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AUPU

AUPU GROUP HOLDING COMPANY LIMITED

奥普集团控股有限公司

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

(Stock Code: 00477)

**RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board of directors of AUPU Group Holding Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results and financial position of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016, together with comparative figures for the corresponding period of 2015. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue		536,283	423,235
Cost of sales		<u>(262,434)</u>	<u>(221,396)</u>
Gross profit		273,849	201,839
Other income		14,143	26,643
Distribution and selling expenses		(83,712)	(55,333)
Administrative expenses		(24,114)	(19,594)
Other expenses		(31,811)	(15,875)
Other losses		—	(1,795)
Share of losses of associates		(2,685)	(2,545)
Finance costs		<u>—</u>	<u>(2,889)</u>
Profit before tax	4	145,670	130,451
Income tax expenses	5	<u>(27,163)</u>	<u>(33,285)</u>
Profit for the period and total comprehensive income attributable to owners of the Company		<u>118,507</u>	<u>97,166</u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share			
— Basic	7	0.11	0.09
— Diluted	7	<u>0.11</u>	<u>0.09</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30 June	31 December
		2016	2015
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	8	263,493	257,679
Prepaid lease payments		26,113	26,437
Interests in associates	9	13,486	16,171
Available-for-sale investments	10	72,399	70,000
Amount due from associates	19	81,000	9,000
Deferred tax assets	11	13,629	12,191
		470,120	391,478
Current assets			
Prepaid lease payments		647	647
Inventories		79,893	61,908
Trade, bills and other receivables	12	108,702	95,007
Amounts due from associates	19	67,281	131,454
Time deposits	13	292,000	80,000
Pledged bank deposits	13	7,084	96,584
Bank balances and cash		102,331	135,261
		657,938	600,861
Current liabilities			
Trade, bills and other payables	14	376,736	343,990
Amounts due to associates	19	474	39
Income tax liabilities		28,859	22,301
Other tax liabilities		12,434	4,765
		418,503	371,095
Net current assets		239,435	229,766
Total assets less current liabilities		709,555	621,244

		30 June 2016	31 December 2015
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Capital and reserves			
Share capital	<i>15</i>	101,129	101,129
Share premium and reserves		<u>587,433</u>	<u>504,116</u>
Equity attributable to owners of the Company		688,562	605,245
Non-current liability			
Deferred tax liability	<i>11</i>	<u>20,993</u>	<u>15,999</u>
		<u>709,555</u>	<u>621,244</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserves RMB'000	Share option reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	
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	189	6,702	—	—	(4,158)	—	—	2,544	2,733
At 30 June 2015 (unaudited)	<u>101,129</u>	<u>242,456</u>	<u>(73,274)</u>	<u>94,573</u>	<u>12,246</u>	<u>1,970</u>	<u>185,458</u>	<u>463,429</u>	<u>564,558</u>
At 1 January 2016 (audited)	101,129	242,456	(73,274)	94,573	12,246	1,970	226,145	504,116	605,245
Profit and total comprehensive income for the period	—	—	—	—	—	—	118,507	118,507	118,507
Dividends recognised as distribution (note 6)	—	—	—	—	—	—	(35,190)	(35,190)	(35,190)
At 30 June 2016 (unaudited)	<u>101,129</u>	<u>242,456</u>	<u>(73,274)</u>	<u>94,573</u>	<u>12,246</u>	<u>1,970</u>	<u>309,462</u>	<u>587,433</u>	<u>688,562</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash from operating activities	<u>140,806</u>	<u>77,602</u>
Investing activities:		
Interest received	6,630	7,214
Dividends received	807	14,716
Purchases of property, plant and equipment	(13,294)	(23,816)
Proceeds from disposal of property, plant and equipment	37	—
Placement of time deposits	—	(55,000)
Withdrawal of time deposits	70,000	137,000
Withdrawal of pledged bank deposit	89,500	103,141
Placement of pledged bank deposit	—	(185,886)
Withdrawal of held-for-trading investment	—	30,000
Advance to associates	(827)	(505)
Withdrawal loan to associate	67,000	—
Placement loan to associate	(74,000)	—
Deposit received	—	10,000
Withdrawal of available-for-sale investments	7,101	—
Placement of available-for-sale investments	(9,500)	—
Net cash generated from investing activities	<u>143,454</u>	<u>36,864</u>
Financing activities:		
Dividends paid	(35,190)	(82,586)
New bank loan raised	—	102,767
Interest paid	—	(2,144)
Proceeds from exercise of share option	—	2,733
Net cash (used in) generated from financing activities	<u>(35,190)</u>	<u>20,770</u>
Net increase in cash and cash equivalents	249,070	135,236
Cash and cash equivalents at 1 January	<u>135,261</u>	<u>41,647</u>
Cash and cash equivalents at 30 June	384,331	176,883
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	102,331	176,883
Time deposits	<u>282,000</u>	<u>—</u>
	<u><u>384,331</u></u>	<u><u>176,883</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 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 accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain standards of and amendments to International Financial Reporting Standards that are mandatorily effective for the current interim period.

The application of the new standards of and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised IFRSs 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 ²
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2017

The directors of the Company (the “Directors”) do not anticipate that the application of the above new or revised IFRSs will have any significant impact on the Group’s financial results and financial position.

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 2016 (unaudited)

	Second Tier Cities	Shanghai	Jiangsu	Beijing	Zhejiang	North- eastern Region	Sichuan	Export	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE									
External sales	209,743	59,327	89,715	39,806	84,983	13,531	26,923	12,255	536,283
Inter-segment sales	—	—	—	—	18,323	—	—	—	18,323
	<u>209,743</u>	<u>59,327</u>	<u>89,715</u>	<u>39,806</u>	<u>103,306</u>	<u>13,531</u>	<u>26,923</u>	<u>12,255</u>	<u>554,606</u>
Eliminations					(18,323)				(18,323)
Group revenue									<u>536,283</u>
Segment profit	<u>104,677</u>	<u>29,881</u>	<u>47,987</u>	<u>21,469</u>	<u>43,872</u>	<u>6,970</u>	<u>13,799</u>	<u>5,194</u>	273,849
Interest income									7,218
Dividend income									807
Other unallocated income									5,849
Unallocated expenses									(139,368)
Share of losses of associates									(2,685)
Profit before tax									<u>145,670</u>

For the six months ended 30 June 2015 (unaudited)

	Second Tier Cities	Shanghai	Jiangsu	Beijing	Zhejiang	North- eastern Region	Sichuan	Export	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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
	<u>140,999</u>	<u>55,116</u>	<u>70,843</u>	<u>37,381</u>	<u>82,734</u>	<u>12,292</u>	<u>29,199</u>	<u>8,988</u>	<u>437,552</u>
Eliminations					(14,317)				(14,317)
Group revenue									<u>423,235</u>
Segment profit	<u>62,838</u>	<u>26,755</u>	<u>36,029</u>	<u>19,162</u>	<u>33,638</u>	<u>6,162</u>	<u>14,212</u>	<u>3,043</u>	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									<u>130,451</u>

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

4. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<i>After charging:</i>		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	23,312	18,536
— retirement benefit scheme contributions	<u>2,261</u>	<u>1,967</u>
Total staff costs	<u><u>25,573</u></u>	<u><u>20,503</u></u>
Research expenditure included in other expenses	27,781	14,146
Depreciation of property, plant and equipment	7,357	6,858
Release of prepaid lease payments	324	324
Loss on disposal of property, plant and equipment	6	—
Cost of inventories recognised as an expense	262,434	221,396
Allowance for bad and doubtful debts	—	1,795
<i>After crediting:</i>		
Interest income		
— bank deposits	2,768	4,458
— interest income from associates	4,450	3,534
Dividend income	807	14,716
Government grants (<i>note a</i>)	<u><u>85</u></u>	<u><u>254</u></u>

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 non-recurring.

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax	23,607	38,853
Deferred tax charge (credit) (note 11)	<u>3,556</u>	<u>(5,568)</u>
	<u>27,163</u>	<u>33,285</u>

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.

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% (2015: 25%) under Enterprise Income Tax (EIT) Law. AUPU Technology, a subsidiary of the Company, was qualified as “Hi-New Tech Enterprises”, and therefore enjoys a preferential tax rate of 15% under Enterprise Income Tax Law of the PRC (“EIT Law”). As at 30 June 2015, the Hi-New Tech Enterprises certification of AUPU Technology (the “Certificate”) was expired so AUPU Technology was subject to enterprise income tax rate of 25% for the six months period ended 30 June 2015. The Certificate was subsequently granted on 17 September 2015, which covers a period from 17 September 2015 to 16 September 2018. Therefore, the applicable tax rate of AUPU Technology for the six months period ended 30 June 2016 is 15%.

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.

6. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend paid for 2015 of Hong Kong Dollars (HK\$) 0.04 per share (2014 final: HK\$ 0.1 per share)	<u>35,190</u>	<u>82,586</u>

In respect of the current interim period, no dividend will be paid to shareholders.

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	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	<u>118,507</u>	<u>97,166</u>
	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,047,228,500</u>	1,045,267,301
Effect of dilutive potential ordinary shares share-based payment transactions	<u>740,955</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,047,969,455</u>	<u>1,045,267,301</u>

For the period ended 30 June 2016, the computation of diluted earnings per share has taken into account of the impact from the exercise of the Company's outstanding share options as the exercise prices of the Company's options were lower than the average market price in 2016.

For the period ended 30 June 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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB11,143,000 for properties under construction, RMB2,136,000 on additions to machinery, motor vehicles, fixtures and equipment and RMB154,000 for addition to buildings in the PRC.

9. INTERESTS IN ASSOCIATES

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Cost of unlisted investment in associates	38,000	38,000
Share of post-acquisition losses	<u>(24,514)</u>	<u>(21,829)</u>
	<u>13,486</u>	<u>16,171</u>

As at 30 June 2016, the Group had interests in the following associates:

Name	Place and date of establishment	Proportion of ownership interest		Registered capital RMB	Principal activity
		30 June 2016	31 December 2015		
Hangzhou AUPU Broni Kitchen & Bath Co., Ltd 杭州奧普博朗尼廚衛科技 有限公司	Hangzhou, PRC 2 November 2009	40%	40%	30,000,000	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 development

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 Chengdu Qianyin, together with a loan to it with carrying amounts of RMB3,200,000 and RMB127,500,000 as at 15 April 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, RMB1,960,000 and RMB127,500,000 on 16 April 2015, 1 August 2015 and 1 November 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.

The Directors 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 Chengdu Qianyin. As the Company still has significant influence over Chengdu Qianyin, the investment continued to be accounted for an interest in an associate at 30 June 2016.

10. AVAILABLE-FOR-SALE INVESTMENTS

At 30 June 2016, 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作企業) (“Haibang Cai Zhi”) amounting to RMB17,899,000, representing a 16.78% (2015: RMB25,000,000, 16.78%) interest in Haibang Cai Zhi.

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

- (ii) 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% (2015: RMB40,000,000, 1.08%) equity interest in Hexing Electrical.

- (iii) AUPU Technology has an investment in Yinzhi Zuobang Venture Partnership (杭州引智佐邦投資合伙企業) (“Yinzhi Zuobang”) amounting to RMB5,000,000, representing a 7.35% (2015: RMB5,000,000, 7.35%) equity interest in Yinzhi Zuobang.
- (iv) AUPU Technology has an investment in Zhejiang Haibang Hou Si Venture Partnership (浙江海邦厚思投資合伙企業) (“Haibang Hou Si”) amounting to RMB6,000,000, representing a 17.39% (2015: nil) equity interest in Haibang Hou Si.

Pursuant to the venture partnership agreement, the total investment to be made by the Group is RMB20,000,000, with remaining RMB14,000,000 to be paid up before 31 December, 2018. As one of the limited partners, AUPU Technology has no power to participate in the financial and operating policy decisions of the Haibang Hou Si. Therefore, the Directors designated such non-derivative financial asset as available-for-sale investment.

- (v) AUPU Technology has an investment in Yi Shi (Beijing) Technology Co., Ltd. (易事(北京)科技有限公司) (“Yi Shi Beijing”) amounting to RMB3,500,000, representing a 5% (2015: nil) equity interest in Yi Shi Beijing.

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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Unlisted investments:		
— Haibang Cai Zhi	17,899	25,000
— Hexing Electrical	40,000	40,000
— Yinzhi Zuobang	5,000	5,000
— Haibang Hou Si	6,000	—
— Yi Shi Beijing	3,500	—
	<u>72,399</u>	<u>70,000</u>

11. DEFERRED TAXATION

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

	Unrealised profits on inventories <i>RMB'000</i>	Other deductible temporary differences <i>RMB'000</i>	Withholding tax on undistributed retained earnings of PRC subsidiaries <i>RMB'000</i>	Total <i>RMB'000</i>
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)	<u>553</u>	<u>5,871</u>	<u>—</u>	<u>6,424</u>
At 30 June 2015 (unaudited)	<u>1,374</u>	<u>18,975</u>	<u>(24,260)</u>	<u>(3,911)</u>
At 1 January 2016 (audited)	947	11,244	(15,999)	(3,808)
(Charge) credit to profit for the period (note 5)	<u>101</u>	<u>1,337</u>	<u>(4,994)</u>	<u>(3,556)</u>
At 30 June 2016 (unaudited)	<u>1,048</u>	<u>12,581</u>	<u>(20,993)</u>	<u>(7,364)</u>

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

	30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
Deferred tax assets	13,629	12,191
Deferred tax liability	<u>(20,993)</u>	<u>(15,999)</u>
	<u>(7,364)</u>	<u>(3,808)</u>

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

12. TRADE, 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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within 90 days	75,481	48,875
91–180 days	10,982	29,159
181–365 days	1,429	1,841
Over 365 days	<u>2,706</u>	<u>2,398</u>
Total trade and bills receivables	90,598	82,273
Other receivables, deposits and prepayments	<u>18,104</u>	<u>12,734</u>
	<u>108,702</u>	<u>95,007</u>

13. OTHER FINANCIAL ASSETS

The time deposits are held in banks are denominated in RMB and with an initial maturity term of two to twelve months. The deposits carry at fixed interest rate ranging from 1.95% to 2.54% per annum as at 30 June 2016 (2015: 2.25% to 3.00% per annum). Included in the time deposits as at 30 June 2016 are time deposits of RMB282,000,000 with an initial maturity term of less than 90 days (2015: RMB nil) and such time deposits are accounted for as cash and cash equivalents in the statement of cash flow.

Pledged bank deposits represent RMB deposits pledged to a bank to secure bill payables and are therefore classified as current assets. Pledged bank deposits carry at fixed interest rate ranging from 3.08% to 3.25% per annum as at 30 June 2016 (2015: 3.08% to 3.95%).

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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Aged analysis of trade payables presented based on invoice date:		
Within 90 days	152,735	105,809
91–180 days	1,212	2,308
181–365 days	443	483
Over 365 days	964	822
	<u>155,354</u>	<u>109,422</u>
Total trade payables		
Aged analysis of bills payables presented based on issue date:		
Within 90 days	62,910	76,848
Retention sum due to suppliers	13,350	10,583
Deposit received from Dongfu	10,000	10,000
Advances from customers	40,152	40,802
Sales commission accruals	34,345	37,711
Other accruals	60,625	58,624
	<u>376,736</u>	<u>343,990</u>

15. SHARE CAPITAL

	Number of shares	Amounts HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised		
At 1 January 2015, and 30 June 2015 and 2016	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2015, and 30 June 2015 and 2016	<u>1,047,228,500</u>	<u>104,723</u>

30 June	31 December
2016	2015
RMB'000	RMB'000
(unaudited)	(audited)

Presented as RMB
Ordinary shares

<u>101,129</u>	<u>101,129</u>
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16. 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 31/12/2015	Lapsed during the period	Exercised during the period	Outstanding at 30/06/2016
Option type				
2007B	<u>4,275,000</u>	<u>—</u>	<u>—</u>	<u>4,275,000</u>
Exercisable at the end of the period				<u>4,275,000</u>
Weighted average exercise price	<u>HK\$2.07</u>			<u>HK\$2.07</u>

17. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Minimum lease payments under operating leases recognised in the condensed consolidated statement of profit or loss and other comprehensive income	<u>412</u>	<u>492</u>

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

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	301	571
In second years to fifth years inclusive	<u>1,205</u>	<u>1,003</u>
Total	<u>1,506</u>	<u>1,574</u>

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 RMB838,204 (RMB129,600 for the six months ended 30 June 2015) which are generated from lease of certain properties of the Group negotiated on a yearly basis.

18. CAPITAL COMMITMENTS

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

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Acquisition of property, plant and equipment	9,252	18,865
Capital contribution to an entity investment	<u>14,000</u>	<u>—</u>
	<u>23,252</u>	<u>18,865</u>

19. RELATED PARTY TRANSACTIONS

(a) The following balance was outstanding at the end of the reporting period:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Amounts due from associates		
— interest bearing (<i>note i</i>)	143,500	136,500
— non-interest bearing (<i>note ii</i>)	4,781	3,954
	<u>148,281</u>	<u>140,454</u>
Analysed for reporting purpose as:		
— Non-current assets (<i>note i</i>)	81,000	9,000
— Current assets (<i>note ii</i>)	67,281	131,454
	<u>148,281</u>	<u>140,454</u>
Amounts due to associates		
— non-interest bearing (<i>note ii</i>)	474	39

Notes:

(i) The balance as at 30 June 2016 amounting to RMB143,500,000 (2015: RMB136,500,000) are the unsecured entrusted loans due from associates for a term of three years and bears interest at rates ranging from 5.23% to 7% (2015: 6.15% to 7%) per annum.

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

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

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Purchases of goods	435	1,757
Interest income	4,450	3,534
Rental income	86	86
Other income	401	443
	<u>5,372</u>	<u>5,820</u>

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short-term employee benefits	1,410	1,400
Post-employment benefits	34	34
	<u>1,444</u>	<u>1,434</u>

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

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

The revenues of the Group for the six months ended 30 June 2016 and 2015 are analysed as follows:

	Six months ended		Six months ended	
	30 June 2016		30 June 2015	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	Revenue	Gross Profit	Revenue	Gross Profit
Second-Tier Cities	209,743	104,677	140,999	62,838
Shanghai	59,327	29,881	55,116	26,755
Jiangsu	89,715	47,987	70,843	36,029
Beijing	39,806	21,469	37,381	19,162
Zhejiang	84,983	43,872	68,417	33,638
Northeastern Region	13,531	6,970	12,292	6,162
Sichuan Region	26,923	13,799	29,199	14,212
Export	12,255	5,194	8,988	3,043
Total	<u>536,283</u>	<u>273,849</u>	<u>423,235</u>	<u>201,839</u>

For the six months ended 30 June 2016, the revenue of the Group amounted to approximately RMB536.28 million, representing an increase of approximately 26.71% as compared with the revenue which amounted to approximately RMB423.24 million for the six months ended 30 June 2015. The increase in revenue was mainly attributable to the expansion in sales channels and improved product competitiveness. The revenue of AUPU Bathroom Master 3-in-1, Bathroom Roof 1+N and others accounted for approximately 51.29%, 40.86% and 7.85% of the Group's total revenue for the six months ended 30 June 2016, respectively.

In particular, the revenue from Jiangsu increased from approximately RMB70.84 million for the six months ended 30 June 2015 to approximately RMB89.72 million for the six months ended 30 June 2016, representing an increase of approximately RMB18.87 million or approximately 26.64%. For the six months ended 30 June 2016, the revenue from second-tier cities amounted to approximately RMB209.74 million, representing an increase of approximately 48.75% as compared with the revenue from second-tier cities which amounted to approximately RMB141.00 million for the six months ended 30 June 2015.

The revenue of AUPU Bathroom Roof 1+N amounted to approximately RMB219.14 million for the six months ended 30 June 2016, representing an increase of approximately 45.57% as compared with the revenue of AUPU Bathroom Roof 1+N which amounted to approximately RMB150.54 million for the six months ended 30 June 2015.

Cost of sales

For the six months ended 30 June 2016, the cost of sales of the Group amounted to approximately RMB262.43 million, representing an increase of approximately 18.54% as compared with the cost of sales which amounted to approximately RMB221.40 million for the six months ended 30 June 2015.

For the six months ended 30 June 2016, the costs of parts and components, direct labour and overhead represented approximately 93.76% and 6.24% 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 2015 represented approximately 93.91% and 6.09% of the total cost of sales in the same period respectively.

Gross profit and gross profit margin

Gross profit increased from approximately RMB201.84 million for the six months ended 30 June 2015 to approximately RMB273.85 million for the six months ended 30 June 2016, representing an increase of approximately 35.68%. Overall gross profit margin was approximately 51.06% for the six months ended 30 June 2016. It was increased when comparing with the gross profit margin for the six months ended 30 June 2015, which was approximately 47.69%.

Other income

Other income decreased from approximately RMB26.64 million for the six months ended 30 June 2015 to approximately RMB14.14 million for the six months ended 30 June 2016. It was mainly due to the decrease in dividend income.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately RMB83.71 million for the six months ended 30 June 2016. It mainly consisted of advertising expenses of approximately RMB33.94 million, sales promotion expenses of approximately RMB3.58 million, salary expenses of sales and marketing staff of approximately RMB11.70 million, after sales services expenses of approximately RMB0.64 million and transportation expenses of approximately RMB10.63 million.

The selling and distribution expenses amounted to approximately RMB55.33 million for the six months ended 30 June 2015. It mainly consisted of advertising expenses of approximately RMB17.45 million, sales promotion expenses of approximately RMB3.24 million, salary expenses of sales and marketing staff of approximately RMB9.00 million, after sales services expenses of approximately RMB0.74 million and transportation expenses of approximately RMB7.91 million.

The selling and distribution expenses for the six months ended 30 June 2016 were increased by RMB28.38 million as compared with the six months ended 30 June 2015. It was due to the increase in the advertising expenses of the Group.

Administrative expenses

The administrative expenses amounted to approximately RMB24.11 million for the six months ended 30 June 2016. It mainly consisted of salary expenses of general and administrative staff of approximately RMB6.56 million, depreciation of approximately RMB3.14 million, professional fees and related disbursements of approximately RMB7.17 million, utility expenses of approximately RMB0.23 million and office expenses of approximately RMB1.51 million.

The administrative expenses amounted to approximately RMB19.60 million for the six months ended 30 June 2015. It mainly consisted of salary expenses of general and administrative staff of approximately RMB4.75 million, depreciation of approximately RMB2.88 million, professional fees and related disbursements of approximately RMB4.79 million, utility expenses of approximately RMB0.13 million and office expenses of approximately RMB1.45 million.

Other expenses

Other expenses increased from approximately RMB17.67 million for the six months ended 30 June 2015 to approximately RMB31.81 million for the six months ended 30 June 2016, which was mainly due to the increase in the research and development costs.

The research and development cost for the six months ended 30 June 2016 mainly included the testing fees of RMB12.08 million, development costs for new products of RMB5.51 million, and materials consumption of RMB2.28 million. The research and development cost for the six months ended 30 June 2015 mainly included the testing fees of RMB7.1 million, development costs for new products of RMB2.6 million and materials consumption of RMB0.92 million.

Profit before tax

Based on the above factors, the Group's profit before tax increased from approximately RMB130.45 million for the six months ended 30 June 2015 to approximately RMB145.67 million for the six months ended 30 June 2016, representing an increase of approximately 11.67%.

Income tax

Income tax expenses of the Group decreased by RMB6.13 million from approximately RMB33.29 million for the six months ended 30 June 2015 to approximately RMB27.16 million for the six months ended 30 June 2016. The effective tax rate decreased from approximately 25.52% from the six months ended 30 June 2015 to approximately 18.65% for the six months ended 30 June 2016.

Income tax expenses decreased because the qualification of "Hi-New Tech Enterprises" status was obtained in the second half of 2015. As a result, the profit tax rate decreased from 25% to 15% (2015: 25%).

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 2016 and the year ended 31 December 2015:

	Six months ended 30 June 2016	Year ended 31 December 2015
Inventory turnover days (<i>Note</i>)	<u>49</u>	<u>50</u>

Note: The inventory turnover day for the year ended 31 December 2015 is arrived at by dividing the average inventories by cost of sales and then multiplying by 365 while the inventory turnover day for the six months ended 30 June 2016 is arrived at by dividing the average inventories by cost of sales and then multiplying by 182. Average inventories are 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 day of inventory for the six months ended 30 June 2016 was stable as compared with the turnover day of inventory for the year ended 31 December 2015. 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 2016 and the year ended 31 December 2015:

	Six months ended 30 June 2016	Year ended 31 December 2015
Turnover days of trade receivables (<i>Note</i>)	<u>14</u>	<u>9</u>

Note: The turnover day of trade receivables for the year ended 31 December 2015 is arrived at by dividing the average trade receivables by revenue and then multiplying by 365 while the turnover day of trade receivables for the six months ended 30 June 2016 is arrived at by dividing the average trade receivables by revenue and then multiplying by 182. Average trade receivables are 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 increasing sales in the second quarter of 2016. The figures for both periods are considered to be at a reasonable level.

Aging analysis of trade and bills receivables

The aging analysis of trade and bills receivables of the Group as at 30 June 2016 and 31 December 2015 is as follows:

Trade receivables analysed by age:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 90 days	75,481	48,875
91–180 days	10,982	29,159
181–365 days	1,429	1,841
Over 365 days	<u>2,706</u>	<u>2,398</u>
Total trade receivables	<u><u>90,598</u></u>	<u><u>82,273</u></u>

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 2016 and the year ended 31 December 2015:

	Six months ended 30 June 2016	Year ended 31 December 2015
Turnover days of trade payables (<i>Note</i>)	<u><u>92</u></u>	<u><u>78</u></u>

Note: The turnover day of the trade payables for the year ended 31 December 2015 is arrived at by dividing average trade payables by cost of sales and then multiplying by 365 while the turnover day of the trade payables for the six months ended 30 June 2016 is arrived at by dividing average trade payables by cost of sales and then multiplying by 182. Average trade payables are arrived at by dividing the sum of the trade payables at the beginning of year/period and that at the end of the year/period by 2. The turnover days of trade payables increased from 78 days for the year ended 31 December 2015 to 92 days for the six months ended 30 June 2016. The figures for both periods are considered to be at a reasonable level.

Aging analysis of trade and bills payables

The aging analysis of trade and bills payables of the Group as at 30 June 2016 and 31 December 2015 is as follows:

Trade and bills payables analysed by age:

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Within 90 days	152,735	105,809
91–180 days	1,212	2,308
181–365 days	443	483
Over 365 days	<u>964</u>	<u>822</u>
Total trade and bills payables	<u><u>155,354</u></u>	<u><u>109,422</u></u>

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 2016 and 31 December 2015 were as follows:

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Current ratio	1.57	1.62
Quick ratio	1.38	1.45
Gearing ratio	<u><u>0.00</u></u>	<u><u>0.00</u></u>

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 time deposits and inventories, the current ratio decreased from approximately 1.62 times as at 31 December 2015 to 1.57 times as at 30 June 2016, and the quick ratio decreased from approximately 1.45 times as at 31 December 2015 to 1.38 times as at 30 June 2016. The Group had a gearing ratio of 0.00 times as at 31 December 2015 and 0.00 times as at 30 June 2016.

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 2016 and 2015:

	Six months ended 30 June 2016	Six months ended 30 June 2015
Net cash generated from operating activities	140,806	77,602
Net cash generated from investing activities	143,454	36,864
Net cash (used in) generated from financing activities	<u>(35,190)</u>	<u>20,770</u>

The Group's working capital mainly comes from net cash from operating activities. The Directors expect that the Group will rely on net cash from operating activities to meet its working capital and other capital expenditure requirements in the near future.

Operating activities

Cash inflow from operating activities is mainly derived from cash received from sales of the Group's products. Cash outflow from operating activities is principally paid for the purchase of parts and components, staff costs, selling and distribution expenses and administrative expenses. The increase in net cash generated from operating activities was mainly attributable to the increase in sales.

Investing activities

Net cash generated from investing activities was approximately RMB143.45 million for the six months ended 30 June 2016 which was mainly attributable to the withdrawal of time deposit and pledged bank deposit of approximately RMB70.00 million and of approximately RMB89.50 million, respectively.

Financing activities

Net cash used in financing activities was approximately RMB35.19 million for the six months ended 30 June 2016 while net cash generated from financing activities was approximately RMB20.77 million for the six months ended 30 June 2015. The net cash used in financing activities for the six months ended 30 June 2016 was the cash paid for the dividends of approximately RMB35.19 million.

INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2016, the Group did not have any outstanding borrowings.

Bank facilities

As at the close of business on 30 June 2016, the Group had undrawn facilities amounting to RMB47,090,000.

Debt securities

As at the close of business on 30 June 2016, the Group did not have any debt securities.

Contingent liabilities

As at the close of business on 30 June 2016, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 30 June 2016, buildings and land use rights with net book value of RMB102,619,000 (31 December 2015: RMB105,764,000) and bank deposits of RMB7,084,000 (31 December 2015: RMB96,584,000) were secured for bank facilities granted to a subsidiary of the Company.

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.

HUMAN RESOURCES

As at 30 June 2016, the Group employed 835 employees (as at 31 December 2015: 804). The total human resources cost of the Group for the six months ended 30 June 2016 was approximately RMB25,573,000 (for the six months ended 30 June 2015: RMB20,503,000). Employees' remuneration packages are based on individual work experience and duties. The packages are reviewed annually by the management after 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 2016, the Group carried on its operational reform and innovation. Driven by the effective strategies of diversification in channels, 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 market. As at 30 June 2016, the Group had around 6,000 points of sales, including 1,226 speciality retail stores (436 for Bathroom Master products and 790 for bathroom roof products). The Group emphasized on the integration of internet sales and enhanced the experience of end users towards our products through a model of “offline experience, online purchase”. In the first half of 2016, the Group has stayed focused on building strategic brands alliance of the home decoration and household industry through our continuous efforts in establishing one-stop decoration service together with domestic home decoration websites, such as “Elegant Living” (生活家) and “ikongjian.com” (愛空間). The Group also continued with our investment in constructing our member service centre to better address the after-sales issues for users. We also conducted standardized return visits to new users to understand the needs of our customers thoroughly, which offered a strong boost to both our brand image and marketing efforts. For the time being, we have established member centres in Hangzhou, Shanghai, Nanjing and Xiamen. During the first half of 2016, the Group put continuous efforts on maintaining and managing brand value through placing advertisements on domestic platforms such as key Express Rail websites media, new media of internet, handheld internet terminals and e-commerce, in order to enhance the brand image and position of AUPU as a young and energetic brand. The Group also engaged popular actors to participate in the promotion activities of our AUPU brand which effectively enhanced the image of our AUPU brand. Currently, the Group has one branch located in Shanghai, 9 regional offices, 195 franchised agents for Bathroom Master products, 388 franchised agents for bathroom roof products, 38 e-commerce franchised agents and 1 engineering project agent.

Full Year Prospects

Brand Strategy

The Directors consider that in the second half of 2016, the Group should continue with its strategy of polishing the product image as being young and recruiting more young people to our workforce, as well as enhancing the professionalism and operational ability of the agents. We will also invest more resources to the maintenance and management of brand value, continue to enhance the brand image and position of the AUPU brand and promote its influence through advertisements shown in key Express Rail stations, new media of internet, handheld internet terminals and e-commerce. The Directors believe that AUPU brand is the creator and pioneer of the Bathroom Master products industry. In respect of building the brand of AUPU, the Group will keep on allocating resources to maintain the model of “large investment, high gross profit and significant growth”. We approach young people in their 20s and 30s through new media of internet, social platform and WeChat public platform with content that suits them. In the future, AUPU will strive to provide even better pre-sale, on-sale and after-sale services by fully utilizing the database of member service centres and assisted with the effective big

data technology, in order to promote the future sales of our AUPU brand. The Group will also engage actors who conform to the characteristics of the AUPU brand as our spokespersons to raise the profile of our brand.

Product Strategy

The Group designs and produces Bathroom Master products based on the concept of intelligent, healthy and fashionable, and creates customized room for innovation of the design of the ceiling of kitchen and bathroom. In order to maintain a consistent and stable growth of sales, we shift our focus from product functionality to style and aesthetics to create innovative bathroom roof products. We centre our designs of Bathroom Master products, bathroom roof products and ceiling products of the entire apartment around the concept of intelligent, fashionable and digitalized, and our ultimate goal is to provide one-stop solution of upper space of apartment to customers. In the future, the Group will be able to provide more systematic solutions, and it is expected that the ratio of the sales from integrated ceiling to the total sales of the Group will further increase.

Customer Services

The Group has always paid much attention to customer service. Our member centres have already covered various cities such as Hangzhou, Shanghai, Nanjing and Xiamen. In the latter half of 2016, the Group will increase its input to member centres, and our goal is to set up member centres in most of the regions to serve AUPU users all over the country in the future. In the second half of 2016, the Group will also continue to conduct training session for its agents.

Investment activities

In March 2016, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd (“Aupu Bathroom & Kitchen Technology”), a wholly-owned subsidiary of the Group, invested RMB3.5 million to Yishi Beijing Technology Co., Ltd (易事(北京)科技有限公司), representing 5% of its shareholding, and agreed to provide a loan of RMB4.5 million to the latter. Yishi Beijing Technology Co., Ltd is principally engaged in renovation of kitchens and toilets in new apartments as well as revamping and reconstructing the kitchens and toilets in existing apartments, and its major business is to provide quick solution of renovating kitchens and toilets in new and second-hand apartments in three days. In order to re-define the business flow in home decoration industry and ease the burden of home decoration for millions of households, Yishi Beijing Technology Co., Ltd has created a new business model of “one kitchen and one toilet, two craftsmen and three-day completion” for home decoration industry through launching new products, innovating the techniques of on-site works and focusing on “Internet + users’ experience”.

On 25 February 2016, the Group subscribed an investment of RMB20 million in Zhejiang Haibang Hou Si Investment Joint Venture (LP) (浙江海邦厚思投資合夥企業(有限合夥)), representing 17.39% of the equity in Haibang Hou Si. An amount of RMB6.00 million has been paid up and the subsequent

subscribed funds will be paid according to the capital requirement of the investment projects of such joint venture. Haibang Hou Si is principally engaged in industrial investment and investment management services.

On 25 May 2016, the Issuance Examination Committee of the China Securities Regulatory Commission passed the application for initial issuance of Hangzhou Hexing Electrical Co., Ltd. The Group currently holds a shareholding ratio of 1.08% in Hexing Electrical. Due to the uncertain official listing date of Hexing Electrical, the Group would still have to hold such shares for a longer period.

On 15 April 2015, Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. (“Aupu Bathroom & Kitchen”), a wholly-owned subsidiary of the Group, entered into an Equity Transfer Agreement with an independent third party, pursuant to which Aupu Bathroom & Kitchen agreed to transfer its 41.67% equity interest in the joint venture Chengdu Qianyin Investment Company Limited (成都牽銀投資有限公司) at a consideration of RMB32 million. Currently, the purchaser has paid RMB10 million to Aupu Bathroom & Kitchen for the equity transfer while the balance of RMB22 million shall be paid on or before 1 November 2015. Besides, the respective entrusted loans and interests due from the joint venture to Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. shall be payable by such independent third party according to the agreement. In addition, the Equity Transfer Agreement provided that an arrangement of commerce and industrial registration in relation to the change of shareholding by both parties be made upon complete payment of the consideration. As at the date of this report, apart from the consideration for equity transfer in the amount of RMB10 million which has been received, the outstanding balance of the consideration for equity transfer in the amount of RMB22 million as well as the creditor’s right and interests amounted to RMB132.08 million were outstanding. The Directors considered that the independent third party of the Equity Transfer Agreement was incapable to fulfil the contractual obligations. The Company would terminate the agreement and the defaulting independent third party would be held responsible for the breached obligation.

Where the relevant disclosure requirements under the Listing Rules applied, the details of these investments were properly disclosed.

Connected Transactions and Related Party 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. With regard to the Related Party Transactions as disclosed in Note 19 to the consolidated financial statements, the amounts due from associates stated in paragraph (a) included an amount due from Hangzhou AUPU Broni Kitchen & Bath Co., Ltd. (“AUPU Broni”). That amount was arising from the entrusted loan agreements entered into by Hangzhou AUPU Bathroom & Kitchen Technology Co., Ltd., the Company’s indirect wholly-owned subsidiary, AUPU Broni and the Bank of Communications during the years of 2012 and 2013. The transactions contemplated under these entrusted loan agreements constituted connected transactions under Chapter 14A of the Listing Rules and were subject to the reporting and announcement requirements but were exempted from independent shareholders’ approval requirement under the Listing Rules. Details of that connected transaction were set out in the announcements dated 16

February 2012 and 22 April 2013, and the Company's Annual Report for the year of 2013. Save for disclosed herein, there were no related party transactions of the Group which constituted connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

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 2016, 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 of this announcement, 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.

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 Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: HK\$0.08 per share).

PUBLICATION OF DETAILED INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aupu.cn) and the interim report containing all the information 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 of
AUPU Group Holding Company Limited
Fang James
Chairman

Hong Kong, 15 August 2016

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