417	33,638	38,085	17,305
Northeastern Region	12,292	6,162	11,751	5,394
Sichuan Region	29,199	14,212	28,788	13,895
Export	8,988	3,043	11,547	3,762
Total	423,235	201,839	346,967	161,906

Management Discussion and Analysis (Continued)

For the six months ended 30 June 2015, the revenue of the Group amounted to approximately RMB423.24 million, representing an increase of approximately 21.98% as compared with the revenue which amounted to approximately RMB346.97 million for the six months ended 30 June 2014. The increase in revenue was mainly attributable to the expansion in online sales channels and improved product competitiveness. The revenue of AUPU Bathroom Master 3-in-1, Bathroom Roof 1+N and others accounted for approximately 60.1%, 35.6% and 4.3% of the Group's total revenue for the six months ended 30 June 2015, respectively.

In particular, the revenue from Zhejiang increased from approximately RMB38.1 million for the six months ended 30 June 2014 to approximately RMB68.4 million for the six months ended 30 June 2015 representing an increase of approximately RMB30.3 million or approximately 79.5%. For the six months ended 30 June 2015, the revenue from Second-Tier Cities amounted to approximately RMB140.9 million, representing an increase of approximately 10.68% as compared with the revenue from Second-Tier Cities which amounted to approximately RMB127.4 million for the six months ended 30 June 2014.

The revenue of AUPU Bathroom Roof 1+N amounted to approximately RMB150.5 million for the six months ended 30 June 2015, representing an increase of approximately 24% as compared with the revenue of AUPU Bathroom Roof 1+N which amounted to approximately RMB120.3 million for the six months ended 30 June 2014.

Cost of sales

For the six months ended 30 June 2015, the cost of sales of the Group amounted to approximately RMB221.4 million, representing an increase of approximately 19.6% as compared with the cost of sales which amounted to approximately RMB185.1 million for the six months ended 30 June 2014.

For the six months ended 30 June 2015, the costs of parts and components, direct labour and overhead represented approximately 93.9% and 6.1% of the total cost of sales respectively while the costs of parts and components, direct labour and overhead for the six months ended 30 June 2014 represented approximately 91.3% and 8.7% of the total cost of sales in the same period respectively.

Gross profit and gross profit margin

Gross profit increased from approximately RMB161.9 million for the six months ended 30 June 2014 to approximately RMB201.8 million for the six months ended 30 June 2015, representing an increase of approximately 24.7%. Overall gross profit margin was approximately 47.7% for the six months ended 30 June 2015. It was relatively stable when comparing with the gross profit margin for the six months ended 30 June 2014, which was approximately 46.7%.

Other income

Other income increased from approximately RMB14.0 million for the six months ended 30 June 2014 to approximately RMB26.6 million for the six months ended 30 June 2015. The increase in other income was mainly attributed to the dividend income of RMB12.4 million from Haibang Cai Zhi.



Management Discussion and Analysis (Continued)

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB55.3 million for the six months ended 30 June 2015. It mainly consisted of advertising expenses of approximately RMB17.4 million, sales promotion expenses of approximately RMB3.2 million, salary expenses of sales and marketing staff of approximately RMB9.0 million, after sales services expenses of approximately RMB1.0 million and transportation expenses of approximately RMB7.9 million.

The selling and distribution expenses amounted to approximately RMB50.6 million for the six months ended 30 June 2014. It mainly consisted of advertising expenses of approximately RMB16.8 million, sales promotion expenses of approximately RMB1.6 million, salary expenses of sales and marketing staff of approximately RMB7.8 million, after sales services expenses of approximately RMB1.0 million and transportation expenses of approximately RMB8.7 million.

The selling and distribution expenses for the six months ended 30 June 2015 were increased as compared with the six months ended 30 June 2014 and in line with the increase in the sales of the Group.

Administrative expenses

The administrative expenses amounted to approximately RMB19.6 million for the six months ended 30 June 2015. It mainly consisted of salary expenses of general and administrative staff of approximately RMB4.7million, depreciation of approximately RMB2.9 million, professional fees and related disbursements of approximately RMB4.8 million, utility expenses of approximately RMB0.5 million and office expenses of approximately RMB1.4 million.

The administrative expenses amounted to approximately RMB15.1million for the six months ended 30 June 2014. It mainly consisted of salary expenses of general and administrative staff of approximately RMB4.1 million, depreciation of approximately RMB2.0 million, professional fees and related disbursements of approximately RMB2.2 million, utility expenses of approximately RMB0.1 million and office expenses of approximately RMB1.1 million.

Other expenses

Other expenses decreased from approximately RMB19.7 million for the six months ended 30 June 2014 to approximately RMB17.7 million for the six months ended 30 June 2015, which was mainly due to the decrease in exchange losses for the six months ended 30 June 2015.

The research and development cost for the six months ended 30 June 2015 included mainly the testing fees of RMB7.1 million, development costs for new products of RMB2.6 million, materials consumption of RMB0.92 million. The research and development cost for the six months ended 30 June 2014 included mainly the testing fees of RMB4.1 million, development costs for new products of RMB0.6 million, materials consumption of RMB0.1 million.

Profit before tax

Based on the above factors, the Group's profit before tax increased from approximately RMB86.8 million for the six months ended 30 June 2014 to approximately RMB130.5 million for the six months ended 30 June 2015, representing an increase of approximately 50.2%.

Management Discussion and Analysis (Continued)

Income tax

Income tax expenses of the Group increased by RMB17.0 million from approximately RMB16.0 million for the six months ended 30 June 2014 to approximately RMB33.3 million for the six months ended 30 June 2015. The effective tax rate increased from approximately 18.4% from the six months ended 30 June 2014 to approximately 25.5% for the six months ended 30 June 2015.

Income tax expenses increased is mainly attributed to the increase of gross profit and income tax rate which was increased to 25% in 2015 (2014: 15%) due to the expiry of the qualification of “Hi-New Tech Enterprises” status. Apupu Technology is applying for the requalification as “Hi-New Tech Enterprises” and expects to be obtained in the second half of 2015.

ANALYSIS OF FINANCIAL POSITION

Inventory turnover

The following table sets out the summary of the Group’s inventory turnover days for the six months ended 30 June 2015 and the year ended 31 December 2014:

	Six months ended 30 June 2015	Year ended 31 December 2014
Inventory turnover day (Note)	50	52

Note: The inventory turnover days for the year ended 31 December 2014 is arrived at by dividing the average inventories by cost of sales and then multiplying by 365 while the inventory turnover days for the six months ended 30 June 2015 is arrived at by dividing the average inventories by cost of sales and then multiplying by 182. Average inventories is arrived at by dividing the sum of the inventories at the beginning of year/period and that at the end of the year/period by 2. Inventory primarily comprised parts and components and finished goods. The turnover days of inventory for the six months ended 30 June 2015 were stable as compared with the turnover days of inventory for the year ended 31 December 2014. The figures for both periods are considered to be at a reasonable level.

Turnover days of trade receivables

The following table sets out the summary of the Group’s turnover days of trade receivables for the six months ended 30 June 2015 and the year ended 31 December 2014:

	Six months ended 30 June 2015	Year ended 31 December 2014
Turnover days of trade receivables (Note)	14	10

Note: The turnover days of trade receivables for the year ended 31 December 2014 is arrived at by dividing the average trade receivables by revenue and then multiplying by 365 while the turnover days of trade receivables for the six months ended 30 June 2015 is arrived at by dividing the average trade receivables by revenue and then multiplying by 182. Average trade receivables is arrived at by dividing the sum of the trade receivables at the beginning of year/period and that at the end of the year/period by 2. Trade receivables are arrived at by deducting the bill receivables at the end of the year/period. The increase in turnover days of trade receivables was mainly attributable to the increase in sales for the period. The figures for both periods are considered to be at a reasonable level.



Management Discussion and Analysis (Continued)

Aging analysis of trade and bills receivables

The aging analysis of trade and bills receivables of the Group as at 30 June 2015 and 31 December 2014 is as follows:

Trade receivables analysed by age:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 90 days	48,967	38,854
91–180 days	11,321	8,212
181–365 days	11,512	771
Over 365 days	1,614	2,103
Total trade receivables	73,414	49,940

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

Turnover days of trade payables

The following table sets out the summary of the Group's turnover days of trade payables for the six months ended 30 June 2015 and the year ended 31 December 2014:

	At 30 June 2015	At 31 December 2014
Turnover days of trade payables (Note)	76	77

Note: The turnover days of the trade payables for the year ended 31 December 2014 is arrived at by dividing average trade payables by cost of sales and then multiplying by 365 while the turnover days of the trade payables for the six months ended 30 June 2015 is arrived at by dividing average trade payables by cost of sales and then multiplying by 182. Average trade payables is arrived at by dividing the sum of the trade payables at the beginning of year/period and that at the end of the year/period by 2. The turnover days of trade payables decreased from 77 days for the year ended 31 December 2014 to 76 days for the six months ended 30 June 2015. The figures for both periods are considered to be at a reasonable level.

Management Discussion and Analysis (Continued)

Aging analysis of trade and bills payables

The aging analysis of trade and bills payables of the Group as at 30 June 2015 and 31 December 2014 is as follows:

Trade and bills payables analysed by age:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 90 days	137,030	91,216
91–180 days	1,857	2,155
181–365 days	569	753
Over 365 days	600	391
Total trade and bills payables	140,056	94,515

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

Current ratio, quick ratio and gearing ratio

The current ratio, quick ratio and gearing ratio of the Group as at 30 June 2015 and 31 December 2014 were as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current ratio	1.15	1.12
Quick ratio	1.05	0.89
Gearing ratio	0.19	0.07

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

The numbers in the above table are expressed in the form of ratio and not as a percentage. With an increase in pledged bank deposits and bank balances, the current ratio increased from approximately 1.12 times as at 31 December 2014 to 1.15 times as at 30 June 2015, and the quick ratio increased from approximately 0.89 times as at 31 December 2014 to 1.05 times as at 30 June 2015. The Group had a gearing ratio of 0.07 times as at 31 December 2014 and 0.19 times as at 30 June 2015.



Management Discussion and Analysis (Continued)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Cash flow

The table below summarises the Group's cash flow for the six months ended 30 June 2015 and 2014:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Net cash generated from operating activities	77,602	43,060
Net cash generated from (used in) investing activities	36,864	(13,334)
Net cash generated from (used in) financing activities	20,770	(68,776)

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.

30

Operating activities

Cash inflow from operations is mainly derived from cash received from sales of the Group's products. Cash outflow from operations is principally paid for the purchase of parts and components, staff costs, selling and distribution expenses and administrative expenses. Net cash generated from operating activities was approximately RMB77.6 million for the six months ended 30 June 2015 while there was a net cash inflow in the amount of approximately RMB43.1 million for the six months ended 30 June 2014.

Investing activities

Net cash generated from investing activities was approximately RMB36.9 million for the six months ended 30 June 2015 which was mainly attributable to the dividend received of RMB14.7 million and deposit received from a disposal of interests in associates of RMB10.0 million. Net cash used in investing activities was approximately RMB13.3 million for the six months ended 30 June 2014 which was mainly attributable to the net cash withdrew from pledged bank deposit of approximately RMB55.1 million and net cash placed for time deposits of approximately RMB61.5 million.

Financing activities

Net cash generated from financing activities was approximately RMB20.8 million for the six months ended 30 June 2015 while net cash used in financing activities was approximately RMB68.8 million for the six months ended 30 June 2014. The net cash inflows for financing activities for the six months ended 30 June 2015 were mainly attributable to the drawdown of bank loans of approximately RMB102.8 million.

Management Discussion and Analysis (Continued)

INDEBTEDNESS

Borrowings

The bank borrowings amounting to RMB213,209,000 (31 December 2014: RMB110,442,000) were secured by the pledged bank deposits, plant and land use right.

Bank facilities

As at the close of business on 30 June 2015, the Group had undrawn facilities amounting to RMB41,129,000.

Debt securities

As at the close of business on 30 June 2015, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 30 June 2015, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

A plant located at No. 210, 21st Street, Xiasha Economic & Technological Development Zone, Hangzhou, Zhejiang Province, PRC, together with the land use right thereon, amounting to RMB108,534,000 were pledged to a bank for bank facilities of RMB100,000,000. The total area of the plant and the related parcel of land were 94,965 square meters and 38,671 square meters, respectively.

Pledged bank deposit represents deposit pledged to a bank to secure short-term bank loan and is therefore classified as a current asset. As at the close of business on 30 June 2015, the Group had pledged bank deposits of RMB222,713,000 (31 December 2014: RMB139,968,000).

Regarding the pledged bank deposit amounting to RMB88,000,000, the interest rate has been fixed to 3.59% per annum.

Regarding the pledged bank deposit amounting to RMB130,504,000, the interest rate has been fixed to 3.25% per annum.

Regarding the pledged bank deposit amounting to RMB4,209,000, the interest rate has been fixed to 3.08% per annum.

FOREIGN EXCHANGE CONTROLS

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

The Group entered into offshore loan with domestic guarantee arrangements with domestic banks with annual deposit interest rate of 3.25%. As offshore banks in Hong Kong can provide a lower annual loan interest rate of 2.75% as compared with the loan financing in China and the fluctuations of the exchange rate for Hong Kong dollars to RMB was limited during the period, the Group can obtain a higher capital loan-deposit gain with controllable risk exposure.



Management Discussion and Analysis (Continued)

HUMAN RESOURCES

As at 30 June 2015, the Group employed 760 employees (as at 31 December 2014: 745). The total human resources cost of the Group for the six months ended 30 June 2015 was RMB20,500,000 (for the six months ended 30 June 2014: RMB17,400,000). Employees' remuneration packages are based on individual work experience and duties. The packages are reviewed annually by the management, taking into account the overall performance of individual employees and market conditions. The Group also participates in the state-managed pension scheme in the PRC.

BUSINESS MANAGEMENT

During the first half of 2015, driven by the effective strategies of diversification in channels and marketing and operational system, the Group achieved a continuous growth in sales and profit. The Group diversified its product distribution channels, including electronic appliances store ("KA store"), speciality store, e-commerce, engineering, home decoration and new countryside, and focused on channel building of the retail terminals of large KA (the ordinary KA store and speciality store). It also emphasized the horizontalization of home decoration channels and upgrading the service system in shopping experience. While the Group is exploring its new image on service experience in sales terminals, it also focuses on the integration with on-line sales. With "Experience it off line and Buy it online", dual-layers of values was added to the brand image and its marketing. During the first half of 2015, the Group also focused on the building of strategic alliance of brands in the home decoration and furniture industry. Also, the Company through strategic cooperation with local home decoration websites, such as "17 House.com", "Jia.com" and "Tubatu Decoration", creates a one-stop decoration services. As at 30 June 2015, the Group has 6000 points of sales, including 835 speciality stores (160 for Bathroom Master products and 675 for bathroom roof products). During the first half of 2015, the Group still focused on the ongoing integration of the regional agency and distribution systems and improving the quality of the regional agents. It optimized the evaluation system of the regional markets and enhanced the comprehensive marketing capability of regional agents through management, training and performance evaluation. Currently, after the reform, the Group has only one branch located in Shanghai, 9 regional offices, 206 franchised agents for Bathroom Master products, 354 franchised agents for bathroom roof products, 29 e-commerce franchised agents and 1 engineering project agent.

Full Year Prospects

The Directors consider that in the second half of 2015, the Group should continue to uphold the innovative concepts in skills and products, optimize the intelligence and diversity of shopping experience. It also focuses on the integration and intelligent solutions of bathroom roof and the diversification and compatibility of gusset plate design. For the products of bathroom master, the Company will continue to launch products under the intelligent "JINGYU (Serene Jade)", fashionable product with extreme thinness of "NuanFeng (Warm Wind)". For bathroom roof products, the Company will launch 10 products from 5 series of "Colorful Journey", opening a space for personalized and creative design for kitchen and bathroom roofs. For the channel development in the second half of 2015, the Group will continue to sort out and enhance the quality of the agents and follow the trend of modification and expansion in sales channels to maintain the stable growth of sales. Also, the Company will continue to increase expenditure in maintaining the brand value and enhance the brand image and positioning of AUPU through advertisements in the main high speed railway stations in China, new media on the internet, internet-based portable devices and electronic commercial platforms.

Management Discussion and Analysis (Continued)

Product Strategy

The Group has always regarded products as the carrier for the results growth, the lifeblood and the long term growth of the enterprise. During the first half of 2015, the Group launched the groundbreaking and intelligence “White Pure Flat Bathroom Master JINGYU” series and “YINXIANG (Impression)” series of the bathroom roof that mainly feature the experiences of emotion. These new series combined with the core module appliances of “AOXIN Gen-2”, “TANJING” and “XINYUE”, starts the era of intellectual products application. The Group has altered AUPU’s traditional positioning as a specialist bathroom appliance manufacturer, and opted to provide functional module appliances supplemented by systematic integrated decoration style and strived to become a provider of integrated roof solutions, staying closely in tuned with the integrated ceiling development trend and fashion. In 2015, the Group has achieved the intellectual functions upgrade on electronic and mechanical system of integrated ceiling and bathroom masters. In the future, AUPU will launch integrated systems for whole bathrooms and extend the integrated ceiling to the entire domestic area, creating an intelligence environment for every corner of a home.

At present, the Group has obtained 220 approved and authorised technical patents, including 3 invention patents, 55 utility new model patents and 162 design patents. The approved and authorised high-tech patents protect the high technology design of the Group’s products and effectively prevent the infringement of the market competitors.

The Directors consider that AUPU is the innovator and leader in the industry and always highly emphasizes on the protection of intellectual property rights. In the first half of 2015, AUPU’s trademark was graded as “Well-known Trademark” by The Trademark Appeal Board of the State Administration of Industry & Commerce of the People’s Republic of China. Also, the Company cracked down any infringement of AUPU’s intellectual property rights and manufacturing and selling of counterfeit products. In April 2015, a case regarding the counterfeit of AUPU Bathroom Master products in Cixi, Zhejiang, China was reported and the counterfeit producers and distributors were punished under the laws.

Investing Activities

On 15 April 2015, Hangzhou AUPU Bathroom & Kitchen Technology Co., Ltd. (“AUPU Technology”), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party, the Purchaser, in which AUPU Technology agreed to transfer 41.67% of the entire equity interest in Chengdu Qian Yin Investment Company Limited (“Chengdu Qianyin”), its joint-venture, to the Purchaser at the consideration of RMB32,000,000. Details of the transaction were disclosed in the Company’s announcement dated 15 April 2015. Currently, the Purchaser has paid AUPU Technology an amount of RMB10,000,000 for equity transfer and the balance of RMB22,000,000 shall be payable on or before 1 November 2015. The agreement stipulated that the entrusted loan and interest of RMB127.5 million due from Chengdu Qianyin to AUPU Technology shall be raised by the Purchaser for repayment before 1 November 2015. The agreement also stated that both parties shall arrange the registration of transfer in equity only after the payments were fully paid. As at the date of this report, two entrusted loan interests of RMB4.58 million in aggregate have not been injected by the Purchaser to the joint venture as the schedule required by the agreement. The joint-venture has issued a demand letter to the Purchaser for such matter.

The Directors considered that there is uncertainty as to the completion of this transaction, and there is a risk of default by the Purchaser.



Management Discussion and Analysis (Continued)

On 9 January 2011, the Group invested in a private equity fund, Zhejiang Haibang Cai Zhi Venture Partnership (浙江海邦才智投資合夥企業) (“Haibang Cai Zhi”). As at the date hereof, AUPU Technology has invested a total of RMB25,000,000 in Haibang Cai Zhi, representing approximately 16.78% of its equity interest. Currently, Haibang Cai Zhi is running well. AUPU Technology received dividend of RMB12,430,000 from Haibang Cai Zhi for the first half of 2015.

Connected Transactions

During the period, the Company did not enter into any connected transactions with connected persons (as defined in the Listing Rules) which was subject to reporting, announcement and/or shareholders’ approval requirements under Chapter 14A of the Listing Rules.

During the years of 2012 and 2013, AUPU Technology, Hangzhou AUPU Broni Kitchen & Bath Co., Ltd. (“AUPU Broni”), the Company’s indirect wholly-owned subsidiaries, and the Bank of Communications Company Limited entered into entrusted loan agreements (“Entrusted Loan Agreements”). As at 30 June 2015, the total outstanding amount granted under the Entrusted Loan Agreements was RMB9,000,000. The loan interest rate is 7% per annum and a lump sum payment of the principal and the interest due is payable upon the expiry of the loan in the year of 2016.

AUPU Broni is 40% owned by Tricosco Limited, the Company’s indirect wholly-owned subsidiary and 60% owned by Hangzhou Qian Cai Investment Company Limited (“Hangzhou Company”). Hangzhou Company is 92% owned by Mr. Fang Shengkang, an executive director of the Company. As such, AUPU Broni is an associate (as defined in the Listing Rules) of Mr. Fang Shengkang and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Entrusted Loan Agreements constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in the management of the Group. During the six months ended 30 June 2015, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own Code for Securities Transactions by the Officers (the "Code"). The Board confirms that, having made specific enquiry to all directors, the Directors have complied with the required standards set out in the Model Code and the Code during the period under review.

REVIEW BY THE AUDIT COMMITTEE

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

The interim results have been reviewed by the audit committee which was established in compliance with the Listing Rules and the relevant provisions of the Code on Corporate Governance Practices. As at the date hereof, the audit committee consists of three independent non-executive Directors, namely, Mr. Wu Tak Lung (Chairman), Mr. Shen Jianlin and Mr. Gan Weimin, and a non-executive director, Mr. Lu Songkang.



Other Information (Continued)

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

As at 30 June 2015, the interests of the Directors and the chief executives and their associates in the Shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

I. Long position in shares of the Company and its associated corporations

Name of Director(s)	The Company/ name of associated corporation(s)	Capacity/capacities	Number of issued ordinary Share(s)/underlying Share(s) held (Note 1)	Approximate percentage of issued share capital of the Company/ Associated corporation(s)
Mr. Fang James (Note 2)	The Company	Interest in controlled corporation	267,718,310(L)	25.62%
Mr. Fang James (Note 2)	SeeSi Universal Limited	Beneficial owner	71 shares of US\$1.00 each (L)	100%
Mr. Fang James (Note 3)	The Company	Beneficial owner	2,500,000(L)	0.24%
Mr. Fang Shengkang (Note 2)	The Company	Interest in controlled corporation	259,605,634 (L)	24.85%
Mr. Fang Shengkang (Note 4)	Sino Broad Holdings Limited	Beneficial owner	1 share of US\$1.00 each (L)	100%
Mr. Fang Shengkang (Note 5)	The Company	Beneficial owner	2,920,000(L)	0.28%
Mr. Lu Songkang (Note 2)	The Company	Interest in controlled corporation	40,563,380(L)	3.88%
Mr. Lu Songkang (Note 6)	Enown Harbour Limited	Beneficial owner	1 share of US\$1.00 each (L)	100%

Notes:

- The letter "L" represents the person's long position in such shares.
- On 21 November 2014, the shareholders of SeeSi Universal Limited ("SeeSi"), namely Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Chai Junqi transferred 32 shares, 5 shares and 1 share of SeeSi to Mr. Fang James respectively. In return, as consideration, Mr. Fang James has procured SeeSi to transfer 259,605,634 Shares, 40,563,380 Shares and 8,112,676 Shares to Sino Broad Holdings Limited ("Sino Broad"), Enown Harbour Limited ("Enown Harbour") and Copious All Limited ("Copious All") respectively (the aforementioned transactions are collectively referred to "Restructuring of Controlling Shareholders" and was disclosed pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Future Ordinance in the announcement dated 21 November 2014). SeeSi's entire issued shares are wholly-owned by Mr. Fang James which in turn owns 267,718,310 Shares of the Company.

Other information (Continued)

3. Mr. Fang James purchased 884,000 Shares of the Company in the open market at an average price of HK\$1.35 per Share on 27 August 2014, purchased 660,000 Shares at an average price of HK\$1.35 per Share on 28 August 2014, purchased 956,000 Shares at an average price of HK\$1.368 per Share on 29 August 2014. Hence, Mr. Fang James held an aggregate of 2,500,000 Shares of the Company in the capacity of a personal beneficial owner. He is also one of the director of the Company.
4. Sino Broad is one of the shareholders of the Company. Its entire issued shares are 100% held by Mr. Fang Shengkang and Mr. Fang Shengkang is deemed to be interested in all the Shares held by Sino Broad under the SFO.
5. Mr. Fang Shengkang purchased 720,000 Shares of the Company in the open market at an average price of HK\$1.35 per Share on 22 October 2007. Upon the approval at the general meeting of the Company held on 27 September 2010 of the bonus shares issue on the basis of one bonus share for every two shares held by shareholders whose names appear on the register of members of the Company on 24 September 2010, the number of shares which Mr. Fang Shengkang held was changed to 1,080,000 shares. Mr. Fang Shengkang also purchased 240,000 Shares of the Company in the open market at an average price of HK\$1.299 per Share on 20 October 2014, purchased 388,000 Shares in the open market at average price of HK\$1.93 per Share on 20 April 2015, purchased 500,000 shares in the open market at an average price of HK\$1.94 per Share on 21 April 2015, purchased 712,000 shares in the open market at an average price of HK\$1.95 per Share on 22 April 2015. Hence, Mr. Fang Shengkang held an aggregate of 2,920,000 Shares of the Company in the capacity of a personal beneficial owner. He is also one of the Director of the Company.
6. Enown Harbour Limited is one of the shareholders of the Company. Its entire issued shares are 100% held by Mr. Lu Songkang and Mr. Lu Songkang is interested in all the Shares held by Copious All by virtue of SFO. He is also one of the Director of the Company.

II. Long position in underlying Shares of the Company

Name of Director(s)	The Company/ name of associated corporation(s)	Capacity/Capacities	Number of issued ordinary Share(s)/underlying Share(s) held (Note 1)	Approximate percentage of issued share capital of the Company/ Associated corporation(s)
Mr. Wu Tak Lung (Note 2)	The Company	Beneficial owner	285,000	0.03%
Mr. Shen Jianlin (Note 3)	The Company	Beneficial owner	187,500	0.02%

Notes:

1. The letter "L" represents the person's long position in such shares.
2. Mr. Wu Tak Lung exercised the subscription rights of 90,000 Shares at the price of HK\$1.03 per Share in November 2010, 60,000 Shares at the price of HK\$1.03 per Share in September 2014 and 225,000 shares at the price of HK\$1.49 per share in April 2015 respectively.
3. Mr. Shen Jianlin exercised the subscription rights of 112,500 Shares at the price of HK\$1.49 per Share and 75,000 Shares at the price of HK\$1.03 per Share respectively in April 2015.

Other than as disclosed above, none of the Directors or chief executives had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2015.



Other Information (Continued)

SHARE OPTION SCHEME

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

(1) Purpose of the scheme:

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of the Group and to promote the success of the business of the Group. The Share Option Scheme provides that the Company may specify a minimum holding period and performance conditions which must be satisfied before options can be exercised by the option holders. In addition, the basis for the determination of the exercise price of the options has been set out in the Share Option Scheme. The Board considers that the aforesaid criteria and the terms of the Share Option Scheme will serve to encourage option holders to acquire proprietary interests in the Company.

(2) Participants of the scheme:

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

(3) The total number of securities available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of this interim report and the latest annual report:

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed such number of shares representing 30% of the issued share capital of the Company from time to time. As at the date of this Interim Report, the total number of issued shares in the capital of the Company was 1,047,228,500, and the total number of shares available for issue under the Share Option Scheme was 76,950,000, representing approximately 7.35% of the issued share capital of the Company as at that date.

As at 26 March 2015, being the date of the Annual Report 2014, the total number of issued shares in the capital of the Company was 1,044,866,000, and the total number of shares available for issue under the Share Option Scheme was 79,312,500, representing approximately 7.59% of the issued share capital of the Company as at that date.

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

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

Other information (Continued)

- (ii) Any options granted to an Eligible Person who is a substantial Shareholder (as defined in the Listing Rules) or an independent non-executive Director or their respective associates, which will result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options whether exercised, cancelled or remained outstanding) to such person in the period of 12 months up to and including the date of such grant:
- representing in aggregate over 0.1% of the issued share capital of the Company; and
 - having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000.00,

such further grant of options must be approved by the Shareholders by poll in general meetings convened and held in accordance with the articles of association of the Company and Rules 13.39, 13.40, 13.41 and 13.42 of the Listing Rules. The Company shall dispatch circular to the shareholders. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting. The aforementioned circular shall contain such information as required under Rule 17.04 of the Listing Rules.

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

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

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

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

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

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

- (8) Basis of determining the exercise price:

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board and shall be not less than the greater of:

- (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date, which must be a business day, of the written notice from the Company for granting the option (the "Date of Grant");



Other Information (Continued)

- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant; and
- (iii) the nominal value of the shares.

(9) Remaining life of the scheme:

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

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

Before bonus share issue:

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

After bonus share issue:

Option Type	Date of Grant	Number of shares	Exercise period	Adjusted exercise price
First batch	16/03/2007	7,500,000	16/3/2008 to 15/3/2017	HK\$1.49
Second batch	8/6/2007	9,675,000	8/6/2008 to 7/6/2017	HK\$2.07
Third batch	3/1/2008	12,150,000	3/1/2008 to 2/1/2017	HK\$1.03

As at 30 June 2015, the number of shares in respect of which options had been granted and remained under the Share Option Scheme was 4,275,000, representing approximately 0.41% of the issued shares of the Company as at that date. Among the share options granted, Directors were granted options entitling them to subscribe 2,850,000 shares of the Company, 600,000 shares of which have been exercised and 2,250,000 shares of which have lapsed.

Other information (Continued)

As at 30 June 2015, 4,275,000 share options granted to eligible Directors and employees of the Group were still outstanding and details are as follows:

Name or category of participant	Exercise price (HK\$)	Maximum number of Shares that may be subscribed under share options				Outstanding as at 30 June 2015	Vesting period	Notes	Percentage of the total issued Share Capital
		Outstanding as at 1 January 2015	Exercised for the six months ended 30 June 2015	Cancelled/ Lapsed for the six months ended 30 June 2015	Outstanding as at 30 June 2015				
<i>Directors</i>									
Wu Tak Lung	1.49	225,000	225,000	0	0	16/3/2008–15/3/2017	1,4	N/A	
Shen Jianlin	1.49	112,500	112,500	0	0	16/3/2008–15/3/2017	1,4	N/A	
	1.03	75,000	75,000	0	0	3/1/2008–2/1/2017	3,4	N/A	
Other employees in aggregate for First Batch of Share Options	1.49	1,800,000	1,800,000	0	0	16/3/2008–15/3/2017	1,4	N/A	
Other employees in aggregate for Second Batch of Share Options	2.07	4,425,000	0	150,000	4,275,000	8/6/2008–7/6/2017	2,4	0.41%	
Other employees in aggregate for Third Batch of Share Options	1.03	225,000	225,000	0	0	3/1/2008–2/1/2017	3,4	N/A	
Total		6,862,500	2,437,500	150,000	4,275,000				

Notes:

- On 16 March 2007, the Directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 5.0 million shares (after bonus shares issue in 2010: 7.5 million shares) of the Company to the three independent non-executive Directors and certain senior management of the Group (collectively referred as the "First Batch of Grantees") as an incentive and reward to the First Batch of Grantees for their contribution to the Group. The share options are exercisable at HK\$2.23 per share (after bonus shares issue in 2010: HK\$1.49) for the period within 10 years from the date of grant. As at 16 March 2007, the closing price of the Company's shares was HK\$2.23. The share options were granted to the First Batch of Grantees on such terms that the First Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.



Other Information (Continued)

2. On 8 June 2007, the Directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 6.45 million shares (after bonus shares issue in 2010: 9.68 million shares) of the Company to certain senior management of the Group (collectively referred as the "Second Batch of Grantees") as an incentive and reward to the Second Batch of Grantees for their contribution to the Group. The share options are exercisable at HK\$3.11 per share (after bonus shares issue in 2010: HK\$2.07) for the period within 10 years from the grant date. The closing price of the Company's shares was HK\$3.02 on 8 June 2007. The share options were granted to the Second Batch of Grantees on such terms that the Second Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.
3. On 3 January 2008, the Board granted additional share options entitling the holders to subscribe for a total of 8.1 million shares (after bonus shares issue in 2010: 12.15 million shares) of the Company to the three independent non-executive Directors and the management of the Company (collectively the "Third Batch of Grantees"). The share options are exercisable at HK\$1.55 per share (after bonus shares issue in 2010: HK\$1.03) for the period within 10 years from the grant date. The closing price of the Company's shares was HK\$1.55 on 3 January 2008. The share options were granted to the Third Batch of Grantees on the basis that the Third Batch of Grantees may exercise the options from the date of the grant, and up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.
4. These share options represent personal interests held by the relevant participants as beneficial owners.
5. On 27 September 2010, the bonus shares issue on the basis of one bonus share for every two shares held to shareholders whose names appeared on the register of members on 24 September 2010 was approved at the general meeting, pursuant to which the number of options and exercise price were adjusted accordingly. The number of share options after adjustment was 29,325,000 share options.
6. Up to 30 June 2015, an aggregate of 16,717,500 share options were lapsed due to the resignation of the relevant staff and an aggregate of 8,332,500 share options were exercised.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the interests of the substantial Shareholders (as defined in the Listing Rules), other than the Company's Directors or chief executives, in the Shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder(s)	Capacity/Capacities	Number of issued ordinary Shares/ underlying Shares held (Note 2)	Approximate percentage of issued share capital of the Company
SeeSi Universal Limited (Note 1)	Beneficial owner	267,718,310(L)	25.62%
Qiang Yan (Note 3)	Family interest	270,218,310(L)	25.86%
Sino Broad Holdings Limited (Note 1,4)	Beneficial owner	259,605,634(L)	24.85%
Zhang Shuqing (Note 5)	Family interest	262,525,634(L)	25.07%
Delta Lloyd Asset Management NV	Beneficial owner	72,976,000(L)	6.97%

Notes:

- (1) On 21 November 2014, the shareholders of the former SeeSi Universal Limited ("SeeSi") Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Chai Junqi transferred 32 shares, 5 shares and 1 share of SeeSi to Mr. Fang James respectively. As consideration, Fang James procured SeeSi to transfer 259,605,634 Shares, 40,563,380 Shares and 8,112,676 Shares to Sino Broad Holdings Limited ("Sino Broad"), Enown Harbour Limited ("Enown Harbour") and Copious All Limited ("Copious All") respectively (the aforementioned transactions are collectively referred to as "Restructuring of Controlling Shareholders" and being disclosed pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Future Ordinance). Accordingly, Seesi is one of the Shareholders of the Company up to 30 June 2015. Its entire issued shares are 100% held by Mr. Fang James, and Mr. Fang James is interested in all the shares held by Seesi in the Company simultaneously. He is also the Director of the Company.
- (2) The letter "L" represents the person's long position in such shares.
- (3) Madam Qiang Yan is the spouse of Mr. Fang James, a Director of the Company. Madam Qiang Yan is therefore deemed to be interested in the interests of Mr. Fang James, which consists of (i) 267,718,310 Shares beneficially owned by SeeSi; and (ii) 2,500,000 Shares beneficially owned by Mr. Fang James by virtue of the SFO.
- (4) Sino Broad Holdings Limited ("Sino Broad") is one of the Shareholder of the Company. Its entire issued shares are 100% held by Mr. Fang Shengkang and Mr. Fang Shengkang is deemed to be interested in all the Shares held by Sino Broad in the Company under the SFO. He is also the Director of the Company.
- (5) Madam Zhang Shuqing is the spouse of Mr. Fang Shengkang, a Director of the Company. Madam Zhang Shuqing is therefore deemed to be interested in the interests of Mr. Fang Shengkang, which consists of (i) 259,605,634 Shares beneficially owned by Sino Broad; and (ii) 2,920,000 Shares beneficially owned by Mr. Fang Shengkang by virtue of the SFO.

Save as disclosed above, as at 30 June 2015, none of the substantial shareholders, other than Directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.



Other Information (Continued)

PRE-EMPTIVE RIGHTS

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

INTERIM DIVIDEND

The Board is pleased to declare that an interim dividend of HKD0.08 per share for the six months ended 30 June 2015 will be payable in cash on or before Friday, 9 October 2015 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Friday, 18 September 2015. The interim dividend in cash will be paid in Hong Kong dollars.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 16 September 2015 to Friday, 18 September 2015 (both days inclusive), during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Tuesday, 15 September 2015.

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

Hong Kong, 20 August 2015