

ASPPL

A - S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8262

Interim Report

For the six months ended 30 June 2008

Characteristics of the Growth Enterprise Market (THE “GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on the GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on the GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

The principal means of information dissemination on the GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on the GEM-listed issuers.

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

The report, for which the directors of A-S China Plumbing Products Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Operations Review

- Total turnover of the Group for the three months ended 30 June 2008 amounted to approximately US\$34.73 million (2007: US\$27.31 million) and turnover for the six months ended 30 June 2008 amounted to US\$58.67 million (2007: US\$47.92 million).
- The Group kept encouraging growth in Q2. Total turnover for the three months ended 30 June 2008 grew 27.1%. Domestic sales grew by 34.7% and export sales grew by 18.9% compared to the same period last year.
- The domestic sales growth was mainly driven by the continuous new product launches in the past several years and the successful sales and marketing programs and activities. The increase in overseas' sales was a result of continuing costs competitiveness with manufacturing efficiency and improved skill capability so as to ensure a high quality standard.
- The gross profit margin of the Group decreased by 4.0% to 30.5% in Q2 compared to the same period last year principally due to continuing increase of material costs such as energy price. However, the increasing turnover has contributed to an increase in gross profit margin by 3.8% to 30.5% in Q2 compared to Q1 this year.
- The Group recorded a net loss after minority interests of approximately US\$1.40 million during the six months ended 30 June 2008 compared to a net profit after minority interests of approximately US\$2.60 million in the same period last year. However, Q2 saw a net profit after minority interests of approximately US\$0.42 million, compared to a net loss in Q1 this year of US\$1.82 million.
- Profit in Q2 this year was mainly driven by strong growth in both domestic sales and export, while compared to the same period last year, profit decrease was mainly due to much stronger sales and marketing investment which aimed to strengthen the brand image.
- The Group continues to maintain a healthy financial position. As of 30 June 2008, the net current assets of the Group amounted to US\$38.93 million, which comprise cash and bank deposits of approximately US\$22.43million. The Group has no bank loan as of the period end date and the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Prospect

- The Group anticipates continued inflationary pressure on raw material prices, in particular energy.
- Management is confident that the export sales will continue to be strong in the second half of the year given the continuing improvement of product portfolios.

FOREIGN CURRENCY EXPOSURE

- The Group's reporting currency is in US\$. Most of the transactions, assets and liabilities of the Group are denominated in US\$ and Renminbi ("RMB"). The directors consider that the Group is not significantly exposed to any exchange risk and accordingly, the Group did not utilize any financial instruments in the foreign currency market to hedge against the risk of fluctuation of the RMB in relation to other foreign currencies. The directors believe that, having regard to the working capital position of the Group, the Group is able to meet its future exchange liabilities, if any, as they become due.

INTERIM RESULTS FOR THE SIX MONTHS AND THREE MONTHS ENDED 30 JUNE 2008

The board of directors is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 30 June 2008 together with the comparative unaudited consolidated results for the corresponding period in 2007 (the "Relevant Periods") as follows:

Condensed Consolidated Profit And Loss Account

	Notes	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
REVENUE	3	34,725	27,313	58,670	47,923
Cost of sales		(24,147)	(17,884)	(41,700)	(31,635)
Gross profit		10,578	9,429	16,970	16,288
Other expenses, net		(278)	(41)	(129)	(4)
Distribution costs		(1,245)	(958)	(2,165)	(1,802)
Administrative and other operating expenses		(7,183)	(5,153)	(13,921)	(9,285)
PROFIT BEFORE TAX	4	1,872	3,277	755	5,197
Tax	5	(1,043)	(934)	(1,668)	(1,668)
PROFIT/(LOSS) FOR THE PERIOD		<u>829</u>	<u>2,343</u>	<u>(913)</u>	<u>3,529</u>
Attributable to:					
Equity holders of the parent		421	1,786	(1,398)	2,606
Minority interests		408	557	485	923
		<u>829</u>	<u>2,343</u>	<u>(913)</u>	<u>3,529</u>
EARNING/(LOSS)PER SHARE ATTRIBUTE TO ORDINARY EQUITY HOLDERS OF THE PARENT (US cents)					
– Basic and diluted, for profit/(loss) for the period	6	<u>0.28</u>	<u>1.18</u>	<u>(0.93)</u>	<u>1.73</u>

Condensed Consolidated Balance Sheet

		Unaudited	Audited
		30 Jun 2008	31 Dec 2007
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets			
Property, plant and equipment	7	52,827	49,767
Goodwill	8	2,105	2,105
Intangible assets	9	–	–
Prepaid land lease payments	10	8,515	8,121
		<hr/>	<hr/>
Total non-current assets		63,447	59,993
		<hr/>	<hr/>
Current assets			
Due from group companies	11	20,211	11,751
Prepayments, deposits and other receivables		6,300	4,819
Inventories	12	10,170	10,448
Trade receivables	13	12,728	11,249
Cash and cash equivalents	14	22,426	30,996
		<hr/>	<hr/>
Total current assets		71,835	69,263
		<hr/>	<hr/>
Current liabilities			
Due to group companies	15	3,107	2,232
Dividend payable		164	164
Trade payables	16	10,711	8,886
Corporate income tax payable		881	763
Other payables, deposits and accrued liabilities		18,045	18,655
		<hr/>	<hr/>
Total current liabilities		32,908	30,700
		<hr/>	<hr/>
Net current assets		38,927	38,563
		<hr/>	<hr/>
Total assets less current liabilities/Net Assets		<u>102,374</u>	<u>98,556</u>
		<hr/>	<hr/>
Equity			
Equity attributable to equity holders of the parent			
Issued share capital		1,510	1,510
Reserves		88,534	85,871
		<hr/>	<hr/>
Minority interests		90,044	87,381
		12,330	11,175
		<hr/>	<hr/>
Total Equity		<u>102,374</u>	<u>98,556</u>
		<hr/>	<hr/>

Consolidated Statement of Changes in Equity (Unaudited)

Attributable to equity holders of the parent

	Issued share capital <i>US\$'000</i>	Share premium account <i>US\$'000</i>	Reserve fund <i>US\$'000</i>	Exchange expansion reserve <i>US\$'000</i>	Share fluctuation reserve <i>US\$'000</i>	Option reserve <i>US\$'000</i>	Retained profits <i>US\$'000</i>	Proposed Dividend <i>US\$'000</i>	Total <i>US\$'000</i>	Minority interest <i>US\$'000</i>	Total equity <i>US\$'000</i>
At 1 January 2008	1,510	60,616	7,008	1,581	6,255	604	9,807	-	87,381	11,175	98,556
Exchange realignment	-	-	-	-	4,061	-	-	-	4,061	670	4,731
Net gain not recognized in the profit and loss account	-	-	-	-	4,061	-	-	-	4,061	670	4,731
Net profit/loss for the period	-	-	-	-	-	-	(1,398)	-	(1,398)	485	(913)
At 30 June 2008	<u>1,510</u>	<u>60,616</u>	<u>7,008</u>	<u>1,581</u>	<u>10,316</u>	<u>604</u>	<u>8,409</u>	<u>-</u>	<u>90,044</u>	<u>12,330</u>	<u>102,374</u>
At 1 January 2007	1,510	85,305	4,334	1,306	1,220	-	15,606	-	109,281	12,156	121,437
Exchange realignment	-	-	-	-	2,100	-	-	-	2,100	284	2,384
Net gain not recognized in the profit and loss account	-	-	-	-	2,100	-	-	-	2,100	284	2,384
Net profit/loss for the period	-	-	-	-	-	-	2,606	-	2,606	923	3,529
Dividend declared or paid to Minority interest shareholders	-	-	-	-	-	-	-	-	-	(926)	(926)
Dividend proposed	-	-	-	-	-	-	(14,316)	14,316	-	-	-
At 30 June 2007	<u>1,510</u>	<u>85,305</u>	<u>4,334</u>	<u>1,306</u>	<u>3,320</u>	<u>-</u>	<u>3,896</u>	<u>14,316</u>	<u>113,987</u>	<u>12,437</u>	<u>126,424</u>

Condensed Consolidated Cash Flow Statement

	Unaudited	
	six months ended	
	30 June	
	2008	2007
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash (used in)/inflow from operating activities	<u>(6,948)</u>	<u>7,342</u>
Net cash used in investing activities	<u>(2,868)</u>	<u>(1,545)</u>
Net cash used in financing activities	<u>–</u>	<u>(1,995)</u>
(Decrease)/Increase in cash and cash equivalents	(9,816)	3,802
Cash and cash equivalents at 1 January	30,996	50,114
Effect of foreign exchange rate changes	<u>1,246</u>	<u>1,148</u>
Cash and cash equivalents at 30 June	<u><u>22,426</u></u>	<u><u>55,064</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	22,299	54,933
Pledged deposits	<u>127</u>	<u>131</u>
	<u><u>22,426</u></u>	<u><u>55,064</u></u>

Notes:

1. BASIS OF PRESENTATION

The unaudited condensed consolidated results for the six months ended 30 June 2008 have been prepared in accordance with IAS/HKAS 34, 'Interim financial reporting', accounting principles generally accepted in Hong Kong and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

IFRIC/HK(IFRIC) – Int 11, IFRS/HKFRS 2 – Group and Treasury
Share Transactions
IFRIC/HK(IFRIC) – Int 12, Service Concession Arrangements
IFRIC/HK(IFRIC) – Int 14, IAS/HKAS 19 – The Limit on a Defined
Benefit Asset
Minimum Funding Requirements and
Their Interaction

2. PRINCIPAL ACTIVITIES

The Group manufactures and distributes in China a broad range of bathroom and kitchen fixtures and plumbing fittings under the brand names owned by Ideal Standard Global Ltd. ("ISG") (Note), including the "American Standard" and "Armitage Shanks" brands. The Group includes the ventures in China, which have established a manufacturing base for the production of bathroom and kitchen fixtures and plumbing fittings in Shanghai, Tianjin and Guangdong province using manufacturing equipment and manufacturing technologies developed by the former ultimate holding company, American Standard Group to ensure the quality of its products.

2. PRINCIPAL ACTIVITIES (CONTINUED)

Note: American Standard Companies Inc. (“ASCI”), ASD Acquisition Corp. (“ASD”) and Ideal Standard International Holding Sarl (“Ideal Standard International”) entered into to a certain Stock and Assets Purchase Agreement, pursuant to which ASD and Ideal Standard International agreed to acquire the worldwide Bath and Kitchen business of ASCI. As part of such acquisition, the Company was sold to Ideal Standard International on 31 October 2007. The Company, ISG, which is an indirect subsidiary of Ideal Standard International and American Standard Inc. (“ASI”), which is a wholly-owned subsidiary of ASCI, entered into an Instrument of Novation, Amendment, Joinder and Release in respect of The Intellectual Property Agreement on 12 October 2007, pursuant to which, ISG in place of ASI takes relevant rights, benefits, obligations, duties and entitlements under the Intellectual Property Agreement and Intellectual Property Novation Agreement.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and business/sales tax where applicable. All significant intra-group transactions have been eliminated on consolidation.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2008	2007	2008	2007
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Segment revenue				
Mainland China	19,089	14,167	29,288	22,658
North America	2,893	3,810	5,896	7,610
United Kingdom	4,726	3,550	8,572	7,802
Other European countries	4,271	2,117	7,337	3,536
Others	3,746	3,669	7,577	6,317
Total	<u>34,725</u>	<u>27,313</u>	<u>58,670</u>	<u>47,923</u>

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost of inventories sold	22,271	16,390	38,921	29,112
Recognition of prepaid Land lease payment	54	54	108	108
Auditors' remuneration	112	109	168	195
Depreciation	1,188	1,073	2,343	2,110
Staff costs (including directors' remuneration):				
Wages and salaries	3,296	3,130	6,722	5,588
Pension scheme contributions	271	184	529	395
	<u>3,567</u>	<u>3,314</u>	<u>7,251</u>	<u>5,983</u>
(Gains)/Losses on disposal of fixed assets	175	-	152	6
Operating lease rentals in respect of land and buildings	210	212	420	398
Provision for doubtful debts	221	-	401	-
Provision for slow-moving inventories	13	(10)	102	148
Research and development costs	40	348	103	515
And after crediting:				
Interest income	(114)	(225)	(207)	(439)
Foreign exchange (gains)/losses, net	<u>79</u>	<u>139</u>	<u>249</u>	<u>339</u>

5. TAX

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current period provision in respect of: The PRC	<u>1,034</u>	<u>934</u>	<u>1,668</u>	<u>1,668</u>

Currently, no taxes are imposed by the Cayman Islands on income or capital profits of the Company.

Hong Kong profits tax has not been provided during the Relevant Periods, as the Group had no assessable profits attributable to its operations in Hong Kong during the Relevant Periods.

Due to the combination of CIT for both foreign investment companies and local companies, from 2008, all companies are subject to CIT rate of 25%, except for those, which are located in High-Technology zones or are qualified as "High and New Technology Companies", such companies can continue to enjoy certain preferential tax rate granted within a certain period.

A Mainland China subsidiary, A-S (Jiangmen) Fittings Co., Ltd. ("A-S Jiangmen Fittings"), is subject to a CIT rate of 25%.

A Mainland China subsidiary, A-S (Shanghai) Pottery Co., Ltd., is subject to a CIT rate of 25%.

A Mainland China subsidiary, A-S (Tianjin) Pottery Co.,Ltd., is subject to a CIT rate of 18% as it is located in the Tianjin economic and development zone.

Another China subsidiary, Hua Mei Sanitary Ware Co., Ltd ("Hua Mei") is subject to a CIT rate of 18% for the year ended 31 March 2008 as it is qualified as a "Knowledge and Technology Concentration Enterprise."

6. EARNING/(LOSS) PER SHARE TO EQUITY HOLDERS OF THE PARENT

The calculation of unaudited basic earning/(loss) per share for the three months and six months ended 30 June 2008 was based on the unaudited net profit/(net loss) for the period attributable to equity holders of the parent of US\$421,000 and US\$(1,398,000) respectively (Three months and six months ended 30 June 2007: net profit US\$1,786,000 and US\$2,606,000 respectively), and weighted average number of issued ordinary shares of 151,034,000 (2007: 151,034,000) during the period.

No diluted earning per share amount is presented for each of the Relevant Periods, as no diluting events existed.

7. FIXED ASSETS

	Buildings	Plant and machinery	Furniture, equipment and motor vehicles	Construction in progress	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
30 June 2008					
At 31 December 2007 and 1 January 2008:					
Cost	27,299	57,971	13,421	390	99,081
Accumulated depreciation	(8,564)	(28,703)	(12,047)	-	(49,314)
Net carrying amount	<u>18,735</u>	<u>29,268</u>	<u>1,374</u>	<u>390</u>	<u>49,767</u>
At 31 December 2007, and 1 January 2008, net of accumulated depreciation					
	18,735	29,268	1,374	390	49,767
Additions	-	924	992	1,149	3,065
Disposals	(69)	(189)	(90)	-	(348)
Depreciation provided for the period	(299)	(1,458)	(586)	-	(2,343)
Exchange realignment	1,086	1,576	24	-	2,686
At 30 June 2008, net of accumulated depreciation	<u>19,453</u>	<u>30,121</u>	<u>1,714</u>	<u>1,539</u>	<u>52,827</u>
At 30 June 2008:					
Cost	28,889	61,848	14,355	1,539	106,631
Accumulated depreciation	(9,436)	(31,727)	(12,641)	-	(53,804)
Net carrying amount	<u>19,453</u>	<u>30,121</u>	<u>1,714</u>	<u>1,539</u>	<u>52,827</u>

7. FIXED ASSETS (CONTINUED)

	Buildings <i>US\$'000</i>	Plant and machinery <i>US\$'000</i>	Furniture, equipment and motor vehicles <i>US\$'000</i>	Construction in progress <i>US\$'000</i>	Total <i>US\$'000</i>
30 June 2007					
At 31 December 2006 and 1 January 2007:					
Cost	25,855	52,223	12,604	735	91,417
Accumulated depreciation	(7,389)	(24,205)	(11,718)	-	(43,312)
Net carrying amount	<u>18,466</u>	<u>28,018</u>	<u>886</u>	<u>735</u>	<u>48,105</u>
At 31 December 2006, and 1 January 2007, net of accumulated depreciation					
	18,466	28,018	886	735	48,105
Additions	-	516	473	995	1,984
Disposals	-	(2)	(5)	-	(7)
Depreciation provided for the period	(268)	(1,368)	(474)	-	(2,110)
Exchange realignment	441	606	1	-	1,048
At 30 June 2007, net of accumulated depreciation	<u>18,639</u>	<u>27,770</u>	<u>881</u>	<u>1,730</u>	<u>49,020</u>
At 30 June 2007:					
Cost	26,509	53,992	13,104	1,730	95,335
Accumulated depreciation	(7,870)	(26,222)	(12,223)	-	(46,315)
Net carrying amount	<u>18,639</u>	<u>27,770</u>	<u>881</u>	<u>1,730</u>	<u>49,020</u>

The Group's buildings are all situated in the PRC.

Construction in progress represents costs incurred for the development and construction of factory buildings, plant and machinery and other fixed assets in the PRC, and is stated at cost.

8. GOODWILL

	2008 <i>US\$'000</i>	2007 <i>US\$'000</i>
Cost and carrying amount at 30 June 2008 and 31 December 2007	<u>2,105</u>	<u>2,105</u>

Details of the impairment testing of goodwill are disclosed in note 9.1.

9. INTANGIBLE ASSETS

Intellectual property rights *US\$'000*

At 30 June 2008 and 31 December 2007

Cost	10,000
Accumulated amortization and impairment	<u>(10,000)</u>
Net carrying amount	<u>–</u>

9.1 Impairment testing of goodwill

Goodwill relates to the acquisition of shareholding interests in subsidiaries.

Goodwill has been tested for impairment at Group level as the Group's revenue is primarily derived from one segment, i.e., the manufacture, sale and distribution of plumbing products.

The recoverable amounts of the goodwill have been determined based on value in use calculation using cash flow projections according to financial budgets approved by management covering a five years' period. The discount rate applied to the cash flow projections was determined after considering lending rates offered to enterprises by large financial institutions in China. The annual growth rate used is in line with the average growth rate of the industry.

Key assumptions were used in the value in use calculation for 30 June 2008 and 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of goodwill and Intellectual Property Rights:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements and raw materials price inflation.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the industry.

9. INTANGIBLE ASSETS *(CONTINUED)*

9.2 Intangible assets

Intangible assets are exclusive territorial rights to use American Standard Inc.'s ("ASI's") present and future trademark, and to have access to its present and future technology, know-how on how to manufacture, market, distribute and sell American Standard Inc.'s plumbing products in China (the "Intellectual Property Rights").

Prior to acquisition by the Ideal Standard Group, the Company had in place with ASI an intellectual property agreement ("the Intellectual Property Agreement") which gives the company the exclusive right to require ASI to grant to the companies in which the Company holds directly or indirectly a majority interest territorial licenses to manufacture and distribute plumbing products in the PRC under the plumbing product brand names of ASI.

Following the acquisition by the Ideal Standard Group, ISG, which is an indirect subsidiary of Ideal Standard International and ASI, which is a wholly-owned subsidiary of ASCI, entered into an Instrument of Novation, Amendment, Joinder and Release in respect of The Intellectual Property Agreement on Oct 12, 2007, pursuant to which, ISG in place of ASI takes relevant rights, benefits, obligations, duties and entitlements under the Intellectual Property Agreement and Intellectual Property Novation Agreement.

In the letter from Ideal Standard International's financial advisor to shareholders of the Company, the Financial Advisor wrote that Ideal Standard International had been advised that under New York law the Intellectual Property Agreement may be terminable at will after a reasonable time. The Financial Advisor does not elaborate as to what period "a reasonable time" equals. The financial advisor goes on to write that Ideal Standard International had not at that time made any decision as to whether it will terminate the Intellectual Property Agreement. As at 30 June 2008 the Company had not been notified by Ideal Standard International of any decision by it to seek to terminate nor change in any fashion the Intellectual Property Agreement.

9. INTANGIBLE ASSETS (CONTINUED)

9.2 Intangible assets (continued)

In order for the Intellectual Property Rights conferred by the Intellectual Property Agreement to appear on the Company's balance sheet as an intangible asset they must have territorial exclusivity and an indefinite life, as defined by relevant accounting standards. As a result of the statements made about the Intellectual Property Agreement by Ideal Standard International's financial advisor as noted above, the directors of the Company have concluded that indefinite territorial exclusivity for the asset, according to relevant accounting standards, may no longer exist and that the Intellectual Property Rights classified as an intangible asset of the Company may thus be impaired.

Until such Intellectual Property Agreement were to be successfully terminated, such agreement remains valid and effective.

10. PREPAID LAND LEASE PAYMENTS

	30 June 2008	31 December 2007
	<i>US\$'000</i>	<i>US\$'000</i>
Carrying amount at 1 January As previously reported	8,337	8,053
Recognized during the period	(108)	(216)
Exchange realignment	502	500
Carrying amount	8,731	8,337
Current portion included in prepayments, deposits and other receivables	216	216
Non-current portion	8,515	8,121

The leasehold lands are held under long-term leases, and are situated in PRC.

11. DUE FROM GROUP COMPANIES

The balances due from group companies are unsecured, interest-free and are repayable in accordance with trade terms. The carrying value of the balances due from group companies approximates to their fair value due to their relatively short-term maturity.

12. INVENTORIES

	30 June 2008	31 December 2007
	<i>US\$'000</i>	<i>US\$'000</i>
Raw materials	3,794	3,693
Work in progress	2,076	1,899
Finished goods	4,300	4,856
	<u>10,170</u>	<u>10,448</u>

None of the inventories is carried at net realizable value in both balance sheet dates.

13. TRADE RECEIVABLES

The Group generally grants a credit term of 60 to 90 days to its customers. An aged analysis of the net trade receivables at the balance sheet dates, based in invoice date, is as follows:

	30 June 2008	31 December 2007
	<i>US\$'000</i>	<i>US\$'000</i>
Within 30 days	5,524	5,169
Within 31 to 90 days	3,520	2,138
Within 91 to 180 days	1,831	2,446
Over 180 days	1,853	1,496
	<u>12,728</u>	<u>11,249</u>

The trade receivables approximate to fair value due to their relatively short-term maturity.

14. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2008	31 December 2007
	<i>US\$'000</i>	<i>US\$'000</i>
Cash and bank balances	9,777	30,157
Time deposits	12,649	839
	<u>22,426</u>	<u>30,996</u>

At the balance sheet date, the cash and cash equivalents balances of the Group denominated in Renminbi ("RMB") amounted to US\$18,699,000 (2007: US\$26,948,000). The RMB is not freely convertible into other currencies. However, under PRC Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct exchange business.

As at 30 June 2008, the Group's cash and bank deposits included an amount of US\$127,000 (2007: US\$139,000), which was pledged as security for a banker's guarantee issued by a bank on behalf of a subsidiary.

15. DUE TO GROUP COMPANIES

The balances due to group companies are unsecured, interest-free and are repayable in accordance with trade terms. The carrying value of the balances due from group companies approximates to their fair value due to their relatively short-term maturity.

16. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet dates based on invoice date, is as follows:

	30 June 2008	31 December 2007
	<i>US\$'000</i>	<i>US\$'000</i>
Within 30 days	9,167	7,053
Within 31-90 days	761	431
Within 91-180 days	290	400
Over 180 days	493	1,002
	<u>10,711</u>	<u>8,886</u>

The trade payables are non-interest bearing and are normally settled on a term of 30 to 60 days.

17. RESERVES

The amounts of the Group's reserves and the movements therein for the six months ended 30 June 2008 with the last corresponding period are presented in the consolidated statement of changes in equity.

18. COMMITMENTS

- (i) The Group had no capital commitments at the balance sheet dates.
- (ii) On entering into the joint venture agreements of the Company's PRC subsidiaries, ASI undertook to provide the technical know-how and to allow trademarks under license from ASI and its affiliates used for the plumbing products manufactured and sold by the Company's PRC subsidiaries in return for the following fees:

A-S (Guangzhou) Bathtubs:

Technical assistance fee	2.5% of net sales
Trademark license fee	2.5% of net sales of products

A-S (Shanghai) Pottery Co., Ltd.:

Technical assistance fee	2.5% of net sales for years 1 to 5 and 2% of net sales for years 6 to 10
Trademark license fee	3% of net sales of AS products

A-S (Tianjin) Pottery Co., Ltd.:

Technical assistance fee	2% of net sales
Trademark license fee	3% of net sales
Management assistance fee	2% of net sales

Hua Mei:

Technical assistance fee	1.5% of net sales
Trademark license fee	1.8% of net sales
Management assistance fee	0.5% of net sales

18. COMMITMENTS (CONTINUED)

(ii) (Continued)

A-S Jiangmen Fittings:	
Technical assistance fee	2% of net sales of products for year 1 to 2 and 2% of net sales for subsequent years
Trademark license fee	3% of net sales of products

(iii) Operating lease commitments

At the respective balance sheet dates, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008	31 December 2007
	<i>US\$ '000</i>	<i>US\$ '000</i>
Within one year	1,270	1,487
In the second to fifth years, inclusive	<u>1,105</u>	<u>1,496</u>
Total	<u><u>2,375</u></u>	<u><u>2,983</u></u>

19 RELATED PARTY TRANSACTIONS

The Group had the following material transactions within Ideal Standard Group in year 2008 and within American Standard Group in year 2007 respectively, during the Relevant Periods:

		Three months ended 30 June		Six months ended 30 June	
		2008	2007	2008	2007
	<i>Notes</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Sales of finished goods	(a)	14,900	12,711	28,147	24,727
Purchases of raw materials	(a)	(294)	(325)	(321)	(505)
Management fee expenses	(b)	(125)	(112)	(250)	(225)
Trademark license, technical assistance and management assistance fees	(c)	(800)	(591)	(1,310)	(936)

Notes:

- (a) The sales and purchases transactions were conducted with reference to the standard price lists and will continue in the future on the same basis.
- (b) The management fee was charged in accordance with the terms of the relevant agreement.

19 RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) The trademark license, technical assistance and management assistance fees were related to the sales of products bearing the brand names of the American Standard Group/the Ideal Standard Group by the Group's subsidiaries in Mainland China, which were charged on the basis as stated in the respective joint venture agreements.

During the Relevant Periods, in addition to the above continuing transactions, the Group paid on behalf of the Ideal Standard Group an amount of US\$22,000 and US\$121,000 for the three months ended 30 June 2008 and six months ended 30 June 2008 (2007 on behalf of American Standard Group: US\$27,000 and US\$50,000).

During the Relevant Periods in 2007, American Standard Group paid expenses on behalf of the Group. Reimbursements of such payments on behalf were based on the actual amounts incurred. The Group reimbursed American Standard Group an aggregate amount of US\$320,000 and US\$454,000 for the three months and six months ended 30 June 2007 respectively. In 2008 the reimbursement is nil from either American Standard Group or Ideal Standard Group.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: US\$0.0948 per share).

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Group granted to any director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS

As at 30 June 2008, the interests of the Directors and the chief executive in the securities of the Company and its associated corporations as required to be recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

(a) Directors' and chief executive's interests and short positions in shares and underlying shares

At 30 June 2008, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant Rule 5.46 of the GEM Listing Rules, were as follows:

Interests in associated corporations

Name of Director/ chief executive	Name of associated corporation	Relationship with the Company	Share/ equity derivatives	Numbers of share/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Richard M. Ward (Note)	Ideal Standard International TopCo(BC) Luxco S.C.A (“Ideal Standard”)	Ultimate holding company	PEC	2,385,965	Directly beneficially owned	Not applicable
			CPEC	421,053	Directly beneficially owned	Not applicable
Mr. Ye Zhi Mao, Jason	Ideal Standard	Ultimate holding company	Ordinary shares	244,505	Directly beneficially owned	0.93%
			PEC	177,456	Directly beneficially owned	Not applicable
			CPEC	31,316	Directly beneficially owned	Not applicable
Mr. Gao Jin Min	Ideal Standard	Ultimate holding company	Ordinary shares	719,134	Directly beneficially owned	2.74%
			PEC	831,556	Directly beneficially owned	Not applicable
			CPEC	146,745	Directly beneficially owned	Not applicable

DISCLOSURE OF INTERESTS (CONTINUED)

(a) Directors' and chief executive's interests and short positions in shares and underlying shares (Continued)

Note: Mr. Richard M. Ward, resigned as an Executive Director, the Chairman of the Board of Directors, the General Manager, the Compliance Officer and an Authorised Representative of the Company with effect from 29 February 2008; following Mr. Ward's resignation, Mr. Ye Zhi Mao, Jason, an Executive Director of the Company, will take up the positions of Compliance Officer, Authorised Representative, Acting Chairman of the Board and Acting General Manager of the Company with effect from 29 February 2008.

In November 2007, the directors and former director above being senior members of management are requested, by taking the form of co-investment with Bain Capital Ltd. in Ideal Standard, to subscribe for certain equity interests in preferred equity certificate ("PEC") and convertible preferred equity certificate ("CPEC"), and ordinary share of Ideal Standard. All the directors, at their own expenses, make the afore-said investment.

(b) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At 30 June 2008, the following interests and short positions of 10% or more of the issued share capital of the company were recorded in the register of interest required to be kept by the company pursuant to section 336 of the SFO:

Name of shareholders	Number of ordinary shares held	Capacity and nature of interest	Approximate percentage of holding
Ideal Standard (<i>Note 1</i>)	97,243,853	Corporate Beneficial owner	64.38%
Ideal Standard International (<i>Note 1</i>)	97,243,853	Corporate Beneficial owner	64.38%
Ideal Standard Holding (BC) France SAS. (<i>Note 1</i>)	95,867,000	Corporate Beneficial owner	63.47%
American Standard Foreign Trading Limited (<i>Note 1</i>)	95,867,000	Corporate Beneficial owner	63.47%
Foundation Brunneria (<i>Note 2</i>)	16,900,000	Corporate Beneficial owner	11.19%
General Oriental Investments Limited (<i>Note 2</i>)	16,900,000	Corporate Beneficial owner	11.19%

DISCLOSURE OF INTERESTS (CONTINUED)

(b) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares (Continued)

Note 1: Ideal Standard International, being a subsidiary of Ideal Standard, owns a 64.38% shareholding interest in the Company through (i) a wholly-owned subsidiary, Ideal Standard Holdings (BC) France SAS., being a corporation established under the laws of France, which in turn owns a 100% interest in American Standard Foreign Trading Limited, being a company incorporated in Bermuda with limited liability, which directly holds a 63.47% shareholding interest in the Company; and (ii) a direct shareholding of 1,376,853 shares, which represents approximately 0.91% shareholding interest in the Company.

Note 2: General Oriental Investments Limited is 100% indirectly owned by Foundation Brunneria, a private discretionary trust whose ultimate beneficiaries are independent from the other Shareholders, directors and chief executive of the Company.

As disclosed above, as at 30 June 2008, no other person (other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above) had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation that was required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

As at 30 June 2008, the Company did not have any share option scheme in place.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

BOARD PRACTICES AND PROCEDURES

The Company complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the six months ended 30 June 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company complied with the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company had made specific enquiry of all directors whether its directors have complied with, or whether there have been any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the Half-Yearly Period with the Code.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. During the period ended 30 June 2008, the audit committee had three members, comprising of three independent non-executive directors, Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi with Mr. Ho Tse-Wah, Dean serving as the chairman of the committee. The audit committee has reviewed the Group’s interim report for the period ended 30 June 2008.

By order of the Board of directors
A-S China Plumbing Products Limited
Jason Ye
Chairman

As at the date of this report, the Board comprises the following directors:

Mr. Ye Zhi Mao, Jason (Executive Director)
Mr. Gao Jin Min (Executive Director)
Ms. Chen Rong Fang (Executive Director)
Mr. Wang Gang (Executive Director)
Mr. Yang Xiong (Executive Director)
Mr. Peter James O’Donnell (Non-executive Director)
Mr. Chang Sze-Ming, Sydney (Independent Non-executive Director)
Mr. Ho Tse-Wah, Dean (Independent Non-executive Director)
Mr. Wong Kin Chi (Independent Non-executive Director)

Hong Kong, 8 August 2008