AUPU

AUPU GROUP HOLDING COMPANY LIMITED

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

(Stock Code: 00477)

ANNUAL REPORT 2014

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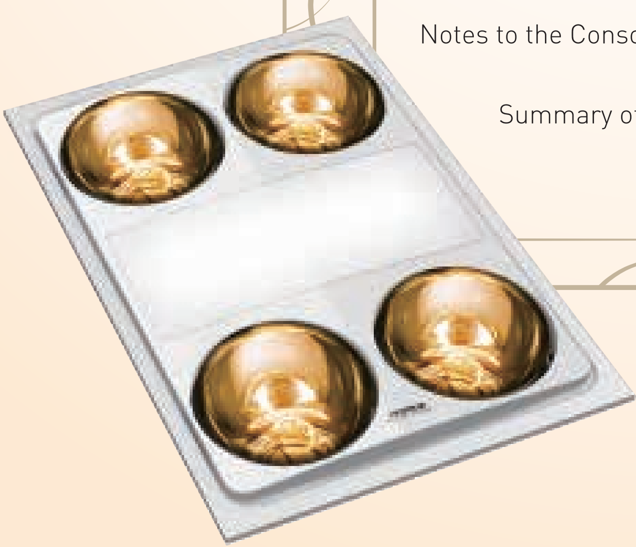

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Lu Songkang (盧頌康)
Lin Xiaofeng (林曉峰)

Independent Non-executive Directors

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

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE REMUNERATION COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

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

AUDITORS

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

COMPANY SECRETARY

Chan Ka Fat (陳家發)

AUTHORISED REPRESENTATIVES

Fang James
Fang Shengkang

STOCK CODE

00477

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 6/F Queen's Centre
58–64 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

Industrial and Commercial Bank of China (Asia) Limited
34/F, ICBC Tower
3 Garden Road
Central
Hong Kong

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

COMPANY LAWYERS

As to Hong Kong Law
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Cayman Islands Law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE

www.aupu.cn

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board" or the "Directors"), I hereby present the annual report of AUPU Group Holding Company Limited (the "Company" or "AUPU")and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2014, and express my heartfelt gratitude on behalf of the Board to the shareholders of the Company and fellow compatriots who take an keen interest in the development of the Group.

The year of 2014 is an important juncture for the Group's operational reform and the first year in which AUPU managed to regain its growth momentum and achieve sustainable growth. During the reporting period, following the trend of channel reform, the Group was devoted to strengthen market management and step up the building of franchised agent teams. In the end, we have succeeded in promoting rapid and continuous market growth.

RESULTS REVIEW

In 2014, under the combined impetus of corporate governance, brand enhancement, the launch of new products and channel reform, the Group achieved a substantial growth in sales and profit. The turnover of the Group for the year ended 31 December 2014 was approximately RMB784,263,000 (2013: RMB620,304,000), representing an increase of 26.43% as compared to the same period last year. Profit attributable to equity holders was approximately RMB170,248,000 (2013: RMB81,994,000), representing an increase of 107.63% as compared to last year. Basic earnings per share was approximately RMB0.16. Due to the reform of marketing and operating mechanisms and channel adjustment, human resources cost of the Group as of 31 December 2014 was RMB37,585,000 (2013: RMB38,591,000). As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB41,647,000. Inventory of the Group was effectively controlled at RMB69,937,000 and the turnover days was 52 days.

DISTRIBUTION OF DIVIDEND

The Board recommended the payment of a final dividend of HK$0.10 (2013: RMB0.025) per Share for the year ended 31 December 2014 to Shareholders whose names appear on the register of members of the Company on Friday, 5 June 2015. The proposed dividend is subject to the approval of Shareholders at the forthcoming annual general meeting to be held on Wednesday, 27 May 2015 (the "AGM") and will be payable on or before 19 June 2015. As of now, dividend paid by the Group for the year of 2014 was aggregated to HK$0.16 per Share, representing a payout ratio of approximately 78.55% of profit attributable to the Shareholders for the year (2013: 68.75%).

BUSINESS MANAGEMENT

2014 is an important juncture for the Group's reform in sales channels and mechanism and also the first year in which our results regained growth momentum and achieved sustainable growth. As of 31 December 2014, after the reform, the Group had only one branch located in Shanghai, 9 regional offices, 253 franchised agents for Bathroom Master products, 407 franchised agents for bathroom roof products, 21 e-commerce franchised agents and 1 real estate project agent. During the year, the Group put more emphasis on the professionalism and management of franchised agents. The Group recruited professional franchised agents through emerging channels such as the e-commerce channel, engineering project channel and TV shopping channel and we conducted assessment, training, examination and selection in relation to the agents at our headquarters and various regional offices. Franchised agents within China were encouraged to conduct horizontal marketing, which greatly improved the sales coordination management system of regional offices and realised marketing growth potentials. Lastly, as a result, regional sales were stimulated and the overall competence and expertise of our franchised agents were enhanced.

In 2014, with a greater emphasis placed on the change in consumer habits, the Group sold its products through diverse channels, ensuring the Company's core competitiveness and in turn increasing its market share and profitability. E-commerce has become one of the most important sales channels through constant market development. The e-commerce channel is also an important channel for receiving users' feedback, through which the Group could reach the consumers regardless of distance and direct their feedback into review the development, research, production and sales policy of new products. Moreover, bathroom roof products have adopted burgeoning sales models including O2O and TV Shopping. The Company established the commercial platform for product promotion while offline agents were responsible for product design, services and installation.

As of 31 December 2014, the Group has a sales network of approximately 6,000 stores, including 770 speciality retail stores (130 in provincial cities and direct-controlled municipalities, 299 in prefecture-level cities and 341 in county-level cities). The Group also actively promoted the coverage of large-scale speciality stores (speciality stores with a single store floor area of 150m^2 or above) in core regions and cities, and closed down non-core low-efficiency stores, enhancing brand image and single store profit output.

In 2014, the Group placed a greater emphasis on market opportunities and technological features with regard to the research and development of Bathroom Master products. For instance, AUPU's Bathroom Master products under the "JINGYU (Serene Jade)", "BAIJING (Crystalline)" and "CHUNPING (Pure Flat)" series have all been based on modish design in white or silver, and equipped with energy-saving, thermostatic and fast-warming high quality engines, which were put to use as the new engine for thematic projects in new channels. As for the research and development of bathroom roof products, the Group altered AUPU's old positioning as a specialist bathroom appliance manufacturer, and opted to provide systematic comprehensive solutions based on module appliances, staying closely in tuned with the integrated ceiling development trend. In 2014, the Group put forward a number of new gusset plate models under our new brand series including "YINXIANG (Impression)", "OUFAN (European Classics)", "JINXIU (Grandeur)", "JINYU (Golden Jade)", "JINGJIE (Catharsis)", and "NAIDE (Pastoral)", as well as some core module appliances featuring "AOXIN Gen-2", "TANJING" and "XINYUE", with emphasis on constructing systematic integrated bathroom solutions in a bid to constantly enrich our product mix and meet the needs of different consumer segments.

FUTURE PROSPECTS

In 2015, the Group will continue to consolidate its foundation and introduce an increasingly youth-oriented brand strategy, a more intellectual and Web-based product strategy and a differentiated channel strategy featuring different product orientations. The Group will also establish a digital membership management system to collect consumer information, habits as well as feedback from the core users. In 2015, the Group's management team and agents will be drawn from younger generations and their executive capability, and operating results will continue to improve. Following the operating mechanism in 2014 and the trend of marketing channel reform, the Group will continue to enlarge its market coverage and expedite the steady and continuous growth of sales.

ACKNOWLEDGEMENTS

Finally, on behalf of the Board, I wish to express my gratitude to our management and staff for their invaluable contribution and sincere service to the Group in the past year. I would also like to thank our shareholders and business partners for their continuous supports. I hereby promise that the Group will spare effort to maintain our business growth and bring favorable returns for our shareholders.

By Order of the Board
Fang James
Chairman

Hong Kong, the PRC
26 March 2015

HUMAN RESOURCES

As at 31 December 2014, the Group employed 745 employees (as at 31 December 2013: 690). The total human resources cost of the Group for the year ended 31 December 2014 was RMB37,585,000 (2013: RMB38,591,000). In 2014, the Group continued to promote the local agency system as its operation mechanism and set its focus on establishing a talent pool for its marketing team. At present, the Group maintains only one branch, which is based in Shanghai. In 2014, the Group completed the second round of marketing management trainee recruitment, through which the Group has persisted in its effort to readjust and optimize the team structure in the sales region and added new blood to our frontline sales team. Employees' remuneration packages are based on individual work experience and duties. The packages are reviewed annually by the management, taking into account the overall performance of individual employees and market conditions. The Group also participated in state-managed pension, medical and housing provident fund scheme in mainland China.

DEVELOPMENT STRATEGY

2014 is a defining year for the Group's channel transformation and policy reform. The Directors are of the opinion that the Group will be able to regain its growth momentum and achieve sustainable growth in 2014 on account of four major areas of support, namely channel breakthrough, product upgrade, younger brand demographic focus and operation reform. In 2015, the Group will continue to consolidate its foundation and introduce an increasingly youth-oriented brand strategy, a more intellectual and Web-based product strategy and a differentiated channel strategy featuring different product orientation. The Group will also establish a digital membership management system to collect consumer information, their habits as well as feedback from the core users.

CHANNEL STRATEGY

In 2014, the Group put a greater emphasis on the establishment and transformation of well-rounded sales channels, and at the same time continued to adjust channels such as KA (General Merchandise Store), speciality store, e-commerce, engineering and new countryside. Through different strategic product channel orientation, the Group readjusted its projections and enlarged its market coverage which stimulated sales growth.

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

The strategic channel orientation for the bathroom roof business in 2015 was to establish solid retail terminals based on speciality stores with focus set on the home decoration channel. In 2014, the Company put forward a brand new terminal image, and our single store floor area has also increased significantly. For emerging channels, we also created professional products and formulated sales and marketing strategies.

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

PRODUCT STRATEGY

The Group has always regarded products to be its lifeblood, the carrier for the results growth and the long term growth of the enterprise. In 2014, the Group placed a greater emphasis on market opportunities and technological features with regard to the research and development of Bathroom Master products. For instance, AUPU's Bathroom Master products under the "JINGYU (Serene Jade)", "BAIJING (Crystalline)" and "CHUNPING (Pure Flat)" series have all been based on modish design in white or silver, and equipped with energy-saving, thermostatic and fast-warming high quality engines, which were put to use as the new engine for thematic projects in new channels. In 2015, the research and development focus on high-end Bathroom Master products centers around intelligent control and the Internet, and the product design tends to be more simplistic, modern and youthful. As for the research and development of bathroom roof products, the Group altered AUPU's old positioning as a specialist bathroom appliance manufacturer, and opted to provide systematic comprehensive solutions based on module appliances, staying closely in tuned with the integrated ceiling development trend. In 2014, the Group put forward a number of new gusset plate models under our new brand series including "YINXIANG (Impression)", "OUFAN (European Classics)"," JINXIU (Grandeur)", "JINYU (Golden Jade)", "JINGJIE (Catharsis)", and "NAIDE (Enduring Virtue)", as well as some core module appliances featuring "AOXIN Gen-2", "TANJING" and "XINYUE", with emphasis on constructing systematic integrated bathroom solutions in a bid to constantly enrich our product mix and meet the needs of different consumer segments.

At present, the Group has obtained 253 approved and authorised technical patents, including 6 invention patents, 58 utility new model patents and 189 design patents. The approved and authorised high-tech patents protect the high technology design of the Group's products and effectively prevent the infringement of the market competitors.

The Directors consider that safeguarding AUPU's brand and intellectual property rights and combating the manufacturing and selling of counterfeit products is of utmost importance for the Group's persistent leadership position in China's bathroom master market and for the market shares of other products distributed by AUPU. In the first half of 2014, AUPU made a major progress in safeguarding its intellectual property rights and combating counterfeiting, with criminal judgments issued by courts against pirates of AUPU brand in Pinghu city and Yinzhou District of Ningbo city.

BRAND STRATEGY

The Directors consider that AUPU's professional and mid to high-end branding strategy is crucial for maintaining the corporate image and market leading position of the Group, and such brand message is also one of the core advantages we constantly improve on. With the domestic consumer structure constantly upgrading, professional consumer goods are gaining more appeal. In the future, professional and mid to high-end brands will undergo constant consolidation and cooperation, and professional brands as a result will gain more added-values.

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

AUPU made into "China's Top 500 Most Influential Brands" for the eighth consecutive year in 2014 in the ranking released by World Brand Laboratory on 25 June 2014, which comprehensively assesses brands on the basis of financial analysis, consumer behavior analysis and brand strength analysis.

MECHANISM REFORM

From the second half of 2013 to 2014, the Group continued to push forward its operation mechanism reform and achieved a significant result. As at 31 December 2014, the Group had restructured six of its original seven branches into local agents and merged its original twenty three offices into nine regional offices which spared us the affiliate management expenses. Meanwhile, the Group motivated the agency team which comprised of the sales staff from our former branches. In doing so, we managed to liberate more managerial capacity and boost the regional sales. The Group paid close attention to the expertise and competence of our agents, and we recruit professional agents through emerging channels such as e-commerce channel, engineering project channel and TV shopping channel. Through agent assessment, training, performance evaluation, we have further optimized the development evaluation system for regional markets and fully enhanced the overall competence of our agents. Separate business divisions have been set up respectively for Bathroom Master products and bathroom ceiling products, and the research and development, marketing and regional business management of each category was managed and assessed separately. Our business within the country was managed separately among our nine regional offices, and this system has proved to be beneficial to the consolidation and effective utilization of regional resources.

INVESTMENT ACTIVITIES

In 2013, the Group completed the acquisition of Chengdu AUPU Broni Kitchen and Bathroom Technology Co., Ltd. ("Chengdu Broni"). At present, Chengdu Broni has completed the construction of part of a new factory building and the installation and debugging of a gusset plate production line.

The Group's another joint-venture project in Changdu, Chengdu Qianyin Investment Company Limited, has obtained two parcels of commercial and residential land with a total area of 322 mu. The project is now in the planning and design phase. In consideration of the Group's practical conditions and the local real estate market, the Group will arrange for project transfer.

The Group's joint-venture company Hangzhou AUPU Broni Kitchen & Bath Co., Ltd (40% owned by the Group) is mainly engaged in the production and sale of integrated environmentally friendly kitchenware. In 2014, it generated RMB43.4 million in sales revenue (unaudited), representing a slight increase as compared with the same period last year and recording a profit as of now.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fang James (方杰) ("Mr. Fang"), aged 51, is an executive Director and the chairman of the Company and two wholly-owned subsidiaries of the Company (namely, Hangzhou AUPU Electrical Appliances Co., Ltd. ("AUPU Electrical ") and Hangzhou AUPU Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology")). Mr. Fang directs the strategic growth and development of the Group, with responsibility for reviewing implementation of the Board's policies and decisions and representing the Group in communications with the media and external parties. Mr. Fang founded AUPU Electrical in 1993. Mr. Fang has been a director of AUPU Electrical and AUPU Technology since 1993 and 2004 respectively. Mr. Fang holds a Bachelor degree's in History from Shanghai Normal University, the PRC and a Foreign Experts Certificate (外國專家證) (Foreign Experts Working in the Fields of Economics and Technology) issued by the State Administration of Foreign Experts Affairs, the PRC (國家外國專家局). He is also the president of the Hangzhou Overseas Chinese Chamber of Commerce (杭州市僑商協會). Mr. Fang was awarded a Certificate of West Lake Friendship (西湖友誼獎) by Zhejiang Provincial People's Government, and First Award for Outstanding Achievements of Overseas Chinese Professionals (首屆華僑華人專業人士傑出創業獎) by Overseas Chinese Affairs Office of the State Council (國務院僑務辦公室) in 2004 and 2005, respectively. Mr. Fang is a cousin of Mr. Fang Shengkang, a Director and substantial shareholder of the Company.

Mr. Fang is the sole director and shareholder of SeeSi Universal Limited which holds 267,718,310 Shares of the Company, hence falls to be disclosed under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Fang also has personal interest in 2,500,000 Shares of the Company.

Mr. Fang Shengkang (方勝康) ("Mr. Fang"), aged 62, is an executive Director, president of the Company, member of the nomination committee and the general manager of AUPU Electrical and AUPU Technology. Mr. Fang is responsible for overseeing the day-to-day operations of the Group and the implementation of the Board's policies and decisions, including execution of annual business plan and investment plan. Mr. Fang has been with the Group since its establishment in 1993 and has been a director and general manager of AUPU Electrical and AUPU Technology since 1993 and 2004 respectively. In 2000, he received commendation from the Hangzhou City People's Government as a "Model Employee" and served as the Hangzhou Deputy to the 10th National People's Congress (杭州市第十屆人大代表). Mr. Fang is a cousin of Mr. Fang James. Mr. Fang is also a senior economist of the Zhejiang province.

Mr. Fang is the sole director and shareholder of Sino Broad Holdings Limited which holds 259,605,634 Shares of the Company, hence falls to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO. Mr. Fang also has personal interest in 1,320,000 Shares of the Company.

Mr. Wu Xingjie (吳興杰) ("Mr. Wu"), aged 34, is an executive director. He joined the Company in 2012. Currently, Mr. Wu is the chief executive officer of the Company and is responsible for the general management in the Company and its subsidiaries (the "Group"), including, the management and development of distribution channels, and product research and development activities. Mr. Wu graduated from Zhejiang University and obtained a Doctoral degree's in Western Economics in 2010. In 2005, he obtained a Master degree's in Economics from Renmin University of China. He was a fund manager of Shenzhen Jin Yongquan Investment Funds Management Co., Ltd from July 2010 to July 2012. In August 2012, he was appointed as the assistant to general manager of the joint venture of the Group, Hangzhou AUPU Broni Kitchen & Bath Co., Ltd. During the period from July 2013 to June 2014, he held the position as assistant president of a subsidiary in the Group, AUPU Technology and has been promoted to executive president since then. He is the son-in-law of an executive Director of the Company, Mr. Fang Shengkang.

NON-EXECUTIVE DIRECTORS

Mr. Lin Xiaofeng (林曉峰) ("Mr. Lin"), aged 42, is the founder and executive partner of Ashe Capital Management Limited. Mr. Lin graduated from The University of Southern Queensland with a master's degree in business administration. Mr. Lin has more than 9 years of experience in corporate finance activities. From October 2000 to May 2004, Mr. Lin served as the partner of Cyberh Science and Technology Investment Co., Ltd. (上海先和科技投資有限公司). For the period from April 2008 to June 2011, Mr. Lin has been a non-executive director of China Singyes Solar Technologies Holdings Limited (HK Stock Code: 00750), the shares of which are listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Lin does not have any other major appointments or qualifications. Mr. Lin was appointed as an executive Director on 26 August 2011.

Mr. Lu Songkang (盧頌康) ("Mr. Lu"), aged 63, is a non-executive Director and is responsible for providing advice on financial matters of the Group. Mr. Lu is a member of the audit committee. He joined AUPU Electrical in August 1994 as an accountant of AUPU Electrical and was promoted to manager of the finance department and chief financial officer of AUPU Electrical in July 1999 and May 2001 respectively. Mr. Lu was a director of AUPU Electrical from May 2000 to November 2004. Mr. Lu was responsible for overseeing and managing financial matters of AUPU Electrical until August 2004 when Mr. Lu resigned as the chief financial officer of AUPU Electrical. Mr. Lu became a consultant of AUPU Electrical in January 2005 and stayed in this position until July 2006 when he was appointed as a non-executive Director. Mr. Lu passed the Chinese Institute of Certified Public Accountants ("CICPA") National Uniform Examination of Certified Public Accountants in May 1995 and is a member of the CICPA.

Mr. Lu is a director and shareholder of Renown Harbour Limited which holds 40,563,380 Shares of the Company, hence falls to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Lung (吳德龍) ("Mr. Wu"), aged 49, is a member of Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities Institute and also a fellow member of the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Mr. Wu was awarded a Bachelor's degree in Accounting by the Hong Kong Baptist University and a Master's degree of Business Administration (MBA) by the University of Manchester and the University of Wales. Mr. Wu worked in an international accounting firm, Deloitte Touche Tohmatsu, for five years, and was then employed by several listed and private enterprises in Hong Kong as head of corporate finance and executive director. Mr. Wu currently serves as an independent non-executive director of Beijing Media Corporation, Sinomax Group Limited and China Machinery Engineering Corporation, those are companies listed on the Hong Kong Stock Exchange, and First Tractor Company Limited, a company listed on both the Stock Exchange and the Shanghai Stock Exchange. He has also served as an independent non-executive director of China Water Industry Group Limited, a company listed on the Stock Exchange and Valuetronics Holdings Limited, a company listed on the Singapore Stock Exchange in the past three years. Mr. Wu currently is a member of the Jiangsu Provincial Committee of Chinese People's Political Consultative Conference, a Council member and a honoring Court member of the Hong Kong Baptist University, the honorary chairman of the North Kwai Chung Scout, and the Honorary Vice-Chairman of Hongkong-Guangdong Youth Exchange Promotion Association.

Mr. Shen Jianlin (沈建林) ("Mr. Shen"), aged 46, is an independent non-executive Director. He is also the director and senior partner of BDO International (Special General Partnership) (德豪國際會計師事務所 (特殊普通合夥)). Mr. Shen has been an independent director of Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司), a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange, since November 2010 and also an independent director of Zhejiang Dragon Pipe Manufacturing Co., Ltd. (浙江巨龍管業股份有限公司), a company listed on the SME Board of the Shenzhen Stock Exchange, from August 2009 to August 2012. Mr. Shen graduated from the Institute of Hangzhou Electronic Industry (杭州電子工業學院) with a Bachelor's degree in Industrial Accounting. He has extensive experience in auditing and corporate finance. Mr. Shen is a member of the CICPA and the vice president of Zhejiang Certified Public Accountant Association. He is also a tutor of the master's postgraduate programme in Hangzhou Dianzi University and Zhejiang Gongshang University. He was appointed as an independent non-executive Director on 16 November 2006.

Mr. Gan Weimin (甘為民), aged 48, graduated from Zhejiang University and obtained a Bachelor's degree in Optical Instruments Engineering, and a Bachelor's degree and a Master degree's in Law. Since 1990, Mr. Gan has been practicing as a lawyer, and subsequently qualified as practicing agent for securities and patents. He is now a partner of Guantao Law Firm, a law firm situated in the People's Republic of China (the "PRC"). Mr. Gan is currently an independent non-executive director of Huazhi Holding (Zhejiang) Co., Ltd ("華智控股", stock code: 000607), Roshow Technology Co., Ltd. ("露笑科技", stock code: 002617) and Hangzhou Everfine Photo-E-Info Co.,Ltd. ("遠方光電", stock code: 300306), all of which are listed on the Shenzhen Stock Exchange, PRC. He is also an independent non-executive director of Gem-Year Industrial Co., Ltd. ("晉億實業", stock code: 601002), a company listed on the Shanghai Stock Exchange. Mr. Gan was an executive partner of Zhejiang T&C Law Firm from October 1997 to January 2002, and a managing partner of Zhejiang High Mark Law Firm from January 2002 to July 2012.

SENIOR MANAGEMENT

Mr. Fan Yirun (范毅潤) ("Mr. Fan"), aged 53, is the administrative general manager (行政管理總監) of AUPU Electrical and is responsible for the administration, human resources, legal matters, information center and infrastructure work of the Group. Mr. Fan has extensive experience in office administration. Mr. Fan joined the Group in June 1999 as the manager of administration department and was the deputy general manager of AUPU Electrical from October 2005 to January 2007. Mr. Fan is qualified as an assistant statistician. Mr. Fan also received a commendation as a "Model Employee of Hangzhou" in 2007.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Chan Ka Fat (陳家發) ("Mr. Chan"), aged 43, is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan was appointed as company secretary on 1 August 2011, and was appointed as the chief financial officer of the Company on 1 September 2012. Mr. Chan obtained a Bachelor's degree of commerce from Macquarie University, Australia and a master's degree of management from Macquarie Graduate School of Management, Australia. He worked in sizable and international accounting firms as well as listed companies in Hong Kong with wide exposure and experience in auditing, accounting, financial planning, corporate finance and corporate management and governance.

DIRECTORS' REPORT

The Directors hereby present the annual report for 2014 and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43. The Directors hereby recommend the payment of a final dividend of HK$0.10 per share to the Shareholders whose names appear on the Company's register of members on Friday, 5 June 2015.

OPERATING RESULT

The Group's consolidated profit for the year amounted to approximately RMB170,248,000, which represents an increase of approximately 107.63% over the consolidated profit of the Company of approximately RMB81,994,000 for the year of 2013.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the year are set out below:

In 2014, the Company's largest supplier accounted for 17.08% (2013: 17.37%) of the total purchase of the Company and the 5 largest suppliers in aggregate accounted for 51.61% (2013: 49.38%) of the total purchase of the Company.

At no time during the year did a Director, an associate of a Director or a Shareholder (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in the share capital of any of the Group's five largest suppliers or customers.

FIXED ASSETS

Details of movements of the fixed assets of property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 32 to the consolidated financial statements.

BANK BORROWING

Particulars of bank borrowing as at 31 December 2014 are set out in note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Group during the year are set out in note 23 to the consolidated financial statements. During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had a book gain of RMB21,821,000 for the year ended 31 December 2014 and accumulated book losses of RMB279,014,000 as of 31 December 2014 and no other reserves of the Company were available for distribution to shareholders during the period. In order to ensure that there will be sufficient distributable reserves for payment of the final dividends declared, the Company has requested its subsidiaries to make a profit distribution before 5 June 2015.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Fang James
Mr. Fang Shengkang
Mr. Wu Xingjie *(appointed on 1 September 2014)*

Non-executive Directors

Mr. Lu Songkang
Mr. Lin Xiaofeng

Independent Non-executive Directors

Mr. Wu Tak Lung
Mr. Shen Jianlin
Mr. Gan Weimin *(appointed on 1 September 2014)*
Mr. Cheng Houbo *(resigned on 1 September 2014)*

In accordance with the provisions of the Company's articles of association, Mr. Fang James, Mr. Wu Xingjie, Mr. Gan Weimin and Mr. Shen Jianlin will retire by rotation, all four of them being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. A circular containing the biographical details of the retiring directors and the notice of the forthcoming annual general meeting will be sent to Shareholders of the Company in due course.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

The Director's remuneration is determined by reference to the prevailing market price and the Company's remuneration policy.

EMOLUMENT POLICY

The emolument policy of the Group for its employees is formulated by the remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in the section headed "Share Option Scheme" in Appendix IV of the Prospectus of the Company dated 27 November 2006.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local governments. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the scheme and the cost charged to the consolidated statement of profit or loss and other comprehensive income represent a contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

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

As at 31 December 2014, the interests of the Directors and the chief executives and their associates in the Shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

I. Interests in the Company and its associated corporations

Name of Director(s)	The Company/name of associated corporation(s)	Capacity/capacities	Number of issued ordinary Share(s)/ underlying Share(s) held (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation(s)
Mr. Fang James (Note 2)	The Company	Interest in controlled corporation	267,718,310(L)	25.62%
Mr. Fang James (Note 2)	SeeSi Universal Limited	Beneficial owner	71 shares of US$1.00 each (L)	100%
Mr. Fang James (Note 3)	The Company	Beneficial owner	2,500,000(L)	0.24%
Mr. Fang Shengkang (Note 2)	The Company	Interest in controlled corporation	259,605,634 (L)	24.85%
Mr. Fang Shengkang (Note 4)	Sino Broad Holdings Limited	Beneficial owner	1 share of US$1.00 each (L)	100%
Mr. Fang Shengkang (Note 5)	The Company	Beneficial owner	1,320,000(L)	0.13%
Mr. Lu Songkang (Note 2)	The Company	Interest in controlled corporation	40,563,380(L)	3.88%
Mr. Lu Songkang (Note 6)	Enown Harbour Limited	Beneficial owner	1 share of US$1.00 each (L)	100%

Notes:

1. The letter "L" represents the person's long position in such shares.

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

3. Mr. Fang James purchased 884,000 Shares of the Company in the open market at an average price of HK$1.35 per Share on 27 August 2014, purchased 660,000 Shares at an average price of HK$1.35 per Share on 28 August 2014, purchased 956,000 Shares at an average price of HK$1.368 per Share on 29 August 2014. Hence, Mr. Fang James held an aggregate of 2,500,000 Shares of the Company in the capacity of a personal beneficial owner. He is also one of the director of the Company.

4. Sino Broad is one of the shareholders of the Company. Its entire issued shares are 100% held by Mr. Fang Shengkang and Mr. Fang Shengkang is deemed to be interested in all the Shares held by Sino Broad under the SFO.

5. Mr. Fang Shengkang purchased 720,000 Shares of the Company in the open market at an average price of HK$1.35 per Share on 22 October 2007. Upon the approval at the general meeting of the Company held on 27 September 2010 of the bonus shares issue on the basis of one bonus share for every two shares held by shareholders whose names appear on the register of members of the Company on 24 September 2010, the number of shares which Mr. Fang Shengkang held was changed to 1,080,000 shares. Mr. Fang Shengkang also purchased 240,000 Shares of the Company in the open market at an average price of HK$1.299 per Share on 20 October 2014. Hence, Mr. Fang Shengkang held an aggregate of 1,320,000 Shares of the Company in the capacity of a personal beneficial owner. He is also one of the director of the Company.

6. Copious All is one of the shareholders of the Company. Its entire issued shares are 100% held by Mr. Lu Songkang and Mr. Lu Songkang is interested in all the Shares held by Copious All by virtue of SFO. He is also one of the Director of the Company.

II. Long position in underlying Shares of the Company

Name of Director(s)	The Company/name of associated corporation(s)	Capacity/Capacities	Number of issued ordinary Share(s)/ underlying Share(s) held (Note 1)	Approximate percentage of issued share capital of the Company/ Associated corporation(s)
Mr. Wu Tak Lung	The Company	Beneficial owner	a. share options with rights to subscribe 225,000 shares at a subscription price of HK$1.49 per share (L)	0.02%
			b. 60,000 shares	0.01%
Mr. Shen Jianlin	The Company	Beneficial owner	a. share options with rights to subscribe 112,500 shares at a subscription price of HK$1.49 per share (L)	0.01%
			b. share options with rights to subscribe 75,000 shares at a subscription price of HK$1.03 per share (L)	0.01%

Notes:

1. The letter "L" represents the person's long position in such shares.

2. Mr. Wu Tak Lung exercised the subscription rights of 90,000 Shares at the price of HK$1.03 per Share in November 2010 and 60,000 Shares at the price of HK$1.03 per Share in September 2014 respectively.

3. Mr. Cheng Houbo, a director of the Company who resigned on 1 September 2014, exercised the subscription rights of 75,000 Shares at the price of HK$1.03 per Share during the year. Subsequent to his resignation, share options with rights to subscribe 112,500 Shares at a subscription price of HK$1.49 per Share were lapsed.

Other than as disclosed above, none of the Directors or chief executives had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2014.

SHARE OPTION SCHEME

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

(1) Purpose of the scheme:

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

(2) Participants of the scheme:

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

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed such number of shares representing 30% of the issued share capital of the Company from time to time. The total number of issued shares in the capital of the Company was 1,044,866,000 shares as at the date of this Annual Report.

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

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

(ii) Any options granted to an Eligible Person who is a substantial Shareholder (as defined in the Listing Rules) or an independent non-executive Director or their respective associates, which will result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options whether exercised, cancelled or remained outstanding) to such person in the period of 12 months up to and including the date of such grant:

— representing in aggregate over 0.1% of the issued share capital of the Company; and

— having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000.00,

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

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

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

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

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

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

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

(8) Basis of determining the exercise price:

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

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

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

(iii) the nominal value of the shares.

(9) Remaining life of the scheme:

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

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

Before bonus share issue:

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

After bonus share issue:

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

As at 31 December 2014, the number of shares in respect of which options had been granted and remained under the Share Option Scheme was 6,862,500, representing 0.66% of the issued shares of the Company as at that date. Among the share options granted, Directors were granted options entitling them to subscribe 2,850,000 shares of the Company, 262,500 shares of which have been exercised and 2,175,000 shares of which have lapsed. Details of the options granted to the Directors as at 31 December 2014, are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares".

As at 31 December 2014, 6,862,500 share options granted to eligible Directors and employees of the Group were still outstanding and details are as follows:

		Maximum number of Shares that may be subscribed under share options						
Name or category of participant	**Exercise price (HK$)**	**Outstanding as at 1 January 2014**	**Exercised in 2014**	**Cancelled/ Lapsed in 2014**	**Outstanding as at 31 December 2014**	**Vesting period**	**Notes**	**Percentage of the total issued Share Capital**
Directors								
Wu Tak Lung	1.49	225,000	0	0	225,000	16/3/2008–15/3/2017	1,4	0.02%
	1.03	60,000	60,000	0	0	3/1/2008–2/1/2017	3,4	N/A
Shen Jianlin	1.49	112,500	0	0	112,500	16/3/2008–15/3/2017	1,4	0.01%
	1.03	75,000	0	0	75,000	3/1/2008–2/1/2017	3,4	0.01%
Cheng Houbo	1.49	112,500	0	112,500	0	16/3/2008–15/3/2017	1,4,5	N/A
	1.03	75,000	75,000	0	0	3/1/2008–2/1/2017	3,4	N/A
Other employees in aggregate for First Batch of Share Options	1.49	1,800,000	0	0	1,800,000	16/3/2008–15/3/2017	1,4	0.17%
Other employees in aggregate for Second Batch of Share Options	2.07	6,300,000	0	1,875,000	4,425,000	8/6/2008–7/6/2017	2,4	0.42%
Other employees in aggregate for Third Batch of Share Options	1.03	1,785,000	1,230,000	330,000	225,000	3/1/2008–2/1/2017	3,4	0.02%
Total		10,545,000	1,365,000	2,317,500	6,862,500			

Notes:

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

2. On 8 June 2007, the Directors resolved to grant share options pursuant to the Share Option Scheme adopted by the Company on 16 November 2006. On the same day, the Company granted share options entitling the holders to subscribe for a total of 6.45 million shares (after bonus shares issue in 2010: 9.68 million shares) of the Company to certain senior management of the Group (collectively referred as the "Second Batch of Grantees") as an incentive and reward to the Second Batch of Grantees for their contribution to the Group. The share options are exercisable at HK$3.11 per share (after bonus shares issue in 2010: HK$2.07) for the period within 10 years from the grant date. The closing price of the Company's shares was HK$3.02 on 8 June 2007. The share options were granted to the Second Batch of Grantees on such terms that the Second Batch of Grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

3. On 3 January 2008, the Board granted additional share options entitling the holders to subscribe for a total of 8.1 million shares (after bonus shares issue in 2010: 12.15 million shares) of the Company to the three independent non-executive Directors and the management of the Company (collectively the "Third Batch of Grantees"). The share options are exercisable at HK$1.55 per share (after bonus shares issue in 2010: HK$1.03) for the period within 10 years from the grant date. The closing price of the Company's shares was HK$1.55 on 3 January 2008. The share options were granted to the Third Batch of Grantees on the basis that the Third Batch of Grantees may exercise the options from the date of the grant, and up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options granted to him or her at the anniversary of the first, second, third, fourth and fifth year respectively from the date of the grant until the expiry of the exercise period.

4. These share options represent personal interests held by the relevant participants as beneficial owners.

5. Mr. Cheng Houbo resigned as Director of the Company on 1 September 2014.

6. On 27 September 2010, the bonus shares issue on the basis of one bonus share for every two shares held to shareholders whose names appeared on the register of members on 24 September 2010 was approved at the general meeting, pursuant to which the number of options and exercise price were adjusted accordingly. The number of share options after adjustment was 29,325,000 share options.

7. Up to 31 December 2014, an aggregate of 16,492,500 share options were lapsed due to the resignation of the relevant staff and an aggregate of 5,970,000 share options were exercised.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, its controlling shareholder, subsidiaries or fellow subsidiaries was a party or in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No management contracts in force during the year for the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the interests of the substantial Shareholders (as defined in the Listing Rules), other than the Company's Directors or chief executives, in the Shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder(s)	Capacity/Capacities	Number of issued ordinary Shares/underlying Shares held (Note 2)	Approximate percentage of issued share capital of the Company
SeeSi Universal Limited (Note 1)	Beneficial owner	267,718,310(L)	25.62%
Qiang Yan (Note 3)	Family interest	270,218,310(L)	25.86%
Sino Broad Holdings Limited (Note 1,4)	Beneficial owner	259,605,634(L)	24.85%
Zhang Shuqing (Note 5)	Family interest	260,925,634(L)	24.97%
Delta Lloyd Asset Management NV	Beneficial owner	94,156,000(L)	9.01%

Notes:

(1) On 21 November 2014, the shareholders of the former SeeSi Universal Limited ("SeeSi") Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Chai Junqi transferred 32 shares, 5 shares and 1 share of SeeSi to Mr. Fang James respectively. As consideration, Fang James procured SeeSi to transfer 259,605,634 Shares, 40,563,380 Shares and 8,112,676 Shares to Sino Broad Holdings Limited ("Sino Broad"), Enown Harbour Limited ("Enown Harbour") and Copious All Limited ("Copious All") respectively (the aforementioned transactions are collectively referred to as "Restructuring of Controlling Shareholders" and being disclosed pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Future Ordinance). Accordingly, Seesi is a shareholding company of the Company up to 31 December 2014. Its entire issued shares are 100% held by Mr. Fang James, and Mr. Fang James is interested in all the shares held by Seesi in the Company simultaneously. He is also the director of the Company.

(2) The letter "L" represents the person's long position in such shares.

(3) Madam Qiang Yan is the spouse of Mr. Fang James, a Director of the Company. Madam Qiang Yan is therefore deemed to be interested in the interests of Mr. Fang James, which consists of (i) 267,718,310 Shares beneficially owned by SeeSi; and (ii) 2,500,000 Shares beneficially owned by Mr. Fang James by virtue of the SFO.

(4) Sino Broad Holdings Limited ("Sino Broad") is a Shareholder of the Company. Its entire issued shares are 100% held by Mr. Fang Shengkang and Mr. Fang Shengkang is deemed to be interested in all the Shares held by Sino Broad in the Company under the SFO. He is also the director of the Company.

(5) Madam Zhang Shuqing is the spouse of Mr. Fang Shengkang, a Director of the Company. Madam Zhang Shuqing is therefore deemed to be interested in the interests of Mr. Fang Shengkang, which consists of (i) 259,605,634 Shares beneficially owned by Sino Broad; and (ii) 1,320,000 Shares beneficially owned by Mr. Fang Shengkang by virtue of the SFO.

Save as disclosed above, as at 31 December 2014, none of the substantial Shareholders, other than the Company's Directors or chief executives, had any interests and short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, 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 31 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 subsidiaries, 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 constituted connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

COMPETING INTEREST

As at 31 December 2014, none of the Directors or substantial Shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company as at the latest practicable date prior to the bulk printing of this Annual Report and to the best knowledge of its Directors, the Company has maintained a sufficient public float throughout the period from 1 January 2014 to 31 December 2014.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.10 per Share for the year ended 31 December 2014 to Shareholders whose names appear on the register of members of the Company on Friday, 5 June 2015. The proposed dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Wednesday, 27 May 2015 (the "AGM") and will be payable on or before 19 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Friday, 22 May 2015 to Wednesday, 27 May 2015 (both days inclusive), during which period no transfer of Shares of the Company will be effected. In order to qualify for attending the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 21 May 2015.

The Company's register of members will be closed from Wednesday, 3 June 2015 to Friday, 5 June 2015 (both days inclusive), during which period no transfer of Shares of the Company will be effected. In order to qualify for receiving the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 2 June 2015.

REPURCHASE, 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 under review.

CORPORATE GOVERNANCE

Please refer to Corporate Governance Report on page 30 to 38 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY THE AUDIT COMMITTEE

The Listing Rules requires every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include reviewing the Group's financial information, monitoring the Group's financial reporting process and internal control procedures and considering issues relating to the Group's external auditor.

The financial results for the year ended 31 December 2014 and the accounting principles and policies adopted by the Group have been reviewed by the audit committee of the Company. On the reporting date, the audit committee consists of three independent non-executive Directors, namely Mr. Wu Tak Lung, Mr. Shen Jianlin and Mr. Gan Weimin and one non-executive Director, Mr. Lu Songkang. Mr. Wu Tak Lung serves as the chairman of the audit committee.

AUDITORS

A resolution will be proposed at the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the ensuring year.

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

Hong Kong, the PRC, 26 March 2015

CORPORATE GOVERNANCE REPORT

The Directors recognized the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. In accordance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the audit committee has been established in compliance with the requirement of Corporate Governance Practices set forth in Appendix 14 to the Listing Rules.

The Group has also appointed qualified professionals to oversee the financial reporting procedures and internal controls of the Group so as to ensure compliance with the Listing Rules. In addition, the internal audit division of the Group, which directly reports to the audit committee of the Board, based on the reminders from accountant, has conducted tracking analysis in respect of the implementation and feedbacks on the rectification exercise of the relevant departments of the Group. The Group will engage an external party to conduct analysis and review as and when necessary.

The Company has established the remuneration committee to review the implementation of the then remuneration policy and formulate new one for the subsequent year.

To further enhance the effectiveness of the Group's corporate governance, the Company has established the nomination committee and adopted the terms of reference of the nomination committee: reviewing the structure, size and composition of the then Board, including the skills, knowledge and experience possessed by the Directors, and making recommendations on any proposed changes to the Board to complement the strategy of the Group.

The Group has also implemented a compliance manual which covers regulatory systems in areas such as ongoing compliance obligations of the Company and the Directors, business operations of the Group, financial management systems, human resources management systems, internal control systems, quality assurance and property management systems.

The Group also regularly reviews the time devoted by a Board member to perform his/her duties and provides guidelines to the Directors, including "A Guide on Directors' Duties" issued by the Companies Registry and the guidelines for directors issued by the Hong Kong Institute of Directors, for daily revision and reference by the Directors.

FUNCTIONS OF THE BOARD

The Board is responsible for the promotion of success of the Company by directing and guiding its affairs in an accountable and efficient manner. The Board members have a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. The types of decisions which are to be taken by the Board include:

1. Setting the Company's mission and values;

2. Formulating strategic directions of the Company;

3. Reviewing and guiding corporate strategy; setting performance objectives and monitoring implementation and corporate performance;

4. Monitoring and managing potential conflicts of interest of management and the Board members; and

5. Ensuring the integrity of the accounting and financial reporting systems, including the independent audit, and that appropriate systems of internal control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with all the code provisions set out in the Corporate Governance Practices and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "CG Code") which regulates the conduct and responsibilities of shareholders, Directors, management and staff, and directs the convening and convening procedures of general meetings, meetings of Board and meetings of the committees of the Board. It also sets forth to regularly review the time required for a Board member to perform his/her duties, the remunerations of the Directors and senior management, internal controls, appointment of external auditors, financial reporting and financial management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer be separated and not performed by the same individual. During the year under review, Mr. Fang James, as chairman of the Group, took a leading role in formulating the direction for the strategic growth and development of the Group, with responsibility for reviewing implementation of the Board's policies and decisions and representing the Group to communicate with the media and external parties. Mr. Fang Shengkang, the president of the Group, was responsible for overseeing the day-to-day operations of the Group and the implementation of the Board's policies and decisions, including execution of annual business plan and investment plan. The role of the chairman (Mr. Fang James) is separated from that of the president (Mr. Fang Shengkang) in order to reinforce their respective independence, accountability and responsibility. The role of the president of the Group is similar to that of a chief executive officer.

NON-EXECUTIVE DIRECTORS

The non-executive Directors have not been appointed for a specific term but shall be subject to retirement by rotation as required under the articles of association of the Company. The appointment of Mr. Lu Songkang commenced from 14 July 2006. Mr. Lin Xiaofeng was re-designated as non-executive director from executive director since 30 September 2013. Currently, there are a total of three independent non-executive Directors, namely Mr. Wu Tak Lung, Mr. Shen Jianlin and Mr. Gan Weimin.

BOARD COMPOSITION

The Company is committed to maintaining a balanced composition of executive and non-executive Directors (including independent non-executive Directors) in the Board so that the Board has high level of independence and can effectively exercise independent judgment. During the year ended 31 December 2014, the Board had complied at all times and met the requirement of the Listing Rules that at least three independent non-executive Directors sit on the Board (representing more than one third of all Board members) and at least one of them has appropriate professional accounting or related financial management expertise. The independent non-executive Directors of the Company, biographical details of whom are set out in the Section headed "Directors and Senior Management" in this annual report, are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment.

The Board supervises the management of business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it to effectively perform its functions, namely, the audit committee, nomination committee and remuneration committee. Specific responsibilities have been delegated to the above committees.

The Board delegates specific tasks to the Group's management including the implementation of strategies and decisions approved by the Board and the preparation of accounts for approval by the Board before publication. The chairman is responsible for developing strategic direction and development of the Group and the president (performing the role of a chief executive officer), working with and supported by the Directors, is responsible for managing the Group's business affairs, including the implementation of strategies adopted by the Board and attending to the formulation and successful implementation of the Group's policies and assuming full accountability to the Board for all the Group's operations.

The independent non-executive Directors provide the Company with diversified industry expertise, advise the management on strategic development, ensure that the Board maintains high standards of financial and makes other mandatory reports as well as providing adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

The Company has received, from each of the independent non-executive Directors, a written confirmation in relation to his independence from the Company, confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of directors.

Mr. Fang James is the cousin of Mr. Fang Shengkang. Mr. Wu Xingjie is the son-in-law of Mr. Fang Shengkang. Save as disclosed above and in the Section headed "Directors and Senior Management" of this report, none of the Directors of the Company has any financial, business, family or other material/relevant relationship with one another.

ATTENDANCE OF MEETINGS

Seven meetings of the Board were held respectively on 24 March, 22 April, 16 May, 18 August, 3 September, 17 October and 10 December 2014 during the period from 1 January 2014 to 31 December 2014. The attendance of each Director is as follows:

Name of Directors	**The plenary meeting of the Board** No. of Attendance/No. of Meeting(s)	**Remuneration Committee Meeting** No. of Attendance/No. of Meeting(s)	**Audit Committee Meeting** No. of Attendance/No. of Meeting(s)	**Nomination Committee Meeting** No. of Attendance/No. of Meeting(s)
Fang James *(Chairman and executive Director)*	7/7	N/A	N/A	2/2
Fang Shengkang *(President and executive Director)*	7/7	2/2	N/A	2/2
Wu Xingjie *(executive Director) (appointed on 1 September 2014)*	3/3	N/A	N/A	N/A
Lin Xiaofeng *(Non-executive Director)*	7/7	N/A	N/A	N/A
Lu Songkang *(Non-executive Director)*	7/7	N/A	N/A	N/A
Wu Tak Lung *(Independent non-executive Director)*	7/7	2/2	2/2	2/2
Cheng Houbo *(Independent non-executive Director) (resigned on 1 September 2014)*	4/4	2/2	2/2	2/2
Shen Jianlin *(Independent non-executive Director)*	7/7	2/2	2/2	2/2
Gan Weimin *(Independent non-executive Director) (appointed on 1 September 2014)*	3/3	N/A	N/A	N/A

AUDIT COMMITTEE

The Company established the audit committee on 16 November 2006 with written terms of reference in compliance with the Code. The primary duties of the audit committee include the review of the Group's financial information, oversight of the financial reporting processes and internal control procedures, considering issues raised by the Group's external auditor on the Company's internal control and risk management review and processes, re-appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. The audit committee also met the external auditor twice without the presence of the executive Directors during the year. Messrs. Wu Tak Lung, Shen Jianlin , Cheng Houbo (resigned on 1 September 2014) and Gan Weimin (appointed on 1 September 2014), all being independent non-executive Directors, and Mr. Lu Songkang, a non-executive Director, are members of the audit committee, with Mr. Wu Tak Lung as the chairman. During the period under review, two meetings of the audit committee were held on 24 March 2014 and 18 August 2014 respectively. The major businesses of the meetings were to review the internal control review report and the interim and annual reports of the Group before forwarding the same to the Board for approval. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditors. The Company's annual results for the year ended 31 December 2014 have been reviewed by the audit committee.

REMUNERATION COMMITTEE

The Company established the remuneration committee on 16 November 2006 with written terms of reference. The primary duties of the remuneration committee include reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of share options under the Share Option Scheme. Messrs. Wu Tak Lung, Shen Jianlin, Cheng Houbo (resigned on 1 September 2014) and Gan Weimin (appointed on 1 September 2014), all being independent non-executive Directors, and Mr. Fang Shengkang, an executive Director, are members of the remuneration committee, with Mr. Shen Jianlin as the chairman. The remuneration committee held two meetings on 24 March 2014 and 18 August 2014 during the reporting period and reviewed the remuneration policy of the Group for the year of 2013 and the interim period of 2014.

Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements. In addition, pursuant to the Code Provision B.1.5, the annual remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration band (HK$)	**Number of individual**
Nil to HK$1,000,000	2
over HK$1,000,000	0

NOMINATION COMMITTEE

The Group established the nomination committee on 21 March 2012 with written terms of reference in compliance with the Code. The primary duties of the nomination committee include reviewing the structure, size and composition (including the skills, knowledge and experience possessed by the Directors) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals qualified to be Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and assessing the independence of independent non-executive Directors. It comprises Mr. Wu Tak Lung, Mr. Shen Jianlin and Mr. Cheng Houbo (resigned on 1 September 2014) and Mr. Gan Weimin (appointed on 1 September 2014), all being independent non-executive Directors, and Mr. Fang James and Mr. Fang Shengkang, being executive Directors, with Mr. Cheng Houbo (resigned on 1 September 2014) as the chairman of the Nomination Committee from 1 January to 31 August 2014. Mr. Gan Weimin has taken up the role as chairman since 1 September 2014.

The nomination committee held two meetings on 24 March and 18 August 2014 during the period under review. On 1 September 2014, Mr. Cheng Houbo resigned as the independent non-executive Director of the Company. At the same time, Mr. Wu Xingjie and Mr. Gan Weimin had been appointed as executive Director and independent non-executive Director of the Company respectively.

Board Diversity Policy

The Board is of the opinion that the diversity of the Board can coordinate with the sustainable development of the Company. The nomination committee takes into consideration criteria such as a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business when selecting and proposing nominees for directorship. Selection of candidates will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. Upon specific enquiries by the Company with regard to securities transactions, all Directors have confirmed their compliance with the required standards set out in the Model Code relating to the securities transactions by the Directors during the year under review.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have participated in the trainings organized by the Company and self-learning to maintain their professional knowledge and skills, and have also participated in continuous professional development. During the year, each Director has reported the schedule of professional knowledge, self-learning and professional training. From time to time, the Company also delivers materials received from lawyers or regulatory bodies to Directors for their own study.

INDEPENDENT AUDITOR'S REMUNERATION

The independent auditor of the Company, Deloitte Touche Tohmatsu, received audit fees amounting to approximately RMB1,680,000 for the year under review. No non-audit service was provided by the independent auditor of the Company during the year.

FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with the International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

The statement by the independent auditor of the Company about its responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this Annual Report.

INTERNAL CONTROL

The internal audit division of the Group has been established under our subsidiary Hangzhou AUPU Technology Co., Ltd. The main functions of the internal audit division are to audit the operating efficiencies of each of the operating units of the Company and to review the internal controls in material aspects (such as financial management and compliance).

The Group placed the division under the audit committee of the Board as a permanent function of the audit committee to enhance its independence in internal auditing. The Board conducted an annual review of the internal control system of the Group during the year.

INVESTOR RELATIONSHIP AND SHAREHOLDERS' COMMUNICATION

The Company will use various channels such as financial report, announcement and website of the Company to disclose relevant public information to the public and the shareholders on an extensive and non-exclusive basis. The Company maintains effective communications with shareholders and investors through annual general meeting, results presentation, receiving and visiting investors.

Web-based reporting: The website of the Company (www.aupu.cn) has opened an investor relationships column which contains the following contents (including but not limited to):

a. relevant systems of the Company, such as manual of code on corporate governance, rules of security dealings, sensitive information disclosure system, articles of association, shareholders communication policy and procedures for shareholders to propose a person for election as a director;

b. information on the annual general meeting of the Company;

c. the annual report and interim report of the Company; and

d. structure of the Group, composition of the Board and terms of reference of each committee under the Board.

SHAREHOLDERS' RIGHT

(i) Procedures for members to convene an extraordinary general meeting ("EGM")

Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall, at all times have the right, by written requisition sent to the Company's head office in the PRC and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within twenty one days of such deposit the Board fails to proceed to convene such meeting, the Shareholders concerned themselves may do so in the same manner as that in which EGM may be convened by the Company.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the company secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

The notice period to be given to all the registered members for consideration of the proposal raised by the shareholders concerned at a general meeting should follow the requirements set out in Article 59 of the Articles of Association of the Company.

(ii) Procedures for a member to propose a person for election as a director

Qualified shareholder must sign a notice stating his intention to propose a person for election and the proposed person must sign a letter of consent stating his willingness to be elected, both of which shall be lodged at the Head Office of the Company located at No. 210, 21st Street, Xiasha Economic Development Zone, Hangzhou, Zhejiang, The People's Republic of China or the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with a notice of at least seven (7) days being given. If the notices are submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

(iii) Procedures for directing Shareholders' enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or the head office in the PRC for the attention of the company secretary or chairman. They may also attend the annual general meetings and other general meetings of the Company to direct their enquires to the Board.

There was no change in the Company's constitutional documents during the year ended 31 December 2014.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Chan Ka Fat. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge in 2014.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Company.

WORK ENVIRONMENT

The Directors are of the opinion that the Company is operating in strict compliance with the Standardized Management Procedures on Safe Production for PRC Enterprises implemented by the State Administration of Work Safety, and strives to create an ever safer work environment for its employees. In strict compliance with the relevant laws, regulations, rules and practices, the Group enters into labor contract recognized by the human resources and social security authorities with all of its employees. Before entering into labor contract with its employees, the Group will illustrate in detail each provision set out in the labor contract in order to ensure that our employees fully understand the content of the labor contract as well as each action provided for thereunder, including contract renewal and termination of employment. Salaries are always paid in full by the Company on a timely basis. Moreover, we will review, analyze and improve our employee remuneration policy annually with reference to our business performance and the status of local economic development.

Note: Worker assembling components at the manufacturing assembly line

Note: A look at our manufacturing assembly factory

Note: Sales functional training for subsidiaries and the store owners of our franchised speciality stores

Note: Outward bound training for the sales staff of the Company's headquarters

STAFF WELFARE AND TRAINING

The Company is in strict compliance with the requirements on employee working hours set out in the PRC Labor Law. Our employees will work no more than 40 hours per week and are entitled to public holidays stipulated by the Chinese government. In major holidays such as the Mid-autumn festival and the Chinese New Year, the Company will also provide its entire staff with benefits in kind in equal amount.

The Company is deeply concerned with the health of its employees. We pay close attention to production safety and labor protection measures and arrange annual body check for our employees. Since the Company's incorporation, there has not been one single case of death or disability due to work-related cause.

To enhance the professionalism of our employees, the Company offers various types of career training programs and career planning, such as career skills training for entry-level employees, management skills training for mid range and senior management personnel and specific post training.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF AUPU GROUP HOLDING COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of AUPU Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 103, which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5	**784,263**	620,304
Cost of sales		**(409,455)**	(341,015)
Gross profit		**374,808**	279,289
Other income		**28,787**	24,648
Selling and distribution expenses		**(104,995)**	(120,064)
Administrative expenses		**(40,088)**	(38,432)
Other expenses		**(36,128)**	(34,325)
Finance costs on bank loans wholly repayable within five years		**(2,532)**	(1,700)
Share of losses of associates		**(9,162)**	(4,447)
Profit before tax	6	**210,690**	104,969
Income tax expenses	7	**(40,442)**	(22,975)
Profit and total comprehensive income for the year attributable to owners of the Company		**170,248**	81,994
Earnings per share — basic (RMB)	9	**0.16**	0.08
Earnings per share — diluted (RMB)	9	**0.16**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	11	**219,691**	191,676
Prepaid lease payments	12	**27,084**	27,731
Interests in associates	13	**21,755**	30,917
Available-for-sale investments	14	**67,500**	66,000
Amounts due from associates	31	**136,500**	142,500
Deferred tax assets	15	**9,637**	10,277
		482,167	469,101
Current assets			
Prepaid lease payments	12	**647**	647
Inventories	16	**69,937**	45,695
Trade, bills and other receivables	17	**59,166**	55,577
Amounts due from associates	31	**3,273**	2,563
Held-for-trading investments	18	**30,000**	—
Time deposits	19	**167,000**	110,000
Pledged bank deposits	19	**139,968**	85,213
Bank balances and cash	19	**41,647**	69,150
		511,638	368,845
Current liabilities			
Trade, bills and other payables	20	**283,885**	246,033
Amounts due to associates	31	**—**	462
Income tax liabilities		**25,134**	19,644
Other tax liabilities	21	**7,983**	5,595
Short-term bank loans	22	**110,442**	100,637
		427,444	372,371
Net current assets(liabilities)		**84,194**	(3,526)
Total assets less current liabilities		**566,361**	465,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	23	**100,940**	100,831
Share premium and reserves	24	**446,305**	351,257
Equity attributable to owners of the Company		**547,245**	452,088
Non-current liability			
Deferred tax liability	15	**19,116**	13,487
		566,361	465,575

The consolidated financial statements on pages 43 to 103 were approved and authorised for issue by the board of directors on 26 March 2015 and are signed on its behalf by:

FANG JAMES	**FANG SHENGKANG**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Special reserve**	**Statutory reserves**	**Share options reserve**	**Share repurchase reserve**	**Capital redemption reserve**	**Retained profits**	**Sub-total**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note 24)	(Note 24)	(Note 24 & 25)					
At 1 January 2013	102,046	242,067	(73,274)	75,194	17,458	(527)	755	89,475	351,148	453,194
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	81,994	81,994	81,994
Transfer	–	–	–	9,677	–	–	–	(9,677)	–	–
Dividends recognised as distribution (note 8)	–	–	–	–	–	–	–	(74,030)	(74,030)	(74,030)
Recognition of equity-settled share-based payments	–	–	–	–	1	–	–	–	1	1
Shares repurchased and cancelled (note 23)	(1,215)	(8,383)	–	–	–	527	1,215	(1,215)	(7,856)	(9,071)
At 31 December 2013	100,831	233,684	(73,274)	84,871	17,459	–	1,970	86,547	351,257	452,088
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	170,248	170,248	170,248
Transfer	–	–	–	9,702	–	–	–	(9,702)	–	–
Dividends recognised as distribution (note 8)	–	–	–	–	–	–	–	(76,215)	(76,215)	(76,215)
Exercise of share opitons (note 25)	109	2,070	–	–	(1,055)	–	–	–	1,015	1,124
At 31 December 2014	**100,940**	**235,754**	**(73,274)**	**94,573**	**16,404**	**–**	**1,970**	**170,878**	**446,305**	**547,245**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before tax	**210,690**	104,969
Adjustments for:		
Equity-settled share-based payments expenses	**—**	1
Depreciation of property, plant and equipment	**13,134**	11,477
Allowance for (Reversal of) inventories obsolescence	**(1,973)**	4,798
Write off/Allowance for bad and doubtful debts	**500**	76
Release of prepaid lease payments	**647**	647
Loss on disposal of property, plant and equipment	**20**	113
Finance costs	**2,532**	1,700
Share of losses of associates	**9,162**	4,447
Interest income	**(15,550)**	(12,612)
Operating cash flows before movements in working capital	**219,162**	115,616
Increase in inventories	**(22,269)**	(7,045)
Decrease (Increase) in trade, bills, and other receivables	**(4,770)**	9,203
Purchase of held-for-trading investments	**(30,000)**	—
Increase in trade, bills and other payables	**37,611**	71,185
Increase (Decrease) in other tax liabilities	**2,388**	(495)
Cash generated from operations	**202,122**	188,464
Income taxes paid	**(28,683)**	(24,353)
Net cash from operating activities	**173,439**	164,111

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Investing activities		
Interest received	**7,578**	3,311
Proceeds on disposal of property, plant and equipment	**10**	1,007
Purchases of property, plant and equipment	**(41,179)**	(36,774)
Purchases of prepaid lease payment	**—**	(2,362)
Purchase of available-for-sale investments	**(1,500)**	(1,000)
Withdrawal of time deposits	**296,500**	248,305
Placement of time deposits	**(353,500)**	(225,305)
Advance to associates	**(710)**	—
Repayment from associates	**8,192**	7,039
Withdrawal of pledged bank deposits	**67,958**	75,291
Placement of pledged bank deposits	**(122,713)**	(126,744)
Advance of loan to associates	**—**	(65,000)
Repayment of loan to associates	**6,000**	4,000
Acquisition of a subsidiary	**—**	(30,885)
Net cash used in investing activities	**(133,364)**	(149,117)
Financing activities		
New bank loans raised	**112,018**	111,018
Repayment of borrowings	**(102,213)**	(34,114)
Repayment of interest expense of bank loans	**(2,292)**	(1,418)
Dividends paid	**(76,215)**	(74,030)
Proceeds from exercise of share option	**1,124**	—
Repurchase of own shares	**—**	(9,071)
Net cash used in financing activities	**(67,578)**	(7,615)
Net increase (Decrease) in cash and cash equivalents	**(27,503)**	7,379
Cash and cash equivalents at beginning of year	**69,150**	61,771
Cash and cash equivalents at end of year represented by bank balances and cash	**41,647**	69,150

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 activities of its subsidiaries are disclosed in note 32.

The consolidated financial statements are presented in Renminbi ("RMB"), the functional currency of the Company, which is also the currency in which the majority of the Group's transactions are denominated.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"):

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

Except as disclosed below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

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

New and revised IFRSs' in issue but not yet effective

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 Financial Instruments (Continued)

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

IFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

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

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

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

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

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

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to IFRS 10

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Annual Improvements to IFRSs 2010–2012 Cycle

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

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

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

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

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Annual Improvements to IFRSs 2011–2013 Cycle

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

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

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

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

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

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

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

Annual Improvements to IFRSs 2012–2014 Cycle

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for the year continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangement for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and service.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interest in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of future losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest in associates (Continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest incomes

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination)of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of good or services, or for administrative purpose (other than construction in progress and freehold land) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments

The payments made on the rental of land are accounted for as an operating lease which is released to the profit or loss on a straight-line basis over their relevant lease terms.

Impairment losses on non-current assets (other than deferred tax assets)

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on non-current assets (other than deferred tax assets) (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating units) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 18.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivable from a third party, restricted cash, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted. The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, borrowings, consideration payable and loans payable to non-controlling interests of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Depreciation

The carrying value of the Group's property, plant and equipment as at 31 December 2014 was RMB219,691,000 (31 December 2013: RMB191,676,000). The Group depreciates property, plant and equipment over their estimated useful lives, using the straight-line method commencing from the date they are available for use. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all the estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. Accordingly, the management reviews the inventory ageing list on a periodical basis for those aged inventories. This involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made for any obsolete and slow-moving items. In addition, physical inventory counts are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified. As at 31 December 2014, the carrying amount of inventories is RMB69,937,000 (net of allowance for inventories of RMB4,343,000) (31 December 2013: carrying amount of RMB45,695,000, net of allowance for inventories of RMB8,286,000).

Income tax expenses

As at 31 December 2014, a deferred tax assets of RMB9,637,000 (31 December 2013: RMB10,277,000) mainly relate to unrealised profits on inter-branch/company sales and other deductible temporary differences as set out in note 15. The Directors determine the deferred tax assets based on the enacted tax rates and laws and the best knowledge of profit projections of the Group for the coming years during which the deferred tax assets are expected to be utilised. The Directors will review the assumptions and profit projections by the end of the reporting period. In case the actual future profits generated are less than expected, a reversal of deferred tax assets would be recognised in profit or loss for the period in which such a reversal takes place.

Estimated impairment of available-for-sale investments

Impairment for available-for-sale investment measured at cost is estimated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2014, the carrying amount of available-for-sale investment measured at cost is RMB67,500,000 (31 December 2013: RMB66,000,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Estimated impairment of trade receivables and amounts due from associates

Allowance for trade receivables and amounts due from associates are made based on the evaluation of collectability and ageing analysis of accounts and on directors' judgment by reference to the estimation of future cash flows discounted at an effective interest rate to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables is RMB49,940,000 (net of allowance for doubtful debts of RMB3,118,000) (31 December 2013: carrying amount of RMB47,518,000, net of allowance for doubtful debts of RMB3,118,000). As at 31 December 2014, the carrying amount of the amounts due from associates due after one year is RMB136,500,000 (2013: 142,500,000).

5. REVENUE AND SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on geographical information of goods (i.e., bathroom masters, bathroom roofs, etc) delivered.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

(a) Second Tier Cities (Guangdong, Hunan, Hubei, Henan, Hebei, etc)
(b) Shanghai
(c) Jiangsu
(d) Beijing
(e) Zhejiang
(f) Northeastern Region (Heilongjiang, Liaoning, Jilin, etc)
(g) Sichuan
(h) Export (Hong Kong, Taiwan, Australia, Korea, etc)

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December 2014

	Second Tier Cities RMB'000	Shanghai RMB'000	Jiangsu RMB'000	Beijing RMB'000	Zhejiang RMB'000	North-eastern 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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2013

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment without allocation of interest income, other income and expenses, gain on disposal of assets classified as held for sale, selling and distribution expenses, administrative expenses, share of losses of associates and finance costs. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Assets and liabilities are not allocated to operating segments for the purposes of resource allocation and performance assessment.

The Group's non-current assets are substantially located in the People's Republic of China (the "PRC"), the country of domicile of the Group.

Revenue from major products

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

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

Information about major customers

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

6. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	2014 RMB'000	2013 RMB'000
After charging:		
Staff costs, including directors' remuneration		
— salaries, wages and other benefits	**32,411**	33,693
— retirement benefit scheme contributions (note 28)	**5,174**	4,897
— equity-settled share-based payments (note 25)	**—**	1
Total staff costs	**37,585**	38,591
Cost of inventories recognised as an expense (note a)	**409,455**	341,015
Research expenditure included in other expenses	**30,010**	21,500
Depreciation of property, plant and equipment	**13,134**	11,477
Auditors' remuneration	**1,680**	1,680
Release of prepaid lease payments	**647**	647
Loss on disposal of property, plant and equipment	**20**	113
Write off for bad and doubtful debts	**500**	—
Allowance for bad and doubtful debts	**—**	76
After crediting:		
Interest income from:		
— bank deposits	**6,896**	5,285
— amounts due from associates	**8,654**	7,327
Total interest income	**15,550**	12,612
Net foreign exchange gain (loss)	**(1,447)**	1,261
Rental income	**259**	172
Government grants (note b)	**4,100**	1,412

Notes:

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

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

7. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Income tax expenses comprises:		
Current tax		
— PRC Enterprise Income Tax	**35,982**	22,643
— Over provision in prior years	**(1,809)**	(423)
	34,173	22,220
Deferred tax (note 15)	**6,269**	755
	40,442	22,975

No provision for income tax has been made for the Company and Group entities established in the Cayman Islands and Hong Kong as they have no assessable income during both years.

The subsidiaries established in the PRC, other than Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology") are subject to enterprise income tax at a statutory tax rate of 25%. AUPU Technology is qualified as a "Hi-New Tech Enterprise" and therefore enjoys a preferential tax rate of 15% (2013: 15%) under Enterprise Income Tax Law of the PRC ("EIT Law").

In accordance with PRC tax circular (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC. According to the "Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuihan [2008] 112, where the Hong Kong resident company directly owns at least 25% of the capital of the PRC company, a 5% dividend withholding tax rate is applicable. A provision for such withholding income tax has been made based on 5% of the profits arisen during both years from the PRC subsidiaries, which are available for distribution to Tricosco Limited ("Tricosco"), a Hong Kong subsidiary of the Company.

7. INCOME TAX EXPENSES (Continued)

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:

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

8. DIVIDENDS

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

The final dividend of HKD0.10 in respect of the year ended 31 December 2014 per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

Earnings:

	2014 RMB'000	2013 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**170,248**	81,994

Number of shares:

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

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

10. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of directors and chief executive are analysed as follows:

Year ended 31 December 2014

	Fees RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000 (note 6)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Fang James	—	1,018	1,602	17	2,637
Fang Shengkang (note 1)	—	1,000	1,602	—	2,602
Wu Xingjie (note 2)	—	254	1,441	17	1,712
	—	2,272	4,645	34	6,951
Non-executive directors:					
Lu Songkang	100	—	—	—	100
Lin Xiaofeng	60	—	—	—	60
	160	—	—	—	160
Independent non-executive directors:					
Cheng Houbo (note 3)	33	—	—	—	33
Shen Jianlin	53	—	—	—	53
Wu Tak Lung	97	—	—	—	97
Gan Weimin (note 4)	20	—	—	—	20
	203	—	—	—	203
	363	2,272	4,645	34	7,314

10. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Year ended 31 December 2013

	Fees RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Fang James	—	518	797	17	—	1,332
Fang Shengkang	—	503	797	3	—	1,303
Li Ruishan (note 5)	—	370	558	17	—	945
	—	1,391	2,152	37	—	3,580
Non-executive directors:						
Lin Xiaofeng	60	—	—	—	—	60
Lu Songkang	100	—	—	—	1	101
	160	—	—	—	1	161
Independent non-executive directors:						
Cheng Houbo	50	—	—	—	—	50
Shen Jianlin	50	—	—	—	—	50
Wu Tak Lung	96	—	—	—	—	96
	196	—	—	—	—	196
	356	1,391	2,152	37	1	3,937

Note 1: Mr. Fang Shengkang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Note 2: Mr. Wu Xingjie was appointed as an executive director on 1 September 2014.

Note 3: Mr. Chen Houbo resigned on 1 September 2014 as an independent non-executive director.

Note 4: Mr. Gan Weimin was appointed as an independent non-executive director on 1 September 2014.

Note 5: Mr. Li Ruishan was appointed as an executive director on 26 August 2011 and resigned on 30 September 2013.

Note 6: The bonus is determined by the Board of Directors based on the financial performance of the Group.

10. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Of the five individuals with the highest emoluments in the Group, three (2013: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	**528**	532
Retirement benefit contributions	**17**	17
	545	549

Their emoluments were within the following bands:

	2014 No. of Employees	2013 No. of Employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**1**	—
HK$3,000,001 to HK$3,500,000	**2**	—
	5	5

During the year, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Fixtures and equipment RMB'000	Properties under construction RMB'000	Total RMB'000
COST						
At 1 January 2013	136,569	6,462	12,688	21,747	20,167	197,633
Additions	4,357	1,160	1,244	3,746	26,267	36,774
Transfers	19,393	—	—	—	(19,942)	(549)
Acquired on acquisition of a subsidiary	—	—	446	72	14,312	14,830
Disposals	(151)	—	(2,701)	(931)	—	(3,783)
At 31 December 2013	160,168	7,622	11,677	24,634	40,804	244,905
Additions	27	3,968	108	3,675	33,401	41,179
Transfers	31,742	1,501	—	53	(33,296)	—
Reconstruction	—	(1,023)	—	—	343	(680)
Disposals	—	—	(306)	—	—	(306)
At 31 December 2014	191,937	12,068	11,479	28,362	41,252	285,098
ACCUMULATED DEPRECIATION						
At 1 January 2013	20,594	3,582	6,757	13,377	—	44,310
Provided for the year	7,124	474	1,305	2,574	—	11,477
Acquired on acquisition of a subsidiary	—	—	89	16	—	105
Eliminated on disposals	(151)	—	(1,746)	(766)	—	(2,663)
At 31 December 2013	27,567	4,056	6,405	15,201	—	53,229
Provided for the year	8,550	725	1,316	2,543	—	13,134
Eliminated on reconstructions	—	(680)	—	—	—	(680)
Eliminated on disposals	—	—	(276)	—	—	(276)
At 31 December 2014	36,117	4,101	7,445	17,744	—	65,407
CARRYING VALUES						
At 31 December 2013	132,601	3,566	5,272	9,433	40,804	191,676
At 31 December 2014	155,820	7,967	4,034	10,618	41,252	219,691

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in properties as at 31 December 2014 is an amount of RMB31,742,000 (2013: Nil) in respect of buildings for which the Group was in the process of obtaining ownership certificate.

The above items of property, plant and equipment other than properties under construction are depreciated, taking into account their residual values, on a straight-line basis at the following rates:

Buildings	Lesser of lease term or 20 years
Machinery	10 years
Motor vehicles	5 years
Fixtures and equipment	5 years

12. PREPAID LEASE PAYMENTS

	2014 **RMB'000**	2013 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**27,084**	27,731
Current assets	**647**	647
	27,731	28,378

The carrying amount represents the prepaid rentals for land use rights situated in the PRC under a medium-term lease of 50 years.

13. INTERESTS IN ASSOCIATES

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

13. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2014 and 2013, the Group had interests in the following associates:

Name of Entity	Place and date of establishment	Proportion of ownership interest 31 December 2014	2013	Registered capital RMB 2014	2013	Principal activity
Chengdu Qianyin Investment Company Limited 成都牽銀投資有限公司	Chengdu, PRC 9 June 2010	**41.67%**	41.67%	**60,000,000**	60,000,000	Investment of real estate and development
Hangzhou AUPU Broni Kitchen & Bath Co., Ltd ("AUPU Broni") 杭州奧普博朗尼廚衛科技有限公司	Hangzhou, PRC 2 November 2009	**40.00%**	40.00%	**30,000,000**	30,000,000	Manufacture and distribution of electrical kitchen appliances and equipment

Summarised financial information of material associates

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

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

Chengdu Qianyin

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

13. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Chengdu Qianyin (Continued)

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

	2014 **RMB'000**	2013 RMB'000
Net assets of Chengdu Qianyin	**20,208**	46,323
Proportion of the Group's ownership interest in Chengdu Qianyin	**41.67%**	41.67%
Goodwill (note)	**815**	815
Carrying amount of the Group's interest in Chengdu Qianyin	**9,236**	20,118

Note: During the year ended 31 December 2012, the Group made additional contribution of RMB11,000,000 in Chengdu Qianyin Investment Company Limited ("Chengdu Qianyin"). The Group's equity interest in Chengdu Qianyin increased from 30% to 41.67%. Goodwill of RMB815,000 was resulted in respect of this deemed acquisition of additional interest and has been included in the cost of unlisted investments in associates.

AUPU Broni

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

13. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

AUPU Broni (Continued)

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

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

14. AVAILABLE-FOR-SALE INVESTMENTS

	2014 RMB'000	2013 RMB'000
Available-for-sale investments comprise:		
Unlisted equity investment:		
— Haibang Cai Zhi (note i)	**25,000**	25,000
— Hexing Electrical (note ii)	**40,000**	40,000
— Yinzhi Zuobang (note iii)	**2,500**	1,000
	67,500	66,000

Notes:

(i) On 9 January 2011, AUPU Technology invested in a partnership named Zhejiang Haibang Cai Zhi Venture Partnership (浙江海邦才智投資合夥企業) ("Haibang Cai Zhi"). Haibang Cai Zhi has a 74.5% investment in Zhejiang Haibang Human Resources Venture Partnership (浙江海邦人才創業投資合夥企業), which is a partnership focusing on the investment in high-tech venture projects. Under the agreement, Aupu Technology invested a total of RMB25,000,000 (2013: RMB25,000,000) in Haibang Cai Zhi, representing a 16.78% (2013: 16.78%) interest in Haibang Cai Zhi.

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

(ii) In 2012, AUPU Technology made an investment in 杭州海興電力科技股份有限公司("Hexing Electrical") amounting to RMB40,000,000, representing a 1.08% equity interest in Hangzhou Hexing.

(iii) During the year, AUPU Technology made an investment in Hangzhou Yinzhi Zuobang Venture Partnership (杭州引智佐邦投資合夥企業)("Yinzhi Zuobang") amounting to RMB1,500,000. Pursuant to the agreement, total investment to be made by AUPU Technology is RMB5,000,000, representing a 7.35% equity interest in Yinzhi Zuobang. The remaining investment balance will be paid before 30 April 2016.

Available-for-sale investments are measured at cost less any identified impairment losses at the end of the reporting period. Since these equity investments do not have a quoted market price in an active market and the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be reliably measured.

15. DEFERRED TAX ASSETS AND LIABILITY

The following are the major deferred tax assets (liability) recognised and movements thereon during the current and prior years.

	Unrealised profits on inventories RMB'000 (note a)	Other deductible temporary differences RMB'000 (note a)	Withholding tax on undistributed retained earnings of PRC subsidiaries RMB'000 (note b)	Total RMB'000
At 1 January 2013	1,868	5,006	(9,329)	(2,455)
(Charge) credit to profit or loss (note 7)	(1,210)	4,613	(4,158)	(755)
At 31 December 2013	658	9,619	(13,487)	(3,210)
(Charge) credit to profit or loss (note 7)	171	(811)	(5,629)	(6,269)
At 31 December 2014	829	8,808	(19,116)	(9,479)

(a) Unrealised profits on inventories mainly represent unrealised profits on inter-branch/company sales. Other deductible temporary differences relate to temporary differences on certain accrued charges.

(b) The withholding tax on undistributed retained earnings of PRC subsidiaries paid during the year amounted to RMB3,775,000 (2013: RMB507,000).

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**9,637**	10,277
Deferred tax liability	**(19,116)**	(13,487)
	(9,479)	(3,210)

15. DEFERRED TAX ASSETS AND LIABILITY (Continued)

The company has not recognised deferred tax assets on these deductible losses, which will be expired at the following years.

	2014 RMB'000	2013 RMB'000
2018	**5,144**	5,144
2019	**97**	—
	5,241	5,144

At the end of the reporting period, the Group has unused tax losses of RMB 5,241,000 (31December 2013: RMB 5,144,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

16. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**8,314**	9,248
Finished goods	**61,623**	36,447
	69,937	45,695

17. TRADE, BILLS AND OTHER RECEIVABLES

	2014 RMB'000	2013 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	**38,854**	36,675
91–180 days	**8,212**	10,320
181–365 days	**771**	286
Over 365 days	**2,103**	237
Total trade and bills receivables	**49,940**	47,518
Other receivables, deposits and prepayments	**9,226**	8,059
	59,166	55,577

17. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The average credit period granted on sales of goods ranges from 0 to 90 days (2013: 0 to 90 days). No interest is charged on overdue trade receivables. The Group provides allowance for doubtful debts on a case-by-case basis. In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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

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

Trade receivables amounting to RMB6,936,000 (2013: RMB3,517,000) were denominated in United States Dollar ("USD") which is not the functional currency of the respective entities.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB4,433,000 (2013: RMB2,238,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

18. HELD-FOR-TRADING INVESTMENTS

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

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

19. OTHER FINANCIAL ASSETS

The time deposits held in banks are denominated in RMB and with an initial term of six to twelve months. The deposits carry at fixed interest rate ranging from 2.55% to 4.30% per annum as at 31 December 2014 (2013: 2.86% to 3.30% per annum).

Pledged bank deposits amounting to RMB139,968,000 (31 December 2013: RMB85,213,000) represent deposit pledged to a bank to secure short-term bank loans and bills payable and are therefore classified as current assets. Pledged bank deposits carry at fixed interest rate ranging from 3.08% to 3.25% per annum (2013: 2.85% to 3.50%).

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with banks and carry interest ranging from 0.01% to 0.385% per annum as at 31 December 2014 (2013: 0.01% to 0.35% per annum).

The carrying amount of these assets approximates to their fair values.

Bank balances amounting to RMB7,451,000 and RMB94,000 (2013: RMB24,266,000 and RMB256,000) were denominated in Hong Kong Dollar ("HK$") and USD, respectively, which are not the functional currencies of the respective entities.

Bank balances, pledged bank deposits, time deposits and cash of RMB341,070,000 (2013: RMB239,841,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

20. TRADE, BILLS AND OTHER PAYABLES

Trade, bills and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days (2013: 90 days).

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

21. OTHER TAX LIABILITIES

	2014 RMB'000	2013 RMB'000
Value added tax	**7,196**	5,255
Others	**787**	340
	7,983	5,595

22. SHORT-TERM BANK LOANS

	2014 RMB'000	2013 RMB'000
Bank loans		
Repayable within one year	**110,442**	100,637

At 31 December 2014, the Group had bank borrowings of (i) RMB110,442,000 which are demonstrated in HK$, carry interest at CTBC Bank Offered Rate plus 4% (2013: HIBOR plus 300 basis points) per annum.

23. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2012, and 31 December 2012 and 2013	**5,000,000,000**	500,000
Issued and fully paid:		
At 1 January 2013	**1,058,813,000**	105,881
Shares repurchased and cancelled	**(15,312,000)**	(1,531)
At 31 December 2013	**1,043,501,000**	104,350
At 1 January 2014		
Shares option exercise	**1,365,000**	1,365
At 31 December 2014	**1,044,866,000**	104,487

	2014 RMB'000	2013 RMB'000
Presented as RMB		
Ordinary shares	**100,940**	100,831

On 3 September 2014, there are 1,365,000 shares of option under the share option scheme exercised by the employees respectively. All the exercised option shares are from batch "2008A" on the adjusted exercise price of HK$1.03 (note 25).

24. RESERVES

Special reserve

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company underwent a group reorganisation (the "Group Reorganisation") on 1 September 2006 pursuant to which the Company became the holding company of its subsidiaries.

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the amount of the paid-in capital of the subsidiaries acquired pursuant to the Group Reorganisation.

Statutory reserves

Pursuant to relevant laws and regulations in the PRC and the Articles of Association of AUPU Electrical and AUPU Technology, both entities are required to make an appropriation from profit after taxation as reported in their PRC statutory financial statements to reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of their respective registered capital.

No contributions to the reserve fund were made by AUPU Electrical because its reserve fund balance had reached the level of 50% of its registered capital since 2004.

AUPU Technology has appropriated RMB9,702,000 contributions to the reserve fund, and no more contributions to the reserve fund will be made because its reserve fund balance had reached the level of 50% of its registered capital since then.

The reserve fund is not distributable and it can only be used to increase capital or to make up unexpected or future losses.

Share options reserve

The share options reserve of the Group represents the recognition of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period less the amount transferred to share premium upon the exercise of the share options.

25. SHARE-BASED PAYMENT TRANSACTIONS

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.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,862,500 (2013: 10,545,000), representing approximately 0.7% (2013: 1.0%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued share capital of the Company at any point in time without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted and to any individual in any one year is not permitted to exceed 0.1% of the issued share capital of the Company at any point in time without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of the options are as follows:

After bonus share issue in 2010:

Option type	Date of grant	Adjusted Number of shares	Exercise period	Adjusted Exercise price
2007A	16/3/2007	7,500,000	16/3/2008 to 15/3/2017	HK$1.49
2007B	8/6/2007	9,675,000	8/6/2008 to 7/6/2017	HK$2.07
2008A	3/1/2008	12,150,000	3/1/2008 to 2/1/2017	HK$1.03

The share options granted in 2007 are exercisable until the tenth anniversary from the date of grant. The vesting period of the options is as follows:

20%	1st anniversary of the date of grant
20%	2nd anniversary of the date of grant
20%	3rd anniversary of the date of grant
20%	4th anniversary of the date of grant
20%	5th anniversary of the date of grant

For the share option granted on 3 January 2008, the grantees may exercise up to a cumulative maximum of 20%, 40%, 60%, 80% and 100% of the total options for the period from date of grant to the first anniversary, from date of first anniversary to the second anniversary, after date of second anniversary to the date of third anniversary, after date of third anniversary to the fourth anniversary and after date of fourth anniversary to the expiry of the exercise period, respectively.

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by directors and employees during the years ended 31 December 2014 and 2013:

	Outstanding at 01/01/2013	Forfeited during the year	Exercised during the year	Outstanding at 31/12/2013
Option type				
2007A	**2,250,000**	**—**	**—**	**2,250,000**
2007B	**6,300,000**	**—**	**—**	**6,300,000**
2008A	**1,995,000**	**—**	**—**	**1,995,000**
	10,545,000	**—**	**—**	**10,545,000**
Exercisable at the end of the year				**10,545,000**
Weighted average exercise price	**1.75**	**—**	**—**	**1.75**

	Outstanding at 01/01/2014	Lapsed during the year	Exercised during the year	Outstanding at 31/12/2014
Option type				
2007A	2,250,000	112,500	—	2,137,500
2007B	6,300,000	1,800,000	—	4,500,000
2008A	1,995,000	405,000	1,365,000	225,000
	10,545,000	2,317,500	1,365,000	6,862,500
Exercisable at the end of the year				6,862,500
Weighted average exercise price	1.75	—	—	1.86

Note: The forfeiture represented the share options granted to eligible directors and employees of the Group, which were forfeited in the year of their resignation.

In respect of the share options exercised during the year 2014, the weight average share price at the date of exercise is HK$1.47. No option was exercised during the year ended 31 December 2013.

The Group recognised no expense for the year ended 31 December 2014 (2013: RMB1,000) in relation to the share options granted by the Company.

26. OPERATING LEASE COMMITMENTS

The Group as lessee

	2014 RMB'000	2013 RMB'000
Minimum lease payments under operating leases recognised in the consolidated statement of comprehensive income for the year	**655**	1,673

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**363**	94

Operating lease payments represent rentals payable by the Group for certain branch offices and warehouses. Leases are negotiated for a lease term of 1 year (2013: 1 year) at inception.

The Group as lessor

Property rental income earned during the year was RMB259,000 (2013: RMB172,000). Leases are negotiated for a lease term of 1 year (2013: 1 year). There were no future minimum lease payments as the lease contracts were expired and not yet renewed prior to the end of the reporting period in both years.

27. CAPITAL COMMITMENTS

Capital expenditures in the consolidated financial statements in respect of:

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

28. RETIREMENT BENEFIT SCHEME

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the local government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB5,174,000 (2013: RMB4,897,000) represents contributions payable to these retirement benefits schemes by the Group in respect of the current accounting period.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes short-term bank loans net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves including retained earnings.

The Directors review the capital structure on a regular basis. As part of the review, the Directors consider the cost of capital and the risk associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, time deposits, pledged bank deposits, bank balances and cash, amounts due from/to associates, trade, bills and other payables and short-term bank loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**540,041**	459,340
Available-for-sale instruments	**67,500**	66,000
Held-for-trading investments	**30,000**	—
Financial liabilities		
Amortised costs	**274,449**	230,246

Market risk

(i) Foreign currency risk management

The Company and certain subsidiaries have bank balances and bank loans denominated in foreign currencies. Certain subsidiaries of the Group also have foreign currency sales and purchases and certain trade receivables and payables of these subsidiaries are denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets		Liabilities	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
USD	**7,030**	3,773	**—**	—
HK$	**7,451**	24,266	**110,442**	100,637

The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate, and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The sensitivity analysis details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against HK$ and USD. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items excluding pledged bank deposits, and adjusts their translation at year end for a 5% change in foreign currency rates. If RMB had strengthened/weakened 5% against HK$ and USD, the Group's post-tax profit for the year ended 31 December 2014 would have been increased/decreased by RMB3,877,000 (2013: increased/decreased by RMB2,836,000).

30. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to a fixed-rate loan receivable from an associate, time deposits and pledged bank deposits.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and short-term bank loans. The cash flow interest rate risk relates primarily to floating-rate bank loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate CTBC Bank offered from the Group's HK$ dominated loans.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point (2013: 50 basis point) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would have decreased/increased by RMB446,000 (2013: RMB92,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

If interest rates had been 10 basis points (2013: 10 basis points) higher/lower on bank balances and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would have increased/decreased by RMB34,000 (2013: RMB54,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

30. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability, specific allowance is only made for trade receivable that is unlikely to be collected. In this regards, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 10% (2013: 10%) of the total trade receivables was due from the Group's main customer.

The Group has concentration of credit risk in respect of bank balances, time deposits,pledged bank deposits and held-for-trading investments. As at 31 December 2014, approximately 89% (2013: 92%) of the bank balances were deposited at seven banks (2013: six). The credit risk on bank balances, time deposits, pledged bank deposit and held-for-trading investments is limited because majority of the counterparties are banks in the PRC with high credit ratings or have good reputation.

As at 31 December 2014, with respect to amount due from associates in the amount of RMB139,773,000 (31 December 2013: RMB145,063,000), the Group consider the credit risk is limited because the Group will closely monitor the financials of the associates.

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

30. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate	On demand or less than six months	Six months to one year	Over one year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014						
Non-derivative financial liabilities						
Trade, bills and other payables	**—**	**165,863**	**753**	**391**	**167,007**	**167,007**
Short-term bank loans	**2.9357%**	**1,621**	**111,099**	**—**	**112,720**	**110,442**
		167,484	**111,852**	**391**	**279,727**	**277,449**
2013						
Non-derivative financial liabilities						
Trade, bills and other payables	—	128,899	214	34	129,147	129,147
Amounts due to associates	—	462	—	—	462	462
Short-term bank loans	2.4103%	42,832	59,386	—	102,218	100,637
		172,193	59,600	34	231,827	230,246

Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

30. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

Financial assets/ financial liabilities	Fair value as at 31/12/2014	31/12/2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Held-for-trading investments in the consolidated statement of financial position	**Unlisted debt investments RMB 30,000,000**	N/A	Level 2	Discounted cash flows based on expected future cash flows discounted at a rate that reflect the credit risk of counterparty	N/A	N/A

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates their fair value.

31. RELATED PARTY TRANSACTIONS

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

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

Notes:

(i) Interest bearing loans of RMB 136,500,000 (2013: RMB142,500,000) represents entrusted loans advanced to associates for a term of three years and bear interest at rates ranging from 6.15% to 7% (2013: 6.15% to 7%) per annum.

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

31. RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

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

32. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 and 2013 are as follow:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company Direct 2014	Direct 2013	Indirect 2014	Indirect 2013	Principal activities
Ableby Worldwide Limited 藝寶環球有限公司	BVI 18 May 2006	Ordinary shares US$1	100%	100%	—	—	Investment holding
Tricosco	Hong Kong 20 June 2006	Ordinary shares HK$1	—	—	100%	100%	Investment holding
AUPU Technology 杭州奧普衛廚科技有限公司	PRC as a wholly-owned foreign investment enterprise ("WOFE") 9 September 2004	Registered and contributed capital US$20,610,000	—	—	100%	100%	Manufacture and distribution of bathroom masters, exhaust fans and other home appliances
AUPU Electrical 杭州奧普電器有限公司	PRC as a WOFE 29 July 1993	Registered and contributed capital US$3,350,000	—	—	100%	100%	Manufacture and distribution of bathroom masters, exhaust fans and other home appliances
AUPU Broni 奥普博朗尼廚衛科技有限公司	PRC 18 January 2011	Registered and contributed capital RMB65,000,000	—	—	100%	100%	Manufacture and distribution of bathroom and bathroom products

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 RMB'000	2013 RMB'000
Assets		
Investments and amounts due from subsidiaries	218,878	220,949
Trade and other receivables	215	195
Bank balances and cash	2,294	1,785
	221,387	222,929
Liabilities		
Other payables	4,962	2,648
Amounts due to subsidiaries	140,323	90,909
Income tax liabilities	48	48
	145,333	93,605
Net assets	76,054	129,324
Capital and reserves		
Share capital	100,940	100,831
Share premium and reserves	(24,886)	28,493
Equity attributable to owners of the Company	76,054	129,324
	76,054	129,324

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserve

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Share repurchase reserve RMB'000	Capital redemption reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2013	102,046	242,067	17,458	(527)	755	(165,870)	93,883	195,929
Profit and total comprehensive income for the year	—	—	—	—	—	16,495	16,495	16,495
Dividends recognised as distribution	—	—	—	—	—	(74,030)	(74,030)	(74,030)
Recognition of equity-settled share-based payments	—	—	1	—	—	—	1	1
Shares repurchased and cancelled	(1,215)	(8,383)	—	527	1,215	(1,215)	(7,856)	(9,071)
At 31 December 2013	100,831	233,684	17,459	—	1,970	(224,620)	28,493	129,324
Profit and total comprehensive income for the year	—	—	—	—	—	21,821	21,821	21,821
Dividends recognised as distribution	—	—	—	—	—	(76,215)	(76,215)	(76,215)
Recognition of equity-settled share-based payments	109	2,070	(1,055)	—	—	—	1,015	1,124
At 31 December 2014	**100,940**	**235,754**	**16,404**	**—**	**1,970**	**(279,014)**	**(24,886)**	**76,054**

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group is as follows:

	For the year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Revenue	524,461	537,989	568,857	620,304	**784,263**
Income tax expenses	(15,281)	(22,348)	(35,895)	(22,975)	**(40,442)**
Profit attributable to owners of the Company	79,325	72,988	89,970	81,994	**170,248**
Dividends	77,990	85,448	53,296	74,030	**76,215**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and Liabilities					
Total assets	595,918	675,110	686,316	837,946	**993,805**
Total liabilities	(165,836)	(254,311)	(233,122)	(385,858)	**(446,560)**
Equity attributable to owners of the Company	430,082	420,799	453,194	452,088	**547,245**