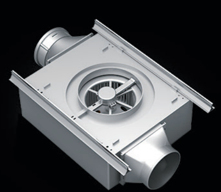
AUPU

AUPU GROUP HOLDING COMPANY LIMITED

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

(Stock Code: 00477)



Annual Report

2015

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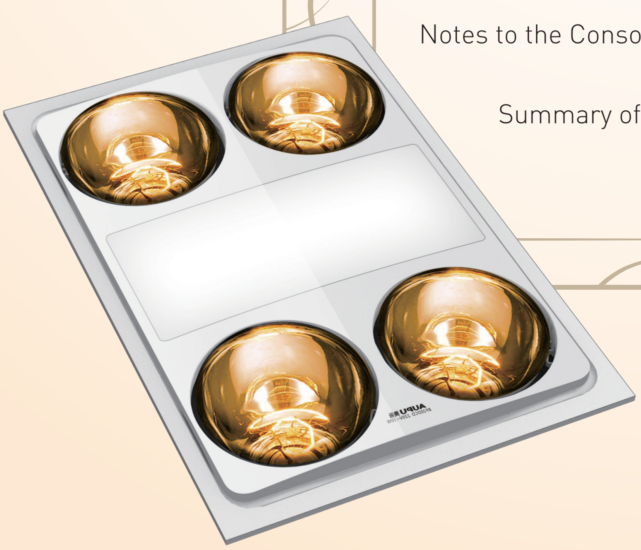

CORPORATE INFORMATION

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 (吳德龍) *(Chairman)*
Shen Jianlin (沈建林)
Lu Songkang (盧頌康)
Gan Weimin (甘為民)

MEMBERS OF THE REMUNERATION COMMITTEE

Shen Jianlin (沈建林) *(Chairman)*
Wu Tak Lung (吳德龍)
Fang Shengkang (方勝康)
Gan Weimin (甘為民)

MEMBERS OF THE NOMINATION COMMITTEE

Gan Weimin (甘為民) *(Chairman)*
Shen Jianlin (沈建林)
Wu Tak Lung (吳德龍)
Fang James (方杰)
Fang Shengkang (方勝康)

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 (方杰)
Fang Shengkang (方勝康)

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

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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
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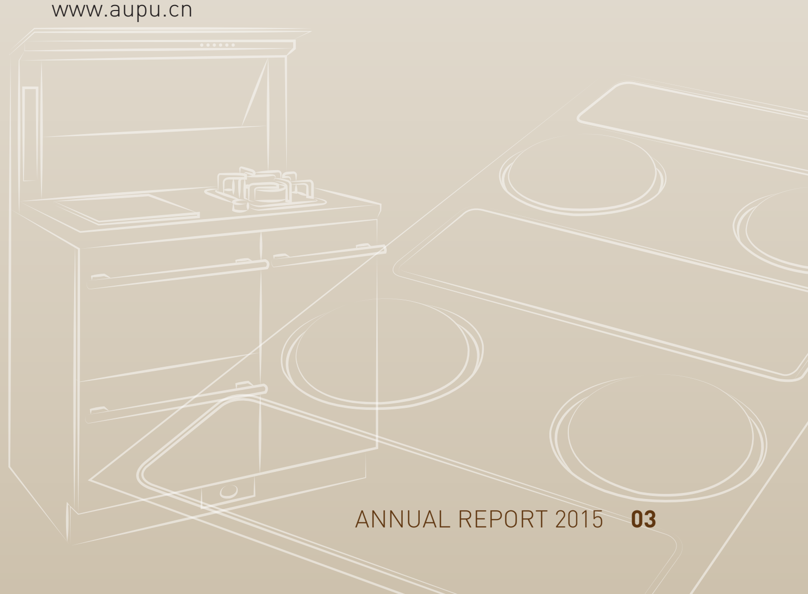
WEBSITE

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 and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2015, and express my heartfelt gratitude on behalf of the Board to the shareholders and fellow compatriots who take a keen interest in the development of the Group.

The year of 2015 is a year of in depth change in the business of AUPU and is also a key year of the three-year growth project. During the reporting period, the Group was dedicated to improving the management of franchised agents, enhancing the operating efficiency of specialty retail stores, establishing the market position of trendy, intellectualized and digitized products, and understanding the differentiated consumer demands, with a view to promoting healthy and continuous growth.

RESULTS REVIEW

In 2015, 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 2015 was approximately RMB929,053,000 (2014: RMB784,263,000), representing an increase of 18.46% as compared to the same period last year. Profit attributable to shareholders was approximately RMB207,389,000 (2014: RMB170,248,000), representing an increase of 21.82% as compared to last year. Basic earnings per share was approximately RMB0.2. Due to the reform of marketing and operating mechanisms and the establishment of the after-sales service center, human resources cost of the Group as of 31 December 2015 was RMB43,680,000 (2014: RMB37,585,000), representing an increase of 20% as compared to last year. With a secured financial management, the Group's cash and cash equivalents amounted to approximately RMB311,845,000 as at 31 December 2015. Inventory of the Group was effectively controlled at RMB61,908,000, a decrease of 11.5% as compared to 2014 and the turnover days was 50 days.

DISTRIBUTION OF DIVIDEND

The Board recommended the payment of a final dividend of HK$0.04 (2015: HK$0.10) per share for the year ended 31 December 2015 to Shareholders whose names appear on the register of members of the Company on Tuesday, 7June 2016. The proposed dividend is subject to the approval of Shareholders at the forthcoming annual general meeting to be held on Friday, 27 May 2016 (the "AGM") and will be payable on or before 17 June 2016. As of now, dividend paid by the Group for the year of 2015 was aggregated to HK$0.12 per share, representing a payout ratio of approximately 50.89% of profit attributable to the Shareholders for the year (2014: 78.55%).

BUSINESS MANAGEMENT

The year of 2015 is a year of in depth change in the business of AUPU and is also a key year of the three-year growth project. As of 31 December 2015, the Group had one branch located in Shanghai, 9 regional offices, 207 franchised agents for Bathroom Master products, 390 franchised agents for bathroom roof products, 34 e-commerce franchised agents and 1 real estate project agent.

During the year, the Group put greater emphasis on creating the strategic alliance for domestic renovation channels. The Group strategically cooperated with online domestic renovation websites, for example JIA.com and to8to.com, to improve consumers' product knowledge through "trial offline and purchase online" arrangement. It organized customers to visit workshops that providing one-stop for renovation services. Through adjustment in product channel positioning and improvements in the transformation of sales channels to enlarged its market coverage.

The Group emphasizes the service provided for its consumers. During the year, the Group established a member service center to move forward job orders, including provision of quotations in product purchase orders and maintenance orders, enquiries services and receiving complaints. That center centralized customer responses and analyse their needs. Having 24 seats, phase I of the center serves Hangzhou, Shanghai, Nanjing and Xiamen, covering 22% of the national sales of Bathroom Master. Annual calls relating to customer inquiries and after-sales service were approximately 1,300 every day.

Since 2007, the Group has invested several hundred millions in maintaining and managing brand values. In 2015, the Group took out advertisements on platforms such as high-speed railway media, new media on the Internet, handheld devices and e-commerce to promote its young age brand image of AUPU and its positioning.

During the year, with a greater emphasis placed on the change in consumer habits of young consumers, the Group sold its products through diverse channels, adding new sales models that increasing its market share and profitability. The brand-new O2O platform was created by the Company to promote its products, while "Offline Agents" were responsible for product design, services and installation. After two years of development, the O2O platform for bathroom roof products made a breakthrough in 2015. The Group signed contracts with 8 home decoration platforms, whose sales exceeded RMB10,000,000.

As of 31 December 2015, the Group had a sales network of approximately 6,000 stores, of which 861 retail specialty shops (including 625 integrated ceiling specialty retail stores and 236 specialty retail stores that sell Bathroom Master products). The Group also actively built a pyramid system where the General Merchandise Store (the "KA")/specialty stores are connected with franchise stores and subsequently retailerstores. In 2016, with the strategy of "More and Bigger Stores", the Group will actively promote large specialty stores with a single store floor area of 150m^2 or above, to enhance brand image and profit per store.

FUTURE PROSPECTS

In 2016, led by the management team drawn from younger generations, the Group will continue with the young age oriented strategies for products and human resources, improve the professional and operating capabilities of the agents and boosting the influence of the AUPU brand. The Group will also create intelligent, healthy and trendy Bathroom Master products. It will push up the sales steadily and continuously through changing the focus from functional to style, when producing innovative bathroom roof products. From Bathroom Master to bathroom roof and subsequently to roof-dangled products. All of these products are developed with intelligence, fashion and digitization, in order to providing customers with one-stop solutions to the upper space of houses.

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 support. I hereby promise that the Group will spare no effort to maintain our business growth and bring favorable returns for our shareholders.

By Order of the Board
Fang James
Chairman

Hangzhou, Zhejiang Province, the PRC
22 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCE REVIEW

Revenue

For the year ended 31 December 2015, the revenue of the Group amounted to approximately RMB929,053,000, representing an increase of approximately 18.46% as compared with the revenue which amounted to approximately RMB784,263,000 for the year ended 31 December 2014. The increase in revenue was mainly attributable to the launching of new products and channel reform. The revenue generated from the second tier cities, Zhejiang and Jiangsu increased significantly. Second tier cities were those major markets of the Group for the year ended 31 December 2015, accounting for 35.37% (2014: 35.86%) of the Group's sales.

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

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

Costs of sales

For the year ended 31 December 2015, the costs of sales of the Group amounted to approximately RMB476,938,000. The costs of parts and components, direct labour and overhead represented approximately 91.49% and 8.51% of the total costs of sales respectively. For the year ended 31 December 2014, the costs of sales of the Group amounted to approximately RMB409,455,000. The costs of parts and components, direct labour and overhead represented approximately 92.10% and 7.90% of the total costs of sales respectively.

Other income

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

Selling and distribution expenses

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

Administrative expenses

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

Other expenses

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

ANALYSIS OF FINANCIAL POSITION

Inventory turnover

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

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

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

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

Turnover days of trade receivables

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

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

Note: The turnover days of trade receivables is arrived at by dividing average trade receivables by revenue and then multiplying by 365. The average trade receivables are arrived at by dividing the sum of the trade receivables at the beginning of year and that at the end of the year by 2.

The turnover days of trade receivables decreased from 10 days for the year ended 31 December 2014 to 9 days for the year ended 31 December 2015. The turnover days of trade receivables were stable.

Aging analysis of trade and bills receivables

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

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

The average credit period granted on sales of goods ranges from 0 to 90 days (2014: 0 to 90 days). No interest is charged on overdue trade receivables. The Group provides allowance for doubtful debts on a case-by-case basis. In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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

Trade receivables amounting to RMB6,287,000 (2014: RMB6,936,000) were denominated in United States Dollar ("USD") which is not the functional currency of the respective entities.

Other receivables

The following table sets out the breakdown of other receivables of the Group at 31 December 2015 and 2014:

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

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

Turnover days of trade payables

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

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

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

Aging analysis of trade and bills payables

The aging analysis of trade and bills payables of the Group for the two years ended 31 December 2015 and 2014 is as follows:

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

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

Current ratio, quick ratio and gearing ratio

The current ratio and gearing ratio of the Group for the two years ended 31 December 2015 and 2014 were as follows:

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

Note: Current ratio is arrived at by dividing the current assets by current liabilities at the end of the corresponding year. Quick ratio is calculated as total current assets excluding inventories divided by total current liabilities at the end of the corresponding year. Gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year. The numbers in the above table are expressed in the form of ratio and not as a percentage.

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Cash flow

The table below summarises the Group's cash flow during the two years ended 31 December 2015 and 31 December 2014:

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

The Group's working capital mainly comes from net cash inflow from operating activities. The Directors expect that the Group will rely on the net cash from operating activities to meet its working capital and other capital expenditure requirements in the near future. In the long run, the Group will be funded by net cash from operating activities and if necessary, by additional equity financing or bank borrowings.

Operating activities

Cash inflow from operations is mainly derived from cash receipt from sales of the Group's products. Cash outflow for operations is principally paid for the purchase of parts and components, staff costs, selling and distribution expenses and administrative expenses.

Net cash from operating activities for the year ended 31 December 2015 was approximately RMB251,578,000, while profit before tax was approximately RMB262,994,000 for the same year. The difference of approximately RMB11,416,000 was mainly caused by the adjustment of approximately RMB14,846,000 made on the depreciation of property, plant and equipment, dividend income of RMB14,718,000, interest income of approximately of RMB18,444,000, finance costs of approximately RMB4,435,000, share of losses of associates of approximately RMB5,584,000, income taxes paid in the amount of RMB64,109,000 and movements in working capital in the amount of approximately RMB60,115,000.

Net cash from operating activities for the year ended 31 December 2014 was approximately RMB173,439,000 while profit before tax was approximately RMB210,690,000 for the same year. The difference of approximately RMB37,251,000 was mainly caused by the adjustment of approximately RMB13,134,000 made on the depreciation of property, plant and equipment, reversal of inventories obsolescence in the amount of approximately RMB1,973,000, interest income of approximately of RMB15,550,000, finance costs of approximately RMB2,532,000, share of losses of associates of approximately RMB9,162,000 and income taxes paid in the amount of RMB28,683,000.

Investing activities

Net cash generated from investing activities was approximately RMB106,302,000 for the year ended 31 December 2015 which was primarily attributable to the net decrease of time deposits in the amount of approximately RMB87,000,000, purchase of property, plant and equipment in the amount of approximately RMB52,946,000 and decrease in pledged bank deposits in the amount of approximately RMB43,384,000. The net cash used in investing activities were approximately RMB133,364,000 for the year ended 31 December 2014 which was primarily attributable to the net increase of time deposits in the amount of approximately RMB57,000,000, purchase of property, plant and equipment in the amount of approximately RMB41,179,000 and increase in pledged bank deposits in the amount of approximately RMB54,755,000.

Financing activities

Net cash used in financing activities was approximately RMB264,266,000 for the year ended 31 December 2015, which mainly included approximately RMB152,122,000 for dividends paid, approximately RMB213,026,000 for repayment of borrowings, and proceeds from new bank loans raised approximately RMB102,584,000 during the year ended 31 December 2015. Net cash used in financing activities was approximately RMB67,578,000 for the year ended 31 December 2014, mainly included approximately RMB76,215,000 for dividends paid, approximately RMB102,213,000 for repayment of borrowings, and proceeds from new bank loans raised approximately RMB112,018,000 during the year ended 31 December 2014.

INDEBTEDNESS

Borrowings

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

Bank facilities

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

Debt securities

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

Contingent liabilities

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

Pledge of assets

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

Capital commitments and other commitments

Capital expenditures in the consolidated financial statements in respect of:

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

FUTURE PROSPECTS

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

Channel Strategy

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

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

Product Strategy

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

Brand Strategy

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fang James (方杰) ("Mr. Fang"), aged 52, 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 Bathroom & Kitchen")). 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 Bathroom & Kitchen 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, and Mr. Fang Shengkang is a Director and substantial shareholder of the Company.

Mr. Fang is the founder of The Fang Family Trust, a discretionary trust, which holds 267,718,310 Shares of the Company indirectly, 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 beneficial interest in 2,500,000 Shares of the Company.

Mr. Fang Shengkang (方勝康) ("Mr. Fang"), aged 63, is an executive Director, president of the Company, member of the nomination committee and the general manager of AUPU Electrical and AUPU Bathroom & Kitchen. 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 founding in 1993 and has been a director and general manager of AUPU Electrical and AUPU Bathroom & Kitchen 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 also a senior economist of the Zhejiang province. Mr. Fang is a cousin of Mr. Fang James. He is also the father-in-law of Mr. Wu Xingjie, an executive Director of the Company.

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 beneficial interest in 3,056,000 Shares of the Company.

Mr. Wu Xingjie (吳興杰) ("Mr. Wu"), aged 35, is an executive director. He joined the Company in 2013. 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 the School of Economics of 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. Mr. Wu 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 Company, Hangzhou AUPU Broni Kitchen & Bath Co., Ltd. During the period from July 2013 to June 2014, he held the positions of assistant to president of Hangzhou AUPU Bathroom & Kitchen, a subsidiary of the Company, and assistant to president of AUPU Technology, a subsidiary of the Group, and was later promoted to executive president. 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 43, 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). Since 1 August 2013, Mr. Lin has been an independent non-executive director of DX. com Holdings Limited (HK Stock Code: 8086), 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 and re-designated as a non-executive director of the Company on 30 September 2013.

Mr. Lu Songkang (盧頌康) ("Mr. Lu"), aged 64, is a non-executive Director. He 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, the interest of which is required to be disclosed under the provisions of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Lung (吳德龍) ("Mr. Wu"), aged 50, is an independent non-executive Director. Mr. Wu 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 auditing firm, Deloitte Touche Tohmatsu, for five years, and served 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, companies listed on the Hong Kong Stock Exchange, and First Tractor Company Limited, a company listed on both the Hong Kong 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 Hong Kong 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 an honorary 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 48, 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) (Stock Code: 300294), a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange, since November 2010. Since 2015, he has been an independent director of Caitong Securities Co., Ltd. (財通證券股份有限公司), a company seeking to be listed. Since 2016, he has been an independent director of Zhejiang Material Industrial Zhongda Yuantong Group Co., Ltd. (浙江物產中大元通集團股份有限公司), a company listed on the SME Board of the Shenzhen Stock Exchange. 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, Zhejiang Gongshang University and Zhejiang University of Finance and Economics. He was appointed as an independent non-executive Director on 16 November 2006.

Mr. Gan Weimin (甘為民) ("Mr. Gan"), aged 49, is an independent non-executive Director. Mr. Gan 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. Mr. Gan 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 Tianjin 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 54, is the administrative general manager (行政管理總監) of AUPU Bathroom & Kitchen 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 also an assistant statistician. Mr. Fan 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 44, is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has served as company secretary since 1 August 2011, and was appointed as chief financial officer of the Company on 1 September 2012. Mr. Chan obtained a bachelor's degree in commerce from Macquarie University, Australia and a master's degree in 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 financing and corporate management and governance.

DIRECTORS' REPORT

The Directors hereby present the annual report for 2015 and the audited consolidated financial statements for the year ended 31 December 2015.

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 32 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2015 are set out in the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47. The Directors hereby recommend the payment of a final dividend of HK$0.04 per share to the Shareholders whose names appear on the Company's register of members on Tuesday, 7 June 2016.

OPERATING RESULT

The Group's consolidated profit for the year amounted to approximately RMB207,389,000, which represents an increase of approximately 21.82% over the consolidated profit of the Company of approximately RMB170,248,000 for the year of 2014.

MAJOR CUSTOMERS AND SUPPLIERS

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

In 2015, the Company's largest supplier accounted for 16.38% (2014: 17.08%) of the total purchase of the Company and the 5 largest suppliers in aggregate accounted for 45.77% (2014: 51.61%) of the total purchase of the Company.

Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the year of 2015 and 2014.

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.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB3,995,000 (2014:Nil).

FIXED ASSETS

Details of movements 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 2015 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

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB13,392,000. The amount of approximately RMB13,392,000, represents the Company's share premium account of approximately RMB242,456,000 offsetted by accumulated losses of RMB229,064,000 as at 31 December 2015, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

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

Executive Directors

Mr. Fang James
Mr. Fang Shengkang
Mr. Wu Xingjie

Non-executive Directors

Mr. Lu Songkang
Mr. Lin Xiaofeng

Independent Non-executive Directors

Mr. Wu Tak Lung
Mr. Shen Jianlin
Mr. Gan Weimin

In accordance with the provisions of the Company's articles of association, Mr. Fang Shengkang, Mr. Lu Songkang and Mr. Wu Tak Lung will retire by rotation, all three 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 candidates of 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 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 VI 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 2015, the interests of the Directors and the chief executives and their associates in the Shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

I. 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) held (Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation(s)
Mr. Fang James (Note 2)	The Company	Founder of a discretionary trust	267,718,310(L)	25.56%
Mr. Fang James (Note 3)	The Company	Beneficial owner	2,500,000(L)	0.24%
Mr. Fang Shengkang (Note 4)	The Company	Interest in controlled corporation	259,605,634(L)	24.79%
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	3,056,000(L)	0.29%
Mr. Lu Songkang (Note 6)	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 31 December 2015, Mr. Fang James established a discretionary trust, The Fang Family Trust, and transferred his interests in SeeSi Universal Limited ("SeeSi") together with the interests in the Shares of the Company held by SeeSi to such discretionary trust. Mr. Fang James is the settlor of such discretionary trust. Therefore, Mr. Fang James is deemed to be interested in relevant Shares of the Company.

3. Mr. Fang James held 2,500,000 Shares of the Company in the capacity of a personal beneficial owner. He is also one of the directors of the Company.

4. Sino Broad is the shareholder of the Company. Its entire issued shares are 100% held by Mr. Fang Shengkang. Hence, Mr. Fang Shengkang is also interested in all the Shares of the Company held by Sino Broad.

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 appeared 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. In addition, Mr. Fang Shengkang purchased 388,000 Shares of the Company in the open market at an average price of HK$1.93 per share on 20 April 2015, 500,000 Shares of the Company in the open market at an average price of HK$1.94 per share on 21 April 2015, 712,000 Shares of the Company in the open market at an average price of HK$1.95 per share on 22 April 2015, and 136,000 Shares of the Company in the open market at an average price of HK$2.138 per share on 9 November 2015. Mr. Fang Shengkang held 3,056,000 Shares of the Company in the capacity of a personal beneficial owner. He is also one of the directors of the Company.

6. Enown Harbour Limited is the shareholder of the Company. Its entire issued shares are 100% held by Mr. Lu Songkang. Hence, Mr. Lu Songkang is also interested in all the Shares of the Company held by Enown Harbour Limited. He is also one of the Directors 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) held** (Note 1)	**Approximate percentage of issued share capital of the Company/ associated corporation(s)**
Mr. Wu Tak Lung	The Company	Beneficial owner	285,000(L) (Note 2)	0.03%
Mr. Shen Jianlin	The Company	Beneficial owner	187,500(L) (Note 3)	0.02%

Notes:

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

2. Mr. Wu Tak Lung exercised the subscription rights of 60,000 Shares at the price of HK$1.03 per share in September 2014 and 225,000 Shares at the price of HK$1.49 per share on 28 April 2015.

3. Mr. Shen Jianlin exercised the subscription rights of 187,500 Shares at the average price of HK$1.306 per share on 28 April 2015.

Other than as disclosed above, none of the Directors or chief executives had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

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 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 1,047,228,500 shares as at the date of this Annual Report. Pursuant to the Share Option Scheme, the total number of shares available for issue is 93,667,500 shares, representing approximate of 8.94% of the issued shares of the Company on that day.

(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, the above 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 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 as at date of grant	Exercise period	Exercise Price	Fair Value at Date of Grant
First batch	16/3/2007	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	16/3/2007	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 2015, the number of shares in respect of which options had been granted and remained under the Share Option Scheme was 4,275,000, representing 0.41% of the issued shares of the Company as at that date. Among the share options granted, Directors were granted options of 2,850,000 shares of the Company, 637,500 shares of which have been exercised and 2,212,500 shares of which have lapsed. Details of the options granted to the Directors as at 31 December 2015, are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares".

As at 31 December 2015, 4,275,000 share options granted to eligible employees of the Group were still outstanding and details are as follows:

Name or category of participant	Exercise price (HK$)	Maximum number of Shares that may be subscribed under share options: Outstanding as at 1 January 2015	For the 12 months ended 31 December 2015: Exercised in	For the 12 months ended 31 December 2015: Lapsed in	Outstanding as at 31 December 2015	Vesting period as at 31 December 2015	Notes	Percentage to the total issued Share Capital
Directors								
Wu Tak Lung	1.49	225,000	225,000	0	0	16/3/2008–15/3/2017	1,4	N/A
Shen Jianlin	1.49	112,500	112,500	0	0	16/3/2008–15/3/2017	1,4	N/A
	1.03	75,000	75,000	0	0	3/1/2008–2/1/2017	3,4	N/A
Other employees in aggregate for First Batch of Share Options	1.49	1,800,000	1,800,000	0	0	16/3/2008–15/3/2017	1,4	N/A
Other employees in aggregate for Second Batch of Share Options	2.07	4,425,000	0	150,000	4,275,000	8/6/2008–7/6/2017	2,4	0.41%
Other employees in aggregate for Third Batch of Share Options	1.03	225,000	225,000	0	0	3/1/2008–2/1/2017	3,4	N/A
Total		6,862,500	2,437,500	150,000	4,275,000			

Notes:

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 5,000,000 shares (after bonus shares issue in 2010: 7,500,000 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 granted 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 of share options. As at 16 March 2007, the closing price of the Group'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 6,450,000 shares (after bonus shares issue in 2010: 9,680,000 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 granted 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 date of grant of share options. 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 8,100,000 shares (after bonus shares issue in 2010: 12,150,000 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 date of grant of share options. 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 beneficially held by the relevant participants.

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

6. Up to 31 December 2015, an aggregate of 16,717,500 share options were lapsed due to the resignation of the relevant staff and an aggregate of 8,332,500 share options were exercised.

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 2015, the interests of the substantial Shareholders of the Company (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 held** (Note 2)	**Approximate percentage of issued share capital of the Company**
Fang BVI Holding Limited (Note 1)	Interest in controlled corporation	267,718,310 (L)	25.56%
Rustem Limited (Note 1)	Nominee for another person	267,718,310 (L)	25.56%
Cantrust (Far East) Limited (Note 1)	Trustee of the trust	267,718,310 (L)	25.56%
SeeSi Universal Limited (Note 1)	Beneficial owner	267,718,310 (L)	25.56%
Qiang Yan (Note 3)	Family interest	270,218,310 (L)	25.86%
Sino Broad Holdings Limited (Note 4)	Beneficial owner	259,605,634 (L)	24.85%
Zhang Shuqing (Note 5)	Family interest	262,661,634 (L)	25.08%
Delta Lloyd Asset Management NV	Beneficial owner	62,104,000 (L)	5.93%

Notes:

(1) Cantrust (Far East) Limited, the trustee of The Fang Family Trust, holds the entire issued share capital of Fang BVI Holding Limited through Rustem Limited (as the nominee of Cantrust (Far East) Limited). Fang BVI Holding Limited indirectly holds 267,718,310 Shares of the Company by holding the entire issued share capital of SeeSi Universal Limited. The Fang Family Trust is a discretionary trust set up by Mr. Fang James (as the settlor) and the discretionary objects of the trust include Mr. Fang James, his spouse and his children. Therefore, each of Mr. Fang James, Fang BVI Holding Limited, Rustem Limited and Cantrust (Far East) Limited are deemed to be interested in the interests of 267,718,310 Shares held by SeeSi Universal Limited.

(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 deemed to be interested in the interests of Mr. Fang James, which consists of 267,718,310 Shares held by entrusted entity; and 2,500,000 Shares beneficially owned by Mr. Fang James by virtue of the SFO.

(4) Sino Broad Holdings Limited (hereafter as "Sino Broad") is an corporate Shareholder interested in the Shares of the Company. Its entire issued share capital 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. 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 deemed to be interested in the interests of Mr. Fang Shengkang, which consists of 259,605,634 Shares beneficially owned by Sino Broad and 3,056,000 Shares beneficially owned by Mr. Fang Shengkang by virtue of the SFO.

Save as disclosed above, as at 31 December 2015, none of the substantial Shareholders of the Company, other than the Company's Directors or chief executives, had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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 under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Company considers all the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, 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 2015, 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 2015 to 31 December 2015.

PROPOSED FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

The Company's register of members will be closed from Friday, 3 June 2016 to Tuesday, 7 June 2016 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 2 June 2016.

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.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY THE AUDIT COMMITTEE

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

The financial results for the year ended 31 December 2015 and the accounting principles and policies adopted by the Group have been reviewed by the audit committee of the Company with the management of the Group. As at the date of this announcement, the audit committee consists of three independent non-executive Directors, including Mr. Wu Tak Lung, Mr. Shen Jianlin and Mr. Gan Weimin and one non-executive Director, Mr. Lu Songkang.

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

Hangzhou, Zhejiang Province, the PRC, 22 March 2016

CORPORATE GOVERNANCE REPORT

The Directors acknowledge the importance of incorporating good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. In accordance with the requirements 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 requirements of Corporate Governance Code 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 advice from the external auditor, has also conducted tracking analysis in respect of the implementation and feedback 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 the remuneration policy for the coming years. The Company has also established the nomination committee and adopted the terms of reference of the nomination committee, namely 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 required for 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. Formulating and reviewing corporate governance strategies, reviewing and monitoring the training and continuing professional development of Directors and senior management, reviewing and monitoring the formulating of policies and practices regarding compliance with the law and regulatory requirements, reviewing and monitoring the code of conduct and compliance manual for staff and Directors, reviewing the compliance with the Code and the disclosure in the Corporate Governance Report, ensuring the integrity of the corporate accounting and financial reporting systems, including the independent audit, and that appropriate systems of internal control are in place, in particular, regarding risk monitoring, 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 Code 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 formulated 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.

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 2015, the Board had complied at all times and met the requirements 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 (details are set out in the Section headed "Biographical Details of Directors and Senior Management" in this annual report) are free from any business or other connections which could interfere in any material manner with the exercise of their independent judgment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 equity holders.

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.

EXECUTIVE DIRECTORS

The executive Directors of the Company are Mr. Fang James (chairman), Mr. Fang Shengkang (president) and Mr. Wu Xingjie respectively. The 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.

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 on 30 September 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Currently, there are a total of three independent non-executive Directors, namely Mr. Wu Tak Lung, Mr. Shen Jianlin and Mr. Gan Weimin. The independent 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. Mr. Wu Tak Lung and Mr. Shen Jianlin were both appointed as independent non-executive Directors of the Company on 16 November 2006. Mr. Gan Weimin was appointed as independent non-executive Director of the Company on 1 September 2014. As at the date of this report, Mr. Wu Tak Lung and Mr. Shen Jianlin had served for a term of more than nine years. In accordance with Rule A.4.3 of Appendix 14 of the Listing Rules, their reappointment will be considered for approval by shareholders in the form of a separate resolution.

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.

DIRECTORS' ATTENDANCE OF MEETINGS

Seven meetings of the Board were held respectively on 13 January, 26 March, 15 April, 13 July, 20 August, 22 October and 21 December 2015 during the period from 1 January 2015 to 31 December 2015. 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 of the Board** No. of Attendance/No. of Meeting(s)	**Audit Committee Meeting of the Board** No. of Attendance/No. of Meeting(s)	**Nomination Committee Meeting of the Board** No. of Attendance/No. of Meeting(s)
Fang James *(Chairman and executive Director)*	7/7	N/A	N/A	1/1
Fang Shengkang *(President and executive Director)*	7/7	2/2	N/A	1/1
Wu Xingjie *(executive Director)*	7/7	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	2/2	N/A
Wu Tak Lung *(Independent non-executive Director)*	7/7	2/2	2/2	1/1
Shen Jianlin *(Independent non-executive Director)*	7/7	2/2	2/2	1/1
Gan Weimin *(Independent non-executive Director)*	7/7	2/2	2/2	1/1

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. Mr. Wu Tak Lung, Mr. Shen Jianlin, and Mr. Gan Weimin, 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. Two meetings of the audit committee were held on 26 March 2015 and 20 August 2015. The major businesses of the meetings were to review the internal control report, examine compliance and risk management, and review 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 2015 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 (including making recommendations to the Board on the remuneration of individual executive Directors and members of the senior management), conducting appraisal on the performance of executive Directors, approving the terms of the service contracts of executive Directors, determining the award of bonuses and considering the grant of share options under the Share Option Scheme. Mr. Wu Tak Lung, Mr. Shen Jianlin, and Mr. Gan Weimin, 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 26 March 2015 and 20 August 2015 during the reporting period, and reviewed and examined the remuneration policy of the Group for the year of 2015.

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 2015 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 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. Gan Weimin, all being independent non-executive Directors, and Mr. Fang James and Mr. Fang Shengkang, being executive Directors, with Mr. Gan Weimin taking up the role as chairman of the nomination committee.

The nomination committee held two meetings on 26 March 2015 and 20 August 2015. No new Directors were appointed during the period.

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 by Directors, the Directors have confirmed their compliance with the required standards in the Model Code relating to the securities transactions by the Directors during the year under review and timely disclosure of the same.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors of the Company have participated in training hosted 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 to the Company 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 RMB1,850,000 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.

RISK MANAGEMENT AND INTERNAL CONTROL

In accordance with the requirements of the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules of the Main Board relating to the sections on risk management and internal control, the board of a company should continuously monitor the risk management and internal control systems. The audit committee of the Board meets twice a year (annual/semi-annual meeting of the audit committee of the Board) to review and supervise whether the Company has adopted appropriate and effective risk management and internal control systems, including those for financial control, operational control and compliance control.

The internal audit division of the Company has been established under our subsidiary Hangzhou AUPU Bathroom & Kitchen Technology Co., Ltd. The main functions of the internal audit division are to audit and monitor the operating efficiencies, financial management and compliance of each of the operating units of the Company. The Company 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 person in charge of the internal audit division makes written and oral reports to the members of the audit committee twice a year on the work of the Company in risk monitoring and internal control during the year (when the annual and semi-annual Board meetings are convened) to draw the attention of the audit committee on the routine internal audit and control of the Company, so as to facilitate the Board in understanding the effectiveness of the internal control and risk management of the Company. In 2015, the Board conducted an annual review of the internal control and risk management systems of the Group and considered them effective and adequate.

The Company has formulated timely financial reporting procedures which are subject to the review by internal audit division under the inter control system. Financial analysis are prepared around the fifteenth of each month for timely reporting to the Board to keep it informed and facilitate it in monitoring the finance and asset security of the Group. In 2015, the Board reviewed the monthly financial analysis of the Group.

INVESTOR RELATIONSHIP AND SHAREHOLDERS' COMMUNICATION

The Company uses various channels such as financial report, announcement and website of the Company to disclose relevant 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 for reporting the following contents (including but not limited to):

a. relevant systems of the Company, such as code on corporate governance, system 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.

There was no material change in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHT

(i) Procedures for members to convene an extraordinary general meeting ("EGM") and submit proposals at general meetings

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 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 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, 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 notice period for lodgement of such notice(s) shall be at least seven (7) days. If the notices are submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgement 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 2015.

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 2015.

DIRECTORS' INSURANCE

In 2015, the Company took out insurance cover of RMB20 million through AIG Insurance China Limited in respect of directors' liability insurance, and will continue to take out insurance cover in 2016 by making reference to the terms and quotations of various insurance companies in respect of directors' liability insurance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WORK ENVIRONMENT

People

The Group's staff of various age and gender offers a great diversity in ideas and skills, which contribute to our development. The Group has always insisted on the principle of gender equality, with the ratio of female staff standing at 40%, average staff turnover rate for the year (monthly average) of 5%, and key staff turnover rate of less than 2%. This shows that our employees' satisfaction rate and sense of belonging are both notable.

The Group believes that our staff is our most important asset. We make every effort in attracting and retaining staff from different backgrounds, in order to achieve our goal of continuous growth. For the year ended 31 December 2015, the number of staff continuously employed for 5 years or above accounted for 44.3% of our total workforce. In order to encourage employees to continue serving the Group, we have adjusted our seniority allowance by increasing it for over 100% for those having served 5 years or above.

Health and Safety

The Group is deeply concerned with the health of our employees, and we pay close attention to instituting work safety and protection measures. Since the Group's incorporation, there has not been one single case of death due to work-related causes. The Group's safety and protection procedures are in strict compliance with, or exceeds, the standards required by law.

Staff Training and Development

The Group believes that well trained staff with professional skills is the key to continuous growth. During the year, the Group offered various kinds of career training to our staff, actively provided them with more comprehensive development planning, and encouraged personal development. Based on the needs of individual staff, we launched various types of training courses, for example, career skills training for entry-level employees and management skills training for middle and senior management. At the same time, we conducted various kinds of internal training and used different means such as competitions to improve the skills of our staff. During the year, the Group invested RMB3,500,000 in staff training. In total, there were 900 persons enrolled in the of management skills improvement training for general management personnel, representing 6,960 training hours, or an average of 17.4 training hours per person.

Labour Standards

The Group strictly adheres to the China Labour Law's requirements on working hours. Employees work for 40 hours per week, and are entitled to statutory holidays stipulated by the Chinese Government.

ENVIRONMENTAL PROTECTION

Emissions

The Group's internal production process is mainly simple and light tasks; therefore, the operations and production processes do not produce any substantive exhaust gas, waste water, residue or hazardous waste. Wastes such as office supplies, batteries, etc. are assembled for central treatment.

Use of Resources

The Group is relentless in our efforts in raising environmental awareness among our staff, and in setting energy saving and consumption reduction measures. Air conditioning is to be set at 25 degrees Celsius or above, and no windows are to be left open when the air conditioning is turned on. No energy-intensive equipment is to be used without prior approval. The testing of infrared light bulbs is carried out under reduced voltage, saving over 80,000 kWh of electricity per year. Lighting in workshops has been changed from the former 250W to 105W, saving 300,000 kWh of electricity per year. Water consumption for the year amounted to 10,907 tonnes, saving 344 tonnes compared to the previous year's 11,251 tonnes.

OPERATING PRACTICES

Supply Chain Management

We have built a rigorous assessment mechanism, which is strictly enforced for managing the admittance and exit of our suppliers. Strict assessment is also enforced for the quality, delivery and after-sales service of parts. At the same time, we adopt classified management and differentiated treatment for our suppliers, in order to stimulate their improvement in performance.

In order to reduce the negative impacts brought about by transportation over long distances, the Group gives preference to suppliers within 3 hours' drive. These suppliers make up 78.9% of the total number of all of our suppliers for the year of 2015.

Product Liability

The Group's products possess high operation performance and safety standards. In order to achieve these two targets, we have implemented strict process control in our production system. During the production process, we carry out total inspection for some parameters before releasing the products. To ensure that various product specifications are met, confirmation of first and last parts and a system of continuous spot checks are in place. Key components, such as heat bulbs, undergo total inspection to ensure safety.

During the process of product development, our R&D department will carry out patent examination and application, in order to protect our interests, as well as our customers' interests. At the same time, our contracts with various suppliers detailed each party's responsibilities and obligations concerning intellectual property rights. Our trademarks have been registered under various classes in both Mainland China and Hong Kong, China.

Anti-corruption

Our Group's purchasing, inspection and production units are independent and yet linked to one another. Purchasing and consumption of parts are carried out strictly according to the respective procedures, to ensure the integrity of the work process. In the purchasing of parts, separation of price verification and purchasing effectively prevents misconducts such as bribery and rebate.

During the year, we did have not any court cases against any employees within the production system for corruption, nor had we received any reports of criminal offenses or misconducts.

Community Engagement

The Group believes that we owe our success to the support from all sectors of our community. That is why we commit ourselves to contributing to society and serving the public. Before winter set in this year, we established the AUPU Fund to remove hidden dangers in household bathrooms arising from aged, counterfeit and old bathroom masters. Free inspection services for any brand and any model are offered on a nation-wide basis to remove hidden dangers and ensure bathroom safety.

The Group has entered into a strategic partnership with C Foundation, a charity located in Shenzhen, PRC, and will fully sponsor the foundation's undertakings in public cause.

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 47 to 107, which comprise the consolidated statement of financial position as at 31 December 2015, 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 Standards 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	5	**929,053**	784,263
Cost of sales		**(476,938)**	(409,455)
Gross profit		**452,115**	374,808
Other income		**44,600**	28,787
Selling and distribution expenses		**(132,077)**	(104,995)
Administrative expenses		**(46,504)**	(40,088)
Other expenses		**(45,121)**	(36,128)
Finance costs		**(4,435)**	(2,532)
Share of losses of associates		**(5,584)**	(9,162)
Profit before tax	6	**262,994**	210,690
Income tax expenses	7	**(55,605)**	(40,442)
Profit and total comprehensive income for the year attributable to owners of the Company		**207,389**	170,248
Earnings per share — basic (RMB)	9	**0.20**	0.16
Earnings per share — diluted (RMB)	9	**0.20**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	11	**257,679**	219,691
Prepaid lease payments	12	**26,437**	27,084
Interests in associates	13	**16,171**	21,755
Available-for-sale investments	14	**70,000**	67,500
Amounts due from associates	31	**9,000**	136,500
Deferred tax assets	15	**12,191**	9,637
		391,478	482,167
Current assets			
Prepaid lease payments	12	**647**	647
Inventories	16	**61,908**	69,937
Trade, bills and other receivables	17	**95,007**	59,166
Amounts due from associates	31	**131,454**	3,273
Held-for-trading investments	18	**—**	30,000
Time deposits	19	**80,000**	167,000
Pledged bank deposits	19	**96,584**	139,968
Bank balances and cash	19	**135,261**	41,647
		600,861	511,638
Current liabilities			
Trade, bills and other payables	20	**343,990**	283,885
Amounts due to associates	31	**39**	—
Income tax liabilities		**22,301**	25,134
Other tax liabilities	21	**4,765**	7,983
Short-term bank loans	22	**—**	110,442
		371,095	427,444
Net current assets		**229,766**	84,194
Total assets less current liabilities		**621,244**	566,361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	23	**101,129**	100,940
Share premium and reserves	24	**504,116**	446,305
Equity attributable to owners of the Company		**605,245**	547,245
Non-current liabilities			
Deferred tax liabilities	15	**15,999**	19,116
		621,244	566,361

The consolidated financial statements on pages 47 to 107 were approved and authorised for issue by the board of directors on 22 March 2016 and are signed on its behalf by:

FANG JAMES
DIRECTOR

FANG SHENGKANG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Statutory reserves	Share options 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
			(Note 24)	(Note 24)	(Note 24 & 25)				
At 1 January 2014	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 options (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
Profit and total comprehensive income for the year	–	–	–	–	–	–	207,389	207,389	207,389
Dividends recognised as distribution (note 8)	–	–	–	–	–	–	(152,122)	(152,122)	(152,122)
Exercise of share options (note 25)	189	6,702	–	–	(4,158)	–	–	2,544	2,733
At 31 December 2015	**101,129**	**242,456**	**(73,274)**	**94,573**	**12,246**	**1,970**	**226,145**	**504,116**	**605,245**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
Profit before tax	**262,994**	210,690
Adjustments for:		
Depreciation of property, plant and equipment	**14,846**	13,134
Allowance for (reversal of) inventories obsolescence	**196**	(1,973)
Write off for accounts receivable	**—**	500
Release of prepaid lease payments	**647**	647
Loss on disposal of property, plant and equipment	**32**	20
Finance costs	**4,435**	2,532
Share of losses of associates	**5,584**	9,162
Dividend income from available-for-sale investments	**(14,718)**	—
Interest income	**(18,444)**	(15,550)
Operating cash flows before movements in working capital	**255,572**	219,162
Decrease (increase) in inventories	**7,833**	(22,269)
Decrease in trade, bills and other receivables	**(34,644)**	(4,770)
Proceeds on disposal of (purchase of) held-for-trading investments	**30,000**	(30,000)
Increase in trade, bills and other payables	**60,105**	37,611
Increase in amount due to associates	**39**	—
Increase (decrease) in other tax liabilities	**(3,218)**	2,388
Cash generated from operations	**315,687**	202,122
Income taxes paid	**(64,109)**	(28,683)
Net cash from operating activities	**251,578**	173,439

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Investing activities		
Interest received	**17,247**	7,578
Dividends received	**14,718**	—
Proceeds on disposal of property, plant and equipment	**80**	10
Purchases of property, plant and equipment	**(52,946)**	(41,179)
Purchase of available-for-sale investments	**(2,500)**	(1,500)
Withdrawal of time deposits	**177,000**	296,500
Placement of time deposits	**(90,000)**	(353,500)
Advance to associates	**(681)**	(710)
Repayment from associates	**—**	8,192
Withdrawal of pledged bank deposits	**156,813**	67,958
Placement of pledged bank deposits	**(113,429)**	(122,713)
Repayment of loan to associates	**—**	6,000
Net cash from (used in) investing activities	**106,302**	(133,364)
Financing activities		
New bank loans raised	**102,584**	112,018
Repayment of borrowings	**(213,026)**	(102,213)
Payment of interest expense of bank loans	**(4,435)**	(2,292)
Dividends paid	**(152,122)**	(76,215)
Proceeds from exercise of share options	**2,733**	1,124
Net cash used in financing activities	**(264,266)**	(67,578)
Net increase (decrease) in cash and cash equivalents	**93,614**	(27,503)
Cash and cash equivalents at beginning of year	**41,647**	69,150
Cash and cash equivalents at end of year represented by bank balances and cash	**135,261**	41,647

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

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

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

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarifications of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described below:

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

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

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

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

IFRS 9 Financial Instruments (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers (Continued)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure on information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosure under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, 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 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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.

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Service income is recognised when services are provided.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Current tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of disposal 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.

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 realisable value. Cost of inventories are determined on a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), '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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL (Continued)

- it forms part of a contract containing one or more embedded derivatives, and IAS 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.

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. The Group designated certain equity investments as available-for-sale on initial recognition of those items. Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established. 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, amounts due from an associates, pledged bank deposits, time 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).

Impairment of financial assets

Financial assets, other than those at FVTPL, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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 amortised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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, bills and other payables, amounts due to associates, and bank loans 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.

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 2015 was RMB257,679,000 (31 December 2014 RMB219,691,000). 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.

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 2015, the carrying amount of inventories is RMB61,908,000 (net of allowance for inventories of RMB4,539,000) (31 December 2014: carrying amount of RMB69,937,000, net of allowance for inventories of RMB4,343,000).

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

Key sources of estimation uncertainty (Continued)

Income tax expenses

As at 31 December 2015, a deferred tax assets of RMB12,191,000 (31 December 2014: RMB9,637,000) 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 2015, the carrying amount of available-for-sale investment measured at cost is RMB70,000,000 (31 December 2014: RMB67,500,000).

Estimated impairment of trade and bills receivables and amounts due from associates

Allowance for trade and bills receivables and amounts due from associates are made based on the evaluation of collectability and aging 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 2015, the carrying amount of trade and bills receivables is RMB82,273,000 (net of allowance for doubtful debts of RMB2,761,000) (31 December 2014: carrying amount of RMB49,940,000, net of allowance for doubtful debts of RMB3,118,000). As at 31 December 2015, the carrying amount of the amounts due from associates due after one year is RMB9,000,000, due within in one year is RMB 131,454,000. (2014: RMB 136,500,000 and RMB3,273,000 respectively).

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.

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

Segment revenues and results

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

For the year ended 31 December 2015

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

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

Inter-segment sales are charged at prevailing market rates.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

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

Revenue from major products

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

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

Information about major customers

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

6. PROFIT BEFORE TAX

Profit before tax has been arrived at:

	2015 RMB'000	2014 RMB'000
After charging:		
Staff costs, including directors' remuneration		
– salaries, wages and other benefits	**37,738**	32,411
– retirement benefit scheme contributions (note 28)	**5,942**	5,174
Total staff costs	**43,680**	37,585
Cost of inventories recognised as an expense (note a)	**476,938**	409,455
Research expenditure included in other expenses	**33,005**	30,010
Depreciation of property, plant and equipment	**14,846**	13,134
Auditors' remuneration	**1,850**	1,680
Release of prepaid lease payments	**647**	647
Loss on disposal of property, plant and equipment	**32**	20
Write off for accounts receivable	**—**	500
After crediting:		
Interest income from:		
– bank deposits	**10,273**	6,896
– amounts due from associates	**8,171**	8,654
Total interest income	**18,444**	15,550
Net foreign exchange loss	**4,636**	1,447
Rental income	**808**	259
Government grants (note b)	**2,794**	4,100
Dividend income from available-for-sale investments	**14,718**	—

Notes:

(a) Allowance of inventories obsolescence amounting to RMB196,000 (2014: Reverse for allowance RMB1,973,000) has been recognised in the current year.

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

7. INCOME TAX EXPENSES

	2015 RMB'000	2014 RMB'000
Income tax expenses comprises:		
Current tax		
– PRC Enterprise Income Tax	**46,195**	32,207
– Over provision in prior years	**(169)**	(1,809)
	46,026	30,398
Deferred tax (note 15)	**9,579**	10,044
	55,605	40,442

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

The subsidiaries established in the PRC, other than Hangzhou Aupu Bathroom & Kitchen Technology Co., Ltd. ("AUPU Technology"), are subject to enterprise income tax at a statutory tax rate of 25%. AUPU Technology is qualified as a "Hi-New Tech Enterprise" and therefore enjoys a preferential tax rate of 15% (2014: 15%) under Enterprise Income Tax Law of the PRC ("EIT Law").

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

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:

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

8. DIVIDENDS

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

The final dividend of HK$0.04 per share in respect of the year ended 31 December 2015 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

Earnings:

	2015 **RMB'000**	2014 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**207,389**	170,248

Number of shares:

	Number of ordinary shares	
	2015 **RMB'000**	2014 RMB'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,046,464,733**	1,043,946,027
Effect of dilutive potential ordinary shares		
Share-based payment transactions	**—**	26,519
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,046,464,733**	1,043,972,546

For the year ended 31 December 2015, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the Company's options were higher than the average market price in 2015.

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 2015

	Fees RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000 (note 4)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Fang James	—	1,018	2,180	17	3,215
Fang Shengkang (note 1)	—	1,000	2,180	—	3,180
Wu Xingjie (note 2)	—	720	1,962	17	2,699
	—	2,738	6,322	34	9,094
Non-executive directors:					
Lu Songkang	100	—	—	—	100
Lin Xiaofeng	60	—	—	—	60
	160	—	—	—	160
Independent non-executive directors:					
Shen Jianlin	60	—	—	—	60
Wu Tak Lung	104	—	—	—	104
Gan Weimin	60	—	—	—	60
	224	—	—	—	224
	384	2,738	6,322	34	9,478

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

Year ended 31 December 2014

	Fees RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000 (note 4)	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	20	—	—	—	20
	203	—	—	—	203
	363	2,272	4,645	34	7,314

Note 1: Mr. Fang Shengkang is the president of the Company.

Note 2: Mr. Wu Xingjie is the chief executive officer of the Company, and his emoluments disclosed above include those for services rendered by him as the chief executive.

Note 3: Mr. Cheng Hobo resigned on 1 September 2014 as a non-executive director.

Note 4: The bonus is determined by the Board of Directors based on the financial performance of the Group.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company. The non-executive directors' and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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 (2014: three) were Directors whose emoluments are included above. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	532	528
Retirement benefit contributions	17	17
	549	545

The emoluments of the five highest paid individuals were within the following bands:

	2015 No. of Individuals	2014 No. of Individuals
Nil to HK$1,000,000	2	2
HK$2,000,001 to HK$2,500,000	1	1
HK$3,000,001 to HK$3,500,000	2	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 2014	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
Additions	996	258	1,180	4,372	46,140	52,946
Transfers	9,511	—	—	701	(10,212)	—
Disposals	—	—	(150)	(69)	—	(219)
At 31 December 2015	202,444	12,326	12,509	33,366	77,180	337,825
ACCUMULATED DEPRECIATION						
At 1 January 2014	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 reconstruction	—	(680)	—	—	—	(680)
Eliminated on disposals	—	—	(276)	—	—	(276)
At 31 December 2014	36,117	4,101	7,445	17,744	—	65,407
Provided for the year	9,060	966	1,263	3,557	—	14,846
Eliminated on disposals	—	—	(47)	(60)	—	(107)
At 31 December 2015	45,177	5,067	8,661	21,241	—	80,146
CARRYING VALUES						
At 31 December 2014	155,820	7,967	4,034	10,618	41,252	219,691
At 31 December 2015	157,267	7,259	3,848	12,125	77,180	257,679

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in properties as at 31 December 2015 is an amount of RMB107,151,000 (2014: RMB61,318,000) 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

	2015 **RMB'000**	2014 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**26,437**	27,084
Current assets	**647**	647
	27,084	27,731

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

	2015 RMB'000	2014 RMB'000
Cost of unlisted investments in associates	**38,000**	38,000
Share of post-acquisition losses	**(21,829)**	(16,245)
	16,171	21,755

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name of Entity	Place and date of establishment	Proportion of ownership interest 31 December 2015	2014	Registered capital RMB 2015	2014	Principal activity
Chengdu Qianyin Investment Company Limited ("Chengdu Qianyin") 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%**	40%	**30,000,000**	30,000,000	Manufacture and distribution of electrical kitchen appliances and equipment

The Company entered into an agreement (the "Sales and Purchase Agreement") with Dazhou City Dongfu Commercial &Trading Company Limited ("Dongfu") on 15 April 2015 to dispose of its 41.67% equity interest in Chengdu Qianyin, together with a loan to it with carrying amounts of RMB3,200,000 and RMB127,500,000 as at 15 April 2015, respectively, for an aggregated cash consideration of RMB164,080,000. Deposit of RMB10,000,000 was received on 27 March 2015 (see note 20).

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

Subsequent to 15 April 2015, the purchaser failed to make payment of RMB2,620,000, RMB1,960,000 and RMB127,500,000 on 16 April 2015, 1 August 2015 and 1 November 2015 respectively, in accordance with the payment schedule and the Sales and Purchase Agreement is voidable by the Company in accordance with terms set out in the Sales and Purchase Agreement.

13. INTERESTS IN ASSOCIATES (Continued)

The Directors are of the view that the purchaser will not be able to exercise significant influence until full payments to the Group pursuant to the terms of the Sales and Purchase Agreement at which time the Group is obliged to transfer its rights over Chengdu Qianyin. As the Company still has significant influence over Chengdu Qianyin, the investment continued to be accounted for an interest in an associate at 31 December 2015.

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

	2015 **RMB'000**	2014 RMB'000
Current assets	**3,224**	3,009
Non-Current Assets	**355,700**	351,455
Current Liabilities	**49,940**	31,293
Non-current Liabilities	**305,937**	302,963

	2015 **RMB'000**	2014 RMB'000
Revenue	**—**	—
Loss and total comprehensive expense for the year	**(17,161)**	(26,115)
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:

	2015 RMB'000	2014 RMB'000
Net assets of Chengdu Qianyin	**3,047**	20,208
Proportion of the Group's ownership interest in Chengdu Qianyin	**41.67%**	41.67%
Goodwill	**815**	815
Carrying amount of the Group's interest in Chengdu Qianyin	**2,085**	9,236

AUPU Broni

	2015 RMB'000	2014 RMB'000
Current assets	**20,014**	16,622
Non-Current Assets	**42,483**	39,796
Current Liabilities	**18,282**	16,121
Non-current Liabilities	**9,000**	9,000

13. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

AUPU Broni (Continued)

	2015 RMB'000	2014 RMB'000
Revenue	**42,165**	43,436
Profit and total comprehensive income for the year	**3,918**	4,300
Dividends received from the associate during the year	**—**	—

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

	2015 RMB'000	2014 RMB'000
Net assets of AUPU Broni	**35,215**	31,297
Proportion of the Group's ownership interest in AUPU Broni	**40%**	40%
Carrying amount of the Group's interest in AUPU Broni	**14,086**	12,519

14. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 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)	**5,000**	2,500
	70,000	67,500

Notes:

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

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

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

(iii) AUPU Technology has an investment in Yinzhi Zuobang Venture Partnership (杭州引智佐邦投資合夥企業) ("Yinzhi Zuobang") amounting to RMB5,000,000 (2014: RMB2,500,000), representing a 7.35% (2014: 7.35%) equity interest in Yinzhi Zuobang.

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 (liabilities) recognised and movements thereon during the current and prior year.

	Unrealised profits on inventories RMB'000 (note)	Other deductible temporary differences RMB'000 (note)	Withholding tax on undistributed retained earnings of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2014	658	9,619	(13,487)	(3,210)
Credit (charge) to profit or loss (note 7)	171	(811)	(9,404)	(10,044)
Withholding tax paid in this year	—	—	3,775	3,775
At 31 December 2014	829	8,808	(19,116)	(9,479)
Credit (charge) to profit or loss (note 7)	118	2,436	(12,133)	(9,579)
Withholding tax paid in this year	—	—	15,250	15,250
At 31 December 2015	947	11,244	(15,999)	(3,808)

Note: 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.

15. DEFERRED TAX ASSETS AND LIABILITY (Continued)

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**12,191**	9,637
Deferred tax liabilities	**(15,999)**	(19,116)
	(3,808)	(9,479)

At the end of the reporting period, the Group has the following unused tax losses available for offset against future profits which will be expired at the following years:

	2015 RMB'000	2014 RMB'000
2018	**5,144**	5,144
2019	**97**	97
2020	**3,211**	—
	8,452	5,241

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

16. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**8,725**	8,314
Finished goods	**53,183**	61,623
	61,908	69,937

17. TRADE, BILLS AND OTHER RECEIVABLES

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

The average credit period granted on sales of goods ranges from 0 to 90 days (2014: 0 to 90 days). No interest is charged on overdue trade receivables. The Group provides allowance for doubtful debts on a case-by-case basis. In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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

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

Trade receivables amounting to RMB6,287,000(2014: RMB6,936,000) were denominated in United States Dollar ("USD") which is not the functional currency of the respective entities.

17. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB6,198,000 (2014: RMB4,433,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

18. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments	2015 RMB'000	2014 RMB'000
Held-for-trading investments include:		
Bank financial products	**—**	30,000

The investments were managed by licensed financial institutions in the PRC to invest principally in certain financial assets including notes or bonds issued and circulated in the PRC in accordance with the entrusted agreements entered into between the parties involved. The investment yield at a floating rate. The fair value represented the quoted prices in active markets. Such investments were fully disposed in 2015.

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 2.25% to 3.00% per annum as at 31 December 2015 (2014: 2.55% to 4.30% per annum).

Pledged bank deposits amounting to RMB96,584,000 (31 December 2014: RMB139,968,000) 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 3.59% per annum (2014: 3.08% to 3.25% per annum).

19. OTHER FINANCIAL ASSETS (Continued)

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 0.35% per annum as at 31 December 2015 (2014: 0.01% to 0.385% per annum).

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

Bank balances amounting to RMB10,812,000 and RMB16,367,000 (2014: RMB7,451,000 and RMB94,000) 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 RMB284,666,000 (2014: RMB341,070,000) 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 (2014: 90 days).

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

21. OTHER TAX LIABILITIES

	2015 RMB'000	2014 RMB'000
Value added tax	**4,269**	7,196
Others	**496**	787
	4,765	7,983

22. SHORT-TERM BANK LOANS

	2015 RMB'000	2014 RMB'000
Bank loans		
Repayable within one year	**—**	110,442

At 31 December 2014, the Group's bank borrowings were demonstrated in HK$, and carried interest at CTBC Bank Offered Rate plus 4% per annum.

23. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2014, and 31 December 2014 and 2015	**5,000,000,000**	500,000
Issued and fully paid:		
At 1 January 2014	**1,043,501,000**	104,350
Exercise of shares options	**1,365,000**	137
At 31 December 2014	**1,044,866,000**	104,487
Exercise of shares options	**2,362,500**	236
At 31 December 2015	**1,047,228,500**	104,723

	2015 RMB'000	2014 RMB'000
Presented as RMB		
Ordinary shares	**101,129**	100,940

On 29 April 2015, 2,362,500 shares were issued upon the exercise of options under the share option scheme. 2,137,500 shares of the exercised options were from batch "2007A" with the adjusted exercise price of HK$1.49 and 225,000 shares were from batch "2008A" with the adjusted exercise price of HK$1.03.

On 3 September 2014, 1,365,000 shares were issued upon the exercise of options under the share option. All the exercised option shares are from batch "2008A" on the adjusted exercise price of HK$1.03.

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.

No contributions to the reserve fund were made by AUPU Technology because its reserve fund balance had reached the level of 50% of its registered capital since 2014.

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 the Directors and employees of the Company and its subsidiaries to the growth of the Group and to incentivise them going forward.

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 4,275,000 (2014: 6,862,500), representing approximately 0.4% (2014: 0.7%) 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 the Directors and employees during the years ended 31 December 2015 and 2014:

	Outstanding at 1/1/2014	Forfeited/ 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**

	Outstanding at 1/1/2015	Forfeited/ lapsed during the year	Exercised during the year	Outstanding at 31/12/2015
Option type				
2007A	2,137,500	—	2,137,500	—
2007B	4,500,000	225,000	—	4,275,000
2008A	225,000	—	225,000	—
	6,862,500	225,000	2,362,500	4,275,000
Exercisable at the end of the year				4,275,000
Weighted average exercise price	1.86			2.07

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

In respect of the share options exercised during the year 2015, the weight average share price at the date of exercise is HK$2.25(2014: HK$1.47).

26. OPERATING LEASE COMMITMENTS

The Group as lessee

	2015 RMB'000	2014 RMB'000
Minimum lease payments under operating leases recognised in the consolidated statement of profit or loss and other comprehensive income for the year	**919**	655

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:

	2015 RMB'000	2014 RMB'000
Within one year	**517**	363
In the second to fifth years	**1,003**	—

Operating lease payments represent rentals payable by the Group for certain branch offices and warehouses. Leases are negotiated for a lease term of from 1 year to 5 years (2014: 1 year) at inception.

The Group as lessor

Property rental income earned during the year was RMB808,000 (2014: RMB259,000). Leases are negotiated for a lease term of 1 year (2014: 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:

	2015 RMB'000	2014 RMB'000
Contracted for but not provided		
Acquisition of property, plant and equipment	**18,865**	48,072
Capital contribution to available-for-sale investment (Note 14)	**—**	2,500
	18,865	50,572

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 RMB5,942,000 (2014: RMB5,174,000) 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, bills and other receivables, held-for-trading investment, 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

	2015 RMB'000	2014 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**537,483**	540,041
Available-for-sale instruments	**70,000**	67,500
Held-for-trading investments	**—**	30,000
Financial liabilities		
Amortised costs	**206,646**	277,449

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	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
USD	**22,654**	7,030	**—**	—
HK$	**10,812**	7,451	**—**	110,442

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% (2014: 5%) increase and decrease in RMB against HK$ and USD 5% (2014: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items 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 2015 would have been decreased/increased by RMB1,319,000 (2014: increased/decreased by RMB3,877,000).

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 (2014: 50 basis point) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Since there is no bank loan on 31 December 2015, if interest rates had been 50 basis points (2014: 50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would have decreased/increased by RMB0 (2014: RMB446,000). 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 (2014: 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 2015 would have increased/decreased by RMB107,000 (2014: RMB34,000). 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.

30. FINANCIAL INSTRUMENTS (Continued)

Credit risk

As at 31 December 2015, 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.

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% (2014: 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 2015, approximately 97% (2014: 89%) of the bank balances were deposited at five banks (2014: seven). 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 2015, with respect to amount due from associates in the amount of RMB140,454,000 (31 December 2014: RMB139,773,000), 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 RMB'000	Six months to one year RMB'000	Over one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2015						
Non-derivative financial liabilities						
Trade, bills and other payables	**—**	**205,302**	**483**	**822**	**206,607**	**206,607**
Amounts due to an associate	**—**	**39**	**—**	**—**	**39**	**39**
		205,341	**483**	**822**	**206,646**	**206,646**
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

Fair value of financial instruments

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

30. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (Continued)

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).

Financial assets/ financial liabilities	Fair value as at 31/12/2015	Fair value as at 31/12/2014	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	**N/A**	Unlisted debt investments RMB30,000,000	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:

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

Notes:

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

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

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

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

	2015 RMB'000	2014 RMB'000
Rental income	**173**	172
Interest income	**8,171**	8,654
Purchase	**3,300**	—
Other income	**443**	428
	12,087	9,254

31. RELATED PARTY TRANSACTIONS (Continued)

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

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

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

32. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 and 2014 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 2015	Direct 2014	Indirect 2015	Indirect 2014	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 成都奧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:

	2015 RMB'000	2014 RMB'000
Non-current assets		
Investment and amount due from associates	**184,065**	218,878
Trade and other receivables	**332**	215
	184,397	219,093
Current assets		
Bank balances and cash	**7,417**	2,294
	7,417	2,294
Current liabilities		
Trade and other payables	**6,691**	4,962
Amounts due to subsidiaries	**56,338**	140,323
Income tax liabilities	**48**	48
	63,077	145,333
Total assets less current liabilities	**128,737**	76,054
Capital and reserves		
Share capital	**101,129**	100,940
Share premium and reserves	**27,608**	(24,886)
Equity attributable to owners of the Company	**128,737**	76,054

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

Movement in reserve

	Share capital	Share premium	Share options reserve	Capital redemption reserve	Accumulated losses	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	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)
Exercise of share options	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
Profit and total comprehensive income for the year	—	—	—	—	202,072	202,072	202,072
Dividends recognised as distribution	—	—	—	—	(152,122)	(152,122)	(152,122)
Exercise of share options	189	6,702	(4,158)	—	—	2,544	2,733
At 31 December 2015	**101,129**	**242,456**	**12,246**	**1,970**	**(229,064)**	**27,608**	**128,737**

SUMMARY OF FINANCIAL INFORMATION

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

	For the year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015 RMB'000**
Results					
Revenue	537,989	568,857	620,304	784,263	**929,053**
Income tax expenses	(22,348)	(35,895)	(22,975)	(40,442)	**(55,605)**
Profit attributable to owners of the Company	72,988	89,970	81,994	170,248	**207,389**
Dividends	85,448	53,296	74,030	76,215	**152,122**

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015 RMB'000**
Assets and Liabilities					
Total assets	675,110	686,316	837,946	993,805	**992,339**
Total liabilities	(254,311)	(233,122)	(385,858)	(446,560)	**(387,094)**
Equity attributable to owners of the Company	420,799	453,194	452,088	547,245	**605,245**