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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 2015

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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*3*	**929,053**	784,263
Cost of sales		**(476,938)**	(409,455)
Gross profit		**452,115**	374,808
Other income		**44,600**	28,787
Selling and distribution expenses		**(132,077)**	(104,995)
Administrative expenses		**(46,504)**	(40,088)
Other expenses		**(45,121)**	(36,128)
Finance costs on bank loans wholly repayable within five years		**(4,435)**	(2,532)
Share of losses of associates		**(5,584)**	(9,162)
Profit before tax	*4*	**262,994**	210,690
Income tax expenses	*5*	**(55,605)**	(40,442)
Profit and total comprehensive income for the year attributable to owners of the Company		**207,389**	170,248
Earnings per share — basic (RMB)	*7*	**0.20**	0.16
Earnings per share — diluted (RMB)	*7*	**0.20**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**257,679**	219,691
Prepaid lease payments		**26,437**	27,084
Interests in associates		**16,171**	21,755
Available-for-sale investments		**70,000**	67,500
Amounts due from associates		**9,000**	136,500
Deferred tax assets		**12,191**	9,637
		391,478	482,167
Current assets			
Prepaid lease payments		**647**	647
Inventories		**61,908**	69,937
Trade, bills and other receivables	8	**95,007**	59,166
Amounts due from associates		**131,454**	3,273
Held-for-trading investments	9	**—**	30,000
Time deposits		**80,000**	167,000
Pledged bank deposits		**96,584**	139,968
Bank balances and cash		**135,261**	41,647
		600,861	511,638
Current liabilities			
Trade, bills and other payables	10	**343,990**	283,885
Amounts due to associates		**39**	—
Income tax liabilities		**22,301**	25,134
Other tax liabilities		**4,765**	7,983
Short-term bank loans		**—**	110,442
		371,095	427,444
Net current assets		**229,766**	84,194
Total assets less current liabilities		**621,244**	566,361
Capital and reserves			
Share capital		**101,129**	100,940
Share premium and reserves		**504,116**	446,305
Equity attributable to owners of the Company		**605,245**	547,245
Non-current liabilities			
Deferred tax liabilities		**15,999**	19,116
		621,244	566,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

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

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarifications of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
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[4]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after a date to be determined

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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstand, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is 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 new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company ("Directors") 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

IFRS 15 was issued which established 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 related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize 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 and services. Specifically, the Standard introduced 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 are in the process of evaluating the financial impact on IFRS 15, which may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements in the future. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Except as described above, the Directors anticipate that the application of other new and amendments to IFRSs in issue but not effective will have no material effect on Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the board of the Company, 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 2015

	Second Tier Cities *RMB'000*	**Shanghai** *RMB'000*	**Jiangsu** *RMB'000*	**Beijing** *RMB'000*	**Zhejiang** *RMB'000*	**Northeastern Region** *RMB'000*	**Sichuan** *RMB'000*	**Export** *RMB'000*	**Total** *RMB'000*
REVENUE									
External sales	**328,608**	**98,553**	**148,502**	**81,997**	**160,380**	**21,823**	**59,048**	**30,142**	**929,053**
Inter-segment sales	**—**	**—**	**—**	**—**	**31,021**	**—**	**—**	**—**	**31,021**
Segment revenue	**328,608**	**98,553**	**148,502**	**81,997**	**191,401**	**21,823**	**59,048**	**30,142**	**960,074**
Eliminations					**(31,021)**				**(31,021)**
Group revenue									**929,053**
Segment profit	**152,170**	**49,301**	**76,506**	**42,460**	**79,993**	**10,942**	**29,370**	**11,373**	**452,115**
Interest income									**18,444**
Other unallocated income									**26,156**
Unallocated expenses									**(223,702)**
Finance costs									**(4,435)**
Share of losses of associates									**(5,584)**
Profit before tax									**262,994**

For the year ended 31 December 2014

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment without allocation of interest income, other income and expenses, selling and distribution expenses, administrative expenses, share of 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:

	2015	2014
	RMB'000	*RMB'000*
Bathroom masters	**554,618**	474,245
Bathroom roofs	**330,231**	273,325
Others	**44,204**	36,693
	929,053	784,263

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:

	2015	2014
	RMB'000	*RMB'000*
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	**37,738**	32,411
— retirement benefit scheme contributions	**5,942**	5,174
Total staff costs	**43,680**	37,585
Cost of inventories recognised as an expense *(note a)*	**476,938**	409,455
Research expenditure included in other expenses	**33,005**	30,010
Depreciation of property, plant and equipment	**14,846**	13,134
Auditors' remuneration	**1,850**	1,680
Release of prepaid lease payments	**647**	647
Loss on disposal of property, plant and equipment	**32**	20
Write off for accounts receivable	**—**	500
After crediting:		
Interest income from:		
— bank deposits	**10,273**	6,896
— amounts due from associates	**8,171**	8,654
Total interest income	**18,444**	15,550
Net foreign exchange loss	**4,636**	1,447
Rental income	**808**	259
Government grants *(note b)*	**2,794**	4,100
Dividend income from available-for-sale investments	**14,718**	—

Notes:

(a) Allowance of inventories obsolescence amounting to RMB196,000 (2014: Reverse for allowance RMB1,973,000) 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.

5. INCOME TAX EXPENSES

	2015	2014
	RMB'000	*RMB'000*
Income tax expenses comprises:		
Current tax		
— PRC Enterprise Income Tax	**46,195**	32,207
— Over provision in prior years	**(169)**	(1,809)
	46,026	30,398
Deferred tax	**9,579**	10,004
	55,605	40,442

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% (2014: 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 profit or loss and other comprehensive income as follows:

	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**262,994**		210,690	
Tax at the domestic income tax rate of 25%	**65,748**	**25.00**	52,672	25.00
Tax effect of expenses not deductible for tax purpose	**7,380**	**2.80**	2,931	1.39
Over provision in respect of prior years	**(169)**	**(0.06)**	(1,809)	(0.86)
Tax effect of share of loss of associate	**1,396**	**0.53**	2,290	1.09
Effect of different tax rate of a subsidiary	**(31,686)**	**(12.05)**	(25,070)	(11.89)
Tax effect on tax loss not recognised	**803**	**0.31**	24	0.01
Effect of withholding tax	**12,133**	**4.61**	9,404	4.46
Tax charge and effective tax rate for the year	**55,605**	**21.14**	40,442	19.20

6. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 Interim — HK$0.08 (2014: 2014 interim dividend HK$0.06) per share	**67,610**	49,726
2014 Final — HK$0.10 (2014: 2013 final dividend RMB0.025) per share	**84,512**	26,489
	152,122	76,215

The final dividend of HK$0.04 per share in respect of the year ended 31 December 2015 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:

	2015	2014
	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)	**207,389**	170,248

Number of shares:

	Number of ordinary shares	
	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,046,464,733**	1,043,946,027
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	**1,046,464,733**	1,043,972,546

For the year ended 31 December 2015, 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 2015.

8. TRADE, BILLS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Aged analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on invoice date, which approximated the respective revenue recognition dates:		
Within 90 days	**48,875**	38,854
91–180 days	**29,159**	8,212
181–365 days	**1,841**	771
Over 365 days	**2,398**	2,103
Total trade and bills receivables	**82,273**	49,940
Other receivables, deposits and prepayments	**12,734**	9,226
	95,007	59,166

The average credit period granted on sales of goods ranges from 0 to 90 days (2014: 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 receivables from the date credit was initially granted up to the end of the reporting period.

	2015	2014
	RMB'000	*RMB'000*
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	**3,118**	3,118
Written off bad and doubtful debts	**(357)**	—
At end of the year	**2,761**	3,118

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB2,761,000 (2014: RMB3,118,000) recognised, which the counterparties have been in financial difficulties.

Trade receivables amounting to RMB6,287,000 (2014: RMB6,936,000) 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 an aggregate carrying amount of RMB6,198,000 (2014: RMB4,433,000) 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.

	2015	2014
	RMB'000	*RMB'000*
Aging of trade receivables which are past due but not impaired		
91–180 days	**1,959**	1,559
181–365 days	**1,841**	771
Over 365 days	**2,398**	2,103
	6,198	4,433

9. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments

	2015	2014
	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 fair value represented the quoted prices in active markets. Such investments were fully disposed in 2015.

10. 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 (2014: 90 days).

	2015	2014
	RMB'000	*RMB'000*
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	**105,809**	91,216
91–180 days	**2,308**	2,155
181–365 days	**483**	753
Over 365 days	**822**	391
Total trade payables	**109,422**	94,515
Aged analysis of bills payables presented based on issue date:		
Within 90 days	**76,848**	62,840
Retention sum due to suppliers	**10,583**	8,571
Deposit received from Dongfu	**10,000**	—
Advances from customers	**40,802**	27,578
Sales commission accruals	**37,711**	33,941
Other payables and accruals	**58,624**	56,440
	343,990	283,885

11. RELATED PARTY TRANSACTIONS

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

	2015	2014
	RMB'000	*RMB'000*
Amounts due from associates		
— interest bearing *(note i)*	**136,500**	136,500
— non-interest bearing *(note ii)*	**3,954**	3,273
	140,454	139,773
Analysed for reporting purpose as:		
— Non-current assets	**9,000**	136,500
— Current assets *(note ii, note iii)*	**131,454**	3,273
	140,454	139,773
Amounts due to associates		
— non-interest bearing *(note ii)*	**39**	—

Notes:

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

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

(iii) At 31 December 2015, interest bearing loans of RMB127,500,000 will due in one year.

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

	2015	2014
	RMB'000	*RMB'000*
Rental income	**173**	172
Interest income	**8,470**	8,654
Purchase	**3,300**	—
Other income	**443**	428
	12,386	9,254

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

	2015	2014
	RMB'000	*RMB'000*
Short-term employee benefits	**9,976**	7,809
Post-employment benefits	**51**	51
	10,027	7,860

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 2015, the revenue of the Group amounted to approximately RMB929,053,000, representing an increase of approximately 18.46% as compared with the revenue which amounted to approximately RMB784,263,000 for the year ended 31 December 2014. The increase in revenue was mainly attributable to the launching 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 2015, accounting for 35.37% (2014: 35.86%) of the Group's sales.

The revenue from bathroom master products increased from approximately RMB474,245,000 for the year ended 31 December 2014 to RMB554,618,000 for the year ended 31 December 2015, representing an increase of approximately RMB80,373,000 or approximately 16.95%. The revenue of bathroom master products accounted for approximately 59.70% and 60.47% of the Group's total revenue for the years ended 31 December 2015 and 2014 respectively.

At the same time, the revenue of bathroom roof products increased from approximately RMB273,325,000 for the year ended 31 December 2014 to approximately RMB330,231,000 for the year ended 31 December 2015, representing an increase of approximately RMB56,906,000 or approximately 20.82%. The revenue of bathroom roof products accounted for approximately 35.54% and 34.85% of the Group's total revenue for the years ended 31 December 2015 and 2014 respectively.

Costs of sales

For the year ended 31 December 2015, the costs of sales of the Group amounted to approximately RMB476,938,000, and the costs of parts and components, direct labour and overhead represented approximately 91.49% and 8.51% of the total costs of sales respectively while 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 92.10% and 7.90% of the total costs of sales respectively.

Other income

Other income increased from approximately RMB28,787,000 for the year ended 31 December 2014 to approximately RMB44,600,000 for the year ended 31 December 2015. It was mainly contributed by the increase of dividend income received from available-for-sale investments.

Selling and distribution expenses

The selling and distribution expenses for the year ended 31 December 2015 amounted to approximately RMB132,077,000 (2014: RMB104,995,000). It mainly comprised advertising expenses of approximately RMB54,691,000 (2014: RMB34,537,000), sales promotion expenses of approximately RMB6,433,000 (2014: RMB2,574,000), salaries expenses for sales and marketing staff of approximately RMB26,186,000 (2014: RMB23,073,000), after sales services expenses of approximately RMB1,304,000 (2014: RMB1,802,000) and transportation expenses of approximately RMB16,998,000 (2014: RMB15,630,000). The selling and distribution expenses for the year ended 31 December 2015 increased by RMB27,082,000 as compared with that of the year ended 31 December 2014 was mainly due to the increase in advertising expenses.

Administrative expenses

The administrative expenses for the year ended 31 December 2015 amounted to approximately RMB46,504,000 (2014: RMB40,088,000). It mainly comprised salaries expenses of general and administrative staff of approximately RMB20,170,000 (2014: RMB16,865,000), depreciation of approximately RMB6,345,000 (2014: RMB5,734,000), professional fees of approximately RMB7,948,000 (2014: RMB4,987,000), and office expenses of approximately RMB2,957,000 (2014: RMB2,513,000). The administrative expenses for the year ended 31 December 2015 increased by RMB6,416,000 as compared with that of the year ended 31 December 2014 was mainly due to the increase in professional fees and incentive bonus paid to management.

Other expenses

Other expenses increased from approximately RMB36,128,000 for the year ended 31 December 2014 to approximately RMB45,121,000 for the year ended 31 December 2015 due to the increase in research and development costs of RMB1,674,000 and donation of RMB3,995,000.

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 2015 and 2014:

	Year ended 31 December 2015	Year ended 31 December 2014
Inventory turnover days *(Note)*	**50**	52

Note: The inventory turnover period is arrived at by dividing average inventories by cost of sales and then multiplying by 365. Average inventories is arrived at by dividing the sum of the inventories at the beginning of the year and that at the end of the year by 2. The inventory primarily comprised parts and components and finished goods.

The inventory turnover period decreased from 52 days for the year ended 31 December 2014 to 50 days for the year ended 31 December 2015 because the average inventory level was lower for the year ended 31 December 2015.

Turnover days of trade receivables

The following table sets out the summary of the Group's turnover days of trade receivables of the two years ended 31 December 2015 and 2014:

	Year ended 31 December 2015	Year ended 31 December 2014
Turnover days of trade receivables *(Note)*	**9**	10

Note: The turnover days of trade receivables is arrived at by dividing average trade receivables by revenue and then multiplying by 365. The average trade receivables are 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 10 days for the year ended 31 December 2014 to 9 days for the year ended 31 December 2015. The turnover days of trade receivables were stable.

Aging analysis of trade receivables

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

	At 31 December 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Aged analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on invoice date, which approximated the respective revenue recognition dates:		
Within 90 days	**48,875**	38,854
91–180 days	**29,159**	8,212
181–365 days	**1,841**	771
Over 365 days	**2,398**	2,103
Total trade and bills receivables	**82,273**	49,940

The average credit period granted on sales of goods ranges from 0 to 90 days (2014: 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 receivables from the date credit was initially granted up to the end of the reporting period.

	2015 *RMB'000*	2014 *RMB'000*
Movement in the allowance for bad and doubtful debts:		
At beginning of the year	**3,118**	3,118
Written off bad and doubtful debts	**(357)**	—
At end of the year	**2,761**	3,118

Trade receivables amounting to RMB6,287,000 (2014: RMB6,936,000) 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 2015 and 2014:

	At 31 December 2015	At 31 December 2014
	RMB'000	*RMB'000*
Interest receivables	**2,911**	1,714
Prepaid expense	**3,677**	4,248
Utilities and rental deposits	**1,262**	1,338
Staff advances	**3,478**	833
Others	**1,406**	1,093
Total other receivables	**12,734**	9,226

The increase in the balance of other receivables as at 31 December 2015 comparing with 31 December 2014 was mainly attributable to the increase in advances made to staff and interest receivable.

Turnover days of trade payables

The following table sets out the summary of the Group's turnover days of trade payables of the two years ended 31 December 2015 and 2014:

	Year ended 31 December 2015	Year ended 31 December 2014
Turnover days of trade payables *(Note)*	**78**	77

Note: The turnover days of trade payables is arrived at by dividing average trade payables by cost of sales and then multiplying by 365. The average trade payables are arrived at by dividing the sum of the trade payables at the beginning of year and that at the end of the year by 2. The turnover days of trade payables increased from 77 days for the year ended 31 December 2014 to 78 days for the year ended 31 December 2015. Both of the figmes 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 2015 and 2014 is as follows:

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Trade and bills payables analysed by age:		
Within 90 days	**182,657**	154,056
91–180 days	**2,308**	2,155
181–365 days	**483**	753
Over 365 days	**822**	391
Total trade and bills payables	**186,270**	157,355

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 2015 and 2014 were as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Current ratio	**1.62**	1.20
Quick ratio	**1.45**	1.03
Gearing ratio	**0.00**	0.11

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 the 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 as at 31 December 2015 increased as compared with that of 31 December 2014. It was mainly because all short-term bank loans were settled during the year ended 31 December 2015.

Gearing ratio of the Group decreased from 0.11 for the year ended 31 December 2014 to 0.00 for the year ended 31 December 2015 because the Group settled all external financing debt during the year.

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 2015 and 31 December 2014:

	Year ended 31 December 2015 *RMB'000*	Year ended 31 December 2014 *RMB'000*
Net cash from operating activities	**251,578**	173,439
Net cash from (used in) investing activities	**106,302**	(133,364)
Net cash used in financing activities	**(264,266)**	(67,578)

The Group's working capital mainly comes from net cash inflow from operating activities. The Directors expect that the Group will rely on the 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 2015 was approximately RMB251,578,000, while profit before tax was approximately RMB262,994,000 for the same year. The difference of approximately RMB11,416,000 was mainly caused by the adjustment of approximately RMB14,846,000 made on the depreciation of property, plant and equipment, dividend income of RMB14,718,000, interest income of approximately of RMB18,444,000, finance costs of approximately

RMB4,435,000, share of losses of associates of approximately RMB5,584,000, income taxes paid in the amount of RMB64,109,000 and movements in working capital in the amount of approximately RMB60,115,000.

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 RMB1,973,000, 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 RMB28,683,000.

Investing activities

Net cash generated from investing activities was approximately RMB106,302,000 for the year ended 31 December 2015 which was primarily attributable to the net decrease of time deposits in the amount of approximately RMB87,000,000, purchase of property, plant and equipment in the amount of approximately RMB52,946,000 and decrease in pledged bank deposits in the amount of approximately RMB43,384,000. The net cash used in investing activities were approximately RMB133,364,000 for the year ended 31 December 2014 which was primarily attributable to the net increase of 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.

Financing activities

Net cash used in financing activities was approximately RMB264,266,000 for the year ended 31 December 2015, which mainly included approximately RMB152,122,000 for dividends paid, approximately RMB213,026,000 for repayment of borrowings, and proceeds from new bank loans raised approximately RMB102,584,000 during the year ended 31 December 2015. Net cash used in financing activities was approximately RMB67,578,000 for the year ended 31 December 2014, 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.

INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2015, the Group had no outstanding borrowings.

Bank facilities

As at the close of business on 31 December 2015, the Group had undrawn facilities amounting to RMB167,370,000.

Debt securities

As at the close of business on 31 December 2015, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 31 December 2015, the Group did not have any material contingent liabilities or guarantees.

Pledge of assets

As at the close of business on 31 December 2015, the Group had pledged bank deposits of RMB96,584,000

Capital commitments and other commitments

Capital expenditures in the consolidated financial statements in respect of:

	2015	2014
	RMB'000	*RMB'000*
Contracted for but not provided		
Acquisition of property, plant and equipment	**18,865**	48,072
Capital contribution to an equity investment	**—**	2,500
	18,865	50,572

FUTURE PROSPECTS

In 2016, led by the management team drawn from younger generations, the Group will continue with the young-age oriented strategies for our human resources. In order to boost the influence of the AUPU brand, the Group carries on to develop products with intelligent, fashionable and digital features, and continuously improves the professional and operating capabilities of the sales agents. Eventually it will provide customers with one-stop solutions to the upper space of house.

Channel Strategy

The Group will push forward the establishment and transformation of its sales channels, and promote diversification of channel development. It will contribute more effort to recruiting sales agents in the regions where we have not developed yet, and support and train up potential agents.

The channel strategy for bathroom roof products will still be based on the increase in number and size of specialty stores and their refurbishment. It will also focus on the sales making to property developers and strategic alliance with online interior decoration companies. The channel strategy for Bathroom Master products will emphasize on the e-commerce sales and interior decoration channels. It will also increase the number of retailers.

Product Strategy

Through accessory matching for product series, various installation methods, differentiation of channels and development of high-end products, the product mix was gradually enriched. In product innovation, the overall stylish look was highlighted and the design will cater more for the young customers' aesthetic standards. Besides, AUPU products will pay more attention to the scene in which users situated, and to be user-friendly and intelligent. In the future AUPU will launch new products with air purification function to tackle the problems arising from the air pollution in China, and extend the integrated ceilings from the living room to the whole living space, creating the all-rounded intelligent ceiling system based on the entire room.

Brand Strategy

The Group will try to put resources to develop the "High input, High profit and High growth" model for its brand building. In order to build up a trendy and young fashioned brand image, the brand promotional contents and the selected channels catered more for the favour of the post-80s and post-90s generations. Through the new Internet media, SNS social networking platforms and the WeChat platform, AUPU will attract more young followers. In the future, the Group will also appoint an actor who meets the characteristic of AUPU products as the brand promoter. The sales services of AUPU products will be emphasized. Good services before sales, during sales and after sales will bring good public praise to AUPU brand and accelerate more sales in the future. Therefore, AUPU will invest to set up member service centers and a customer database to implement all-rounded and interactive sales process.

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 2015 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 reviewing 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 2015 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 HK$0.04 (2014: HK$0.10) per share for the year ended 31 December 2015 to shareholders whose names appear on the register of members of the Company on Tuesday, 7 June 2016. The proposed dividend is subject to the approval of shareholders at the forthcoming annual general meeting to be held on Friday, 27 May 2016 ("AGM") and will be payable on or before Friday, 17 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 24 May 2016.

The Company's register of members will be closed from Friday, 3 June 2016 to Tuesday, 7 June 2016 (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 Thursday, 2 June 2016.

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

Hangzhou, Zhejiang Province, PRC, 22 March 2016

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.