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ASPPL

A-S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8262)

CONTINUING CONNECTED TRANSACTIONS

The Group had entered into a number of Continuing Connected Transactions with its previous controlling shareholder ASI and its associates. As a result of the change in control of the Company in 2007, ISIHS became the new controlling shareholder and hence a connected person of the Company, and the then Continuing Connected Transaction Agreements with ASI and its associates were assigned and novated to Ideal Standard (UK), a subsidiary of ISIHS, with effect from 12 October 2007.

Some of the existing Continuing Connected Transaction Agreements will expire either on 31 December 2008 or shortly afterwards. The Relevant Continuing Connected Transactions under these existing Continuing Connected Transaction Agreements are expected to continue after the expiration of these existing agreements. In this connection, the Group has renewed the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions, but the implementation of these Extension Agreements will be conditional upon the obtaining of the required Independent Shareholders' approvals pursuant to the GEM Listing Rules (save and except for the Extension Agreement of the Management and Administrative Assistance Agreement, which is only subject to the reporting and announcement requirements and is exempt from the Independent Shareholders' approvals pursuant to the GEM Listing Rules).

In respect of certain other existing Continuing Connected Transaction Agreements, their respective terms will continue after 31 December 2008 though the current annual caps will expire on 31 December 2008. In this connection, the Company proposes to seek the Independent Shareholders' approvals for the renewal of the annual caps for such existing Continuing Connected Transaction Agreements for the financial year ending on 31 December 2009.

The EGM will be convened to consider and, if deemed appropriate, approve, (a) the entering into of the Extension Agreements for the renewal of the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions and the transactions contemplated respectively thereunder, and the annual caps for the Relevant Continuing Connected Transactions (save and except for the Extension Agreement of the Management and Administrative Assistance Agreement); and (b) the renewal of the annual caps for certain existing Continuing Connected Transaction Agreements which will expire on 31 December 2008.

In view of the interests of ISIHS, ISIHS and its respective associates will abstain from voting in the EGM. A circular containing particulars of the renewal of the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions, and the annual caps for the Continuing Connected Transactions, as well as a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

1. INTRODUCTION

The Group had entered into a number of Continuing Connected Transactions with its previous controlling shareholder ASI and its associates. As a result of the change in control of the Company in 2007, ISIHS became the new controlling shareholder and hence a connected person of the Company, and the then Continuing Connected Transaction Agreements with ASI and its associates were assigned and novated to Ideal Standard (UK), a subsidiary of ISIHS, with effect from 12 October 2007.

Particulars of the Continuing Connected Transactions are set out as follows:

2. THE CONTINUING CONNECTED TRANSACTIONS

2.1 The agreements governing the Continuing Connected Transactions

The Continuing Connected Transactions with Ideal Standard Group are governed by the following Continuing Connected Transaction Agreements, the major terms and conditions of which are summarized below for ease of reference:

No.	The Agreement	Date	Parties	Nature of Transaction	Revenue (R)/ Expenditure (E)
1.	Four Export Distributorship Agreements	Various dates, all expiring on 31 Dec 2008 (except the agreement between Hua Mei and Ideal Standard (UK) which expires on 4 June 2015)	the PRC Ventures and Ideal Standard (UK)	Sales of sanitaryware, bathtubs and plumbing fittings products to Ideal Standard (UK)	R
2.	Management and Administrative Assistance Agreement	the relevant extension agreement dated 1 January 2006, expiring on 31 Dec 2008	the Company and Ideal Standard (UK)	Provision of management and administrative services to the Company by Ideal Standard (UK) for the Company's plumbing products operations	E
3.	Intellectual Property Agreement	1 January 1996, no specific termination date	the Company and Ideal Standard (UK)	Territorial licences to the Company to manufacture and distribute plumbing products in the PRC under the plumbing product brand names of Ideal Standard (UK)	E

No.	The Agreement	Date	Parties	Nature of Transaction	Revenue (R)/ Expenditure (E)
4.	Four Trademark Licence Agreements	Various dates, with various expiring dates ranging from 4 June 2015 to 3 December 2044	the PRC Ventures and Ideal Standard (UK)	Territorial licences to the PRC Ventures to manufacture and distribute plumbing products in the PRC under the plumbing product brand names of Ideal Standard (UK)	E
5.	Four Technical Assistance Agreements	Various dates, with various expiring dates ranging from 31 December 2008 to 4 June 2015	the PRC Ventures and Ideal Standard (UK)	Provision of technical know-how to the Company and the PRC Ventures	E
6.	Two Management Assistance Agreements	23 February 1994 and 5 June 1985, with expiry dates of 22 February 2009 and 4 June 2015 respectively	A-S Tianjin Pottery and Ideal Standard (UK) Hua Mei and Ideal Standard (UK)	Provision of management assistance to A-S Tianjin Pottery and Hua Mei	E
7.	Reimbursement Agreement (from the Group to Ideal Standard (UK))	the relevant extension agreement dated 1 January 2006, expiring on 31 Dec 2008	the Company and Ideal Standard (UK)	Reimbursement of staff costs, insurance payments and other expenses from the Group to Ideal Standard (UK)	E
8.	Reimbursement Agreement (from Ideal Standard (UK) to the Group)	1 January 2006, expiring on 31 Dec 2008	the Company and Ideal Standard (UK)	Reimbursement of regional staff costs, travelling costs, office rentals, expatriate apartment rental and other expenses from Ideal Standard (UK) to the Group	R

2.2 Summary of the terms and conditions of the Continuing Connected Transactions

2.2.1 Sales of sanitaryware, bathtubs and plumbing fittings products to Ideal Standard (UK)

Pursuant to the four Export Distributorship Agreements as extended by the relevant agreements and novated by the relevant Novation Agreements, Ideal Standard (UK) has been appointed the exclusive distributor of each of the PRC Ventures for the distribution and sales of the Group's sanitaryware, bathtubs and plumbing fittings products outside the PRC. The key terms and conditions of such supplies of sanitaryware, bathtubs and plumbing fittings products to Ideal Standard (UK) are as follows:

- (i) such sales shall be on normal commercial terms and on a contract basis, with each contract specifying the quantity to be sold, the selling price and the date of delivery;
- (ii) such products shall be delivered from 45 to 60 days after orders are placed and subject to availability and source; and
- (iii) payments for such products are usually within 120 days from invoice date.

The table below sets out the original commencement and expiry dates of the original Export Distributorship Agreements and the respective extension agreements:

Original commencement and expiry date of the Export Distributorship Agreements	Date of first extension agreements to Export Distributorship Agreements and extended expiry date	Date of second extension agreements to Export Distributorship Agreements and extended expiry date	Parties
14 January 1994 & 13 January 2004	16 June 2003 & 31 December 2005	1 January 2006 & 31 December 2008	A-S Jiangmen Fittings and Ideal Standard (UK)
29 April 1994 & 28 April 2004	16 June 2003 & 31 December 2005	1 January 2006 & 31 December 2008	A-S Shanghai Pottery and Ideal Standard (UK)
31 January 1994 & 30 January 2004	16 June 2003 & 31 December 2005	1 January 2006 & 31 December 2008	A-S Tianjin Pottery and Ideal Standard (UK)
5 June 1985 & 4 June 2015 (<i>Note 1</i>)	N/A	N/A	Hua Mei and Ideal Standard (UK)

Note:

1. In the case of Hua Mei, a waiver for the agreement to extend beyond the usual three-year period under Rule 20.35(1) of the GEM Listing Rules was obtained from the Stock Exchange upon the listing of the Company.

The current extension agreements for the Export Distributorship Agreements as novated by the relevant Novation Agreements will all expire on 31 December 2008. The Directors intend to extend each of the Export Distributorship Agreements for a further term of one year until 31 December 2009.

In this connection, the Group has renewed the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions in respect of the three (3) Export Distributorship Agreements entered into between Ideal Standard (UK) and each of A-S Jiangmen Fittings, A-S Shanghai Pottery and A-S Tianjin Pottery, to further extend the term for another period of one year until 31 December 2009 upon the same terms and conditions as the respective current extension agreements and has entered into the relevant Extension Agreements, but the implementation of these Extension Agreements will be conditional upon the obtaining of the required Independent Shareholders' approvals pursuant to the GEM Listing Rules.

For the Continuing Connected Transactions under the Export Distributorship Agreement entered into between Ideal Standard (UK) and Hua Mei, the continuation of such Continuing Connected Transactions after 31 December 2008 and the annual cap for such Continuing Connected Transactions for the year ending on 31 December 2009 shall be subject to approval by the Independent Shareholders pursuant to the GEM Listing Rules.

2.2.2 Management and administrative fee paid to Ideal Standard (UK)

Pursuant to the Management and Administrative Assistance Agreement as extended by the relevant extension agreement and which has been novated by the relevant Novation Agreement, Ideal Standard (UK) has agreed to provide the Company with management and administrative services, including financial and administrative assistance, management information services and assistance with strategic planning for the Company's plumbing products operations. The services provided under the Management and Administrative Assistance Agreement relate to non-production line and are administrative in nature solely for the Company. The annual management and administrative fee of the Group for the two years ending 31 December 2008 are US\$450,000 and US\$500,000, respectively, which are the existing annual caps for the two years ending 31 December 2008. These fees are calculated based on historical expense figures incurred by the regional Asia-Pacific office, which include staff remuneration and office expenses with no mark-up element. Payments in respect of the management and administrative fee are made to Ideal Standard (UK) 45 days following the end of each quarter. As at the date of this announcement, payment of the annual management and administrative fee for the year 2008 by the Company has not exceeded the existing annual cap for the year ending 31 December 2008 in the said sum of US\$500,000. The extension agreement of the Management and Administrative Assistance Agreement as novated by the relevant Novation Agreement will expire on 31 December 2008.

In this connection, the Company has renewed the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions in respect of the Management and Administrative Assistance Agreement entered into between Ideal Standard (UK) and the Company, to further extend the term for another period of one year until 31 December 2009 upon the same terms and conditions as the current extension agreement and has entered into the relevant Extension Agreement, with the amount of the annual fee to be paid to Ideal Standard (UK) to be US\$550,000 for the year 2009. With the recent setting up and operation of the International Designing Center by the Group in Shanghai, to which Ideal Standard (UK) has been providing services under the Management and Administrative Assistance Agreement, the Directors have estimated that the increase of the annual sum for the year 2009 is fair and reasonable based on the expenses to be incurred with no mark-up element.

2.2.3 Intellectual property royalty payments, trademark licence fees, technical assistance and management assistance service fees paid to Ideal standard (UK)

Pursuant to the Intellectual Property Agreement, the Trademark Licence Agreements, Technical Assistance Agreements and Management Assistance Agreements, Ideal Standard (UK) has agreed, among other things, to:

- (i) grant territorial licences to manufacture and distribute plumbing products in the PRC under the plumbing product brand names of Ideal Standard (UK) to the companies in which the Company holds a direct or indirect majority interest; and
- (ii) provide technical know-how and management assistance to the Company and the PRC Ventures for their operation.

The nature of all the Trademark Licence Agreements, Technical Assistance Agreements and Management Assistance Agreements relates to the Intellectual Property Agreement, and is for the production operation of the PRC Ventures concerned.

In return, annual fees are payable by the Group to Ideal Standard (UK) calculated on the basis of the net sales of the PRC Ventures for the licences of the intellectual property rights, technical know-how and for management assistance. The relevant fees payable by the Group to Ideal Standard (UK) represent no more than 3.5% (for trademark licence fees), 2.5% (for technical assistance fees) and 2.0% (for management assistance fees) of the net sales of each of the PRC Ventures of products bearing Ideal Standard (UK)'s brand names or other products as agreed from time to time. In respect of the intellectual property royalty payment, pursuant to the Intellectual Property Agreement, the royalty amounts (“**Royalty Amounts**”) payable by the Company shall be equal to 50% of the aggregate of the trademark licence fees under the Trademark Licence Agreements, technical licence fees under the Technical Assistance Agreements and the management assistance fees under

the Management Assistance Agreements payable by the PRC Ventures net of the applicable withholding taxes, provided that the aggregate of the Royalty Amounts shall not exceed US\$10,000,000. As the Company had already paid the Royalty Amounts up to US\$10,000,000 in the previous years, payment of such Royalty Amounts will no longer be required under the Intellectual Property Agreement. Since the Intellectual Property Agreement relates to the on-going Trademark Licence Agreements, Technical Assistance Agreements and Management Assistance Agreements, the transactions under all these agreements are aggregated and treated as if they were one transaction. For the purpose of estimating the annual caps for the year ending 31 December 2009 in respect of the transactions under the Trademark Licence Agreements, Technical Assistance Agreements and Management Assistance Agreements, the Intellectual Property Agreement is grouped together even though payment of such Royalty Amounts will no longer be required under the Intellectual Property Agreement.

Aggregate fees in respect of intellectual property royalty, trademark licence, technical assistance and management assistance are calculated on a quarterly basis and paid to Ideal Standard (UK) 30 days thereafter. The actual settlement of the fees to Ideal Standard (UK) is subject to the approval of the local State Administration of Foreign Exchange and the cash position of the relevant PRC Ventures who are liable for those charges. Therefore, the payments will normally be made longer than the stipulated amount of time. The rates are determined mainly by negotiation between the Company and the investors of the relevant PRC Ventures with consideration of local rules and conditions (such as the business situation and the labour condition) and market practice in the PRC at the time of establishment of the PRC Ventures.

Ideal Standard (UK) has the right to terminate the above agreements entered into with the relevant PRC Venture upon the occurrence of the termination events specified therein. Some of the termination events are set out below:

1. expiry of the operating terms of the relevant PRC Venture or the relevant agreement;
2. insolvency, bankruptcy or liquidation of the relevant PRC Ventures;
3. expropriation, nationalization, confiscation or seizure in any form, with or without indemnification, of any part of the direct or indirect interest of ISIHS in the Company, or all or any material part of the properties of the Company;
4. non-compliance by the relevant PRC Ventures with any material provisions of the relevant joint venture agreement, the Technical Assistance Agreement, the Export Distributorship Agreement or the Trademark Licence Agreement to which the relevant PRC Ventures is a party;

5. declaration of war involving either the United States or the PRC or both;
6. transfer of the PRC Venture's rights or obligations under the arrangements without prior written consent by Ideal Standard (UK);
7. reduction of the direct or indirect ownership of ISIHS and its subsidiaries and affiliates in any of the relevant PRC Ventures to below 51% or ISIHS loses the right to appoint a majority of the board of the directors of the relevant PRC Venture;
8. refusal by any PRC Venture to accept the directors nominated by ISIHS or an affiliate on its board;
9. termination of the contracts specified therein or the relevant joint venture agreement entered into between Ideal Standard (UK) and the relevant PRC Venture; and
10. for Trademark Licence Agreements, the occurrence of any event which impairs the validity or value of the trademarks licensed or any registration thereof.

The table below summarises the basis of calculation of the trademark licence fees, technical assistance fees and management and administrative service fees payable by the PRC Ventures to Ideal Standard (UK).

PRC Ventures	Trademark licence	Fee payment relating to technical assistance	Management assistance
(i) Hua Mei	1.8% of net sales	1.5% of net sales	0.5% of net sales
(ii) A-S Jiangmen Fittings	3.0% of net sales of products bearing licensed trademarks	2.0% of net sales of products bearing trademarks owned by Ideal Standard (UK)	nil
(iii) A-S Shanghai Pottery	3.0% of net sales of products bearing one or more of the licensed trademarks	2.5% of net sales for years 1 to 5 and 2.0% of net sales for years after year 5	nil
(iv) A-S Tianjin Pottery	3.0% of net sales	2% of net sales	2.0% of net sales

Note: Net sales referred to in the table above means the PRC Ventures sales of the products as agreed between the parties from time to time, less sales taxes and actual returns.

The table below sets out the commencement and expiry dates of the Intellectual Property Agreement, the Trademark Licence Agreements, the Technical Assistance Agreements, and the Management Assistance Agreements:

Intellectual Property Agreement

Commencement Date	Expiry Date	Parties
1 January 1996	no specific termination date	the Company and ASI

Trademark Licence Agreements

Commencement Date	Expiry Date	Parties
5 June 1985	4 June 2015	Hua Mei and ASI (<i>Note 1</i>)
14 January 1994	18 August 2041	A-S Jiangmen Fittings and ASI
23 February 1994	30 January 2044	A-S Tianjin Pottery and ASI
29 April 1994	16 June 2044	A-S Shanghai Pottery and ASI

Technical Assistance Agreements

Commencement Date	Expiry Date	Parties
5 June 1985	4 June 2015	Hua Mei and ASI (<i>Note 1</i>)
14 January 1994	13 January 2009	A-S Jiangmen Fittings and ASI
23 February 1994	22 February 2009	A-S Tianjin Pottery and ASI
29 April 1994	31 December 2008	A-S Shanghai Pottery and ASI

Management Assistance Agreements

Commencement Date	Expiry Date	Parties
5 June 1985	4 June 2015	Hua Mei and ASI
23 February 1994	22 February 2009	A-S Tianjin Pottery and ASI

Note:

1. In the case of Hua Mei, a joint trademark licence agreement and technical assistance agreement was signed with ASI.

Pursuant to the relevant Novation Agreements, ASI has assigned and novated its rights and obligations under the Intellectual Property Agreement, the Trademark Licence Agreements, the Technical Assistance Agreements and the Management Assistance Agreements to Ideal Standard (UK). The Company intends to continue the relevant Continuing Connected Transactions with Ideal Standard (UK) after 31 December 2008.

In this connection, the Group has renewed the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions in respect of the three (3) Technical Assistance Agreements entered into between Ideal Standard (UK) and each of A-S Jiangmen Fittings, A-S Tianjin Pottery and A-S Shanghai Pottery, to further extend the term of each of the these agreements until 31 December 2009, upon the same terms and conditions as the respective current extension agreements and has entered into the relevant Extension Agreements, but the implementation of these Extension Agreements will be conditional upon the obtaining of the required Independent Shareholders' approvals pursuant to the GEM Listing Rules.

The Group has renewed the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions in respect of the Management Assistance Agreement entered into between Ideal Standard (UK) and A-S Tianjin Pottery to further extend the term for another period of one year until 22 February 2010, upon the same terms and conditions as the current agreement and has entered into the relevant Extension Agreement, but the implementation of this Extension Agreement will be conditional upon the obtaining of the required Independent Shareholders' approvals pursuant to the GEM Listing Rules.

For the Continuing Connected Transactions under the Intellectual Property Agreement, the four (4) Trademark Licence Agreements entered into between Ideal Standard (UK) and each of the PRC Ventures, the Technical Assistance

Agreements entered into between Ideal Standard (UK) and Hua Mei, and the Management Assistance Agreement entered into between Ideal Standard (UK) and Hua Mei, the continuation of such Continuing Connected Transactions after 31 December 2008 and the annual cap for such Continuing Connected Transactions for the year ending on 31 December 2009 shall be subject to approval by the Independent Shareholders pursuant to the GEM Listing Rules.

2.2.4 Reimbursement of expenses from the Group to Ideal Standard (UK)

Pursuant to the Reimbursement Agreement dated 16 June 2003 as extended by an extension agreement dated 1 January 2006 and which has been novated by the relevant Novation Agreement, the Group has agreed to reimburse Ideal Standard (UK) for certain expenses based on actual costs paid by Ideal Standard (UK) on behalf of the Group. The extension agreement will expire on 31 December 2008. These expenses comprise mainly staff costs relating to expatriate employees seconded to the Group from Ideal Standard (UK), insurance payments under insurance policies adopted by Ideal Standard (UK), legal fees and other amounts paid by Ideal Standard (UK) on behalf of the Group. These expenses incurred by Ideal Standard (UK) on behalf of the Group will be charged to the Group on a dollar-to-dollar basis with reference to the actual cost incurred and the Group will reimburse these expenses to Ideal Standard (UK) within 60 days of these expenses falling due.

The Company has renewed the Continuing Connected Transaction Agreement for the Relevant Continuing Connected Transactions in respect of the Reimbursement Agreement entered into between Ideal Standard (UK) and the Company regarding the reimbursement of expenses by the Group to the Ideal Standard Group, to further extend the term of for a period of one year until 31 December 2009, upon the same terms and conditions as the current extension agreement and has entered into the relevant Extension Agreement, but the implementation of this Extension Agreement will be conditional upon the obtaining of the required Independent Shareholders' approvals pursuant to the GEM Listing Rules.

2.2.5 Reimbursement of expenses from Ideal Standard (UK) to the Group

Pursuant to the Reimbursement Agreement dated 1 January 2006 and which has been novated by the relevant Novation Agreement, Ideal Standard (UK) will reimburse to the Group certain expenses based on actual costs paid by the Group on behalf of Ideal Standard (UK). These expenses comprise mainly regional staff costs, travelling costs, office rentals, expatriate apartment rental and other amounts incurred in the PRC and paid by the Group on behalf of Ideal Standard (UK). These expenses incurred by the Group on behalf of Ideal Standard (UK) will be charged to Ideal Standard (UK) on a dollar-to-dollar basis with reference to the actual cost incurred and Ideal Standard (UK) will reimburse these expenses to the Group within 60 days of these expenses falling due.

The Company has renewed the Continuing Connected Transaction Agreement for the Relevant Continuing Connected Transactions in respect of the Reimbursement Agreement entered into between Ideal Standard (UK) and the Company regarding the reimbursement of expenses by the Ideal Standard Group to the Group, to further extend the term of for a period of one year until 31 December 2009 and has entered into the relevant Extension Agreement, upon the same terms and conditions as the current extension agreement, but the implementation of this Extension Agreement will be conditional upon the obtaining of the required Independent Shareholders' approvals pursuant to the GEM Listing Rules.

2.3 Historical amounts of the Continuing Connected Transactions for the years 2006, 2007 and the estimated amounts for 2008

Set out below are the amounts of each category of the Continuing Connected Transactions for the two previous years and the estimated amounts for the year ending 31 December 2008 based on the historical trends and figures.

Transactions	2006 <i>in million</i>	2007 <i>in million</i>	Estimated amount for 2008 <i>in million</i>
Revenue			
1. Export Distributorship Agreements	US\$39.16 (approximately HK\$305.45)	US\$49.97 (approximately HK\$389.77)	US\$51.64 (approximately HK\$402.79)
Sales of ceramic sanitaryware, bathtubs and plumbing fittings products			
2. Reimbursement Agreement	US\$1.71 (approximately HK\$13.34)	US\$0.12 (approximately HK\$0.94)	US\$1.11 (approximately HK\$8.66)
Reimbursement to the Group from Ideal Standard (UK) for regional staff costs, traveling costs, office rentals, expatriate apartment rental and other amounts incurred in the PRC on behalf of Ideal Standard (UK)			

Transactions	2006 <i>in million</i>	2007 <i>in million</i>	Estimated amount for 2008 <i>in million</i>
Expenditure			
3. Management and Administrative Assistance Agreement	US\$0.40 (approximately HK\$3.12)	US\$0.45 (approximately HK\$3.51)	US\$0.50 (approximately HK\$3.90)
Provision of management and administrative services			
4. Total intellectual property royalty payments, including:	US\$2.08 (approximately HK\$16.22)	US\$2.64 (approximately HK\$20.59)	US\$3.31 (approximately HK\$25.82)
(a) Territorial licences to manufacture and distribute plumbing products	US\$0.97 (approximately HK\$7.57)	US\$1.28 (approximately HK\$9.99)	US\$1.60 (approximately HK\$12.46)
(b) Provision of technical know-how	US\$0.83 (approximately HK\$6.45)	US\$1.06 (approximately HK\$8.25)	US\$1.36 (approximately HK\$10.62)
(c) Provision of management assistance	US\$0.28 (approximately HK\$2.18)	US\$0.30 (approximately HK\$2.37)	US\$0.35 (approximately HK\$2.76)
5. Reimbursement Agreement	US\$0.50 (approximately HK\$3.90)	US\$0.70 (approximately HK\$5.46)	US\$0.35 (approximately HK\$2.73)
Reimbursement to Ideal Standard (UK) from the Group for staff costs, legal fees and other amounts paid by Ideal Standard (UK) on the Group's behalf			

As at the date of this announcement, the current annual caps for the year ending 31 December 2008 in respect of all the existing Continuing Connected Transactions have not been exceeded by the Group.

3. PROPOSED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS FOR THE YEAR 2009

Based on the following, the Directors have estimated the proposed annual caps of the continuation of the Continuing Connected Transactions for the financial year ending 31 December 2009:

- (1) the Continuing Connected Transactions will continue to be entered into between the Company and Ideal Standard (UK) upon the terms and conditions set out in the Continuing Connected Transaction Agreements (or, in relation to the Relevant Continuing Connected Transactions, the Extension Agreements for such Relevant Continuing Connected Transactions) governing the relevant Continuing Connected Transactions;
- (2) such Continuing Connected Transactions will continue to be entered into in the ordinary course of business of the Company and upon normal commercial terms; and
- (3) the proposed annual caps are based on the historical amounts of the Continuing Connected Transactions for the two financial years ended 31 December 2007 and the estimated amounts of the Continuing Connected Transactions for the year ending 31 December 2008.

The projected annual limits for the Continuing Connected Transactions for the financial year ending 31 December 2009 are as follows:

Agreements	Transactions	For the year ending 31 December 2009 <i>in million</i>
	Revenue	
1. Export Distributorship Agreements <i>(Please refer to paragraph 2.2.1 for a summary of the terms and conditions)</i>	Sales of ceramic sanitaryware, bathtubs and plumbing fittings products <i>(Note 1)</i>	US\$124.00 (approximately HK\$967.20)
2. Reimbursement Agreement <i>(Please refer to paragraph 2.2.5 for a summary of the terms and conditions)</i>	Reimbursement to the Group from Ideal Standard (UK) for regional staff costs, traveling costs, office rentals, expatriate apartment rental and other amounts incurred in the PRC on behalf of Ideal Standard (UK) <i>(Note 2)</i>	US\$2.00 (approximately HK\$15.60)

Agreements	Transactions	For the year ending 31 December 2009 in million
	Expenditure	
3. Intellectual Property Agreement, Trademark Licence Agreements, Technical Assistance Agreements and Management Assistance Agreements	Total intellectual property royalty payments, including:	US\$6.01 (approximately HK\$46.85)
	(a) Territorial licences to manufacture and distribute plumbing products (<i>Note 3</i>)	US\$2.86 (approximately HK\$22.31)
<i>(Please refer to paragraph 2.2.3 for a summary of the terms and conditions)</i>	(b) Provision of technical know-how (<i>Note 3</i>)	US\$2.29 (approximately HK\$17.85)
	(c) Provision of management assistance (<i>Note 3</i>)	US\$0.86 (approximately HK\$6.69)
4. Reimbursement Agreement	Reimbursement to Ideal Standard (UK) from the Group for staff costs, legal fees and other amounts paid by Ideal Standard (UK) on the Group's behalf (<i>Note 4</i>)	US\$2.00 (approximately HK\$15.60)
<i>(Please refer to paragraph 2.2.4 for a summary of the terms and conditions)</i>		

Notes:

Bases for the annual caps:

1. The annual caps were determined based on the projected growth in the Group's sales in the year ending 31 December 2009.
2. The annual caps were determined based on the Company's management's estimation. These items may include traveling expenses, office rental and salary of regional employees in the PRC.
3. The annual caps were determined based on the terms of the relevant agreements and the projected sales of the relevant PRC Ventures in the year ending 31 December 2009.
4. The annual caps were determined based on historical reimbursement expenses made.

In arriving at the above figures for the proposed annual caps for the year 2009, the Directors have also taken into account the projected growth in the Group's business activities due to the reason that the Group and the Ideal Standard Group will place more focus on the Asian markets for the year 2009, having regard to the business environment, commercial considerations and the relatively lower labour costs in the Asian markets as compared with those in the European markets.

Based on the projected growth in the sales in the Asian markets for the subject transactions, the Board believes that it is fair and reasonable to come up with the proposed annual caps for the Continuing Connected Transactions.

4. REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors consider that it is in the interest of the Company to continue the Continuing Connected Transactions upon the terms and conditions of the relevant Connected Transaction Agreements (or, in relation to the Relevant Continuing Connected Transactions, the Extension Agreements for such Relevant Continuing Connected Transactions).

The Board considers that the Continuing Connected Transactions will enable the Group to continue to leverage on the international sales network, expertise of staff, technical know-how and management assistance in connection with the business of the Group.

The Board, having taken into account all facts available, considers that the continuation and the terms of the Continuing Connected Transactions, the entering into and the terms of the Extension Agreements, and the annual caps for the Relevant Continuing Connected Transactions, and the renewal of the annual caps for the existing Continuing Connected Transaction Agreements (other than the Relevant Continuing Connected Transactions) which will expire on 31 December 2008 are fair and reasonable and in the interests of the Shareholders as a whole.

5. GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 20.36 of the GEM Listing Rules, the Company is required to re-comply with Rules 20.35(3) and (4) of the GEM Listing Rules in respect of the Continuing Connected Transactions.

5.1 Transactions exempt from Independent Shareholders' approval requirement

The applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in respect of the transactions under the Management and Administrative Assistance Agreement are greater than 0.1% but below 2.5%, and therefore the entering into of the relevant Continuing Connected Transactions in respect of the Management and Administrative Assistance Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements under Rules 20.45 to 20.47 and are exempt from the Independent Shareholders' approval requirements under the GEM Listing Rules.

The relevant Continuing Connected Transactions in respect of the Management and Administrative Assistance Agreement will be entered into in the usual and ordinary course of business of the Group, on normal commercial terms and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

5.2 Non-exempt Continuing Connected Transactions

Pursuant to Rule 20.25 of the GEM Listing Rules, the transactions under the Intellectual Property Agreement, the Trademark Licence Agreements, the Technical Assistance Agreements, the Management Assistance Agreements are aggregated and treated as if they were one transaction. As a result, the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in respect of these transactions are greater than 2.5%.

In addition, the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in respect of each of (i) the Export Distributorship Agreements; and (ii) the Reimbursement Agreements are greater than 2.5%.

Hence, the entering into or continuation of the Continuing Connected Transactions in respect of the Intellectual Property Agreement, the Trademark Licence Agreements, the Technical Assistance Agreements, the Management Assistance Agreements, the Export Distributorship Agreements, the Reimbursement Agreements and the transactions contemplated thereunder constitute non-exempt continuing connected transactions for the Company, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 20.45 to 20.54 of the GEM Listing Rules and the requirements of annual review of continuing connected transactions under Rules 20.37 to 20.40 of the GEM Listing Rules.

The Company will seek the Independent Shareholders' approval at the EGM by way of poll for (a) the entering into of the Extension Agreements for the renewal of the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions and the transactions contemplated respectively thereunder, and the annual caps for the Relevant Continuing Connected Transactions (save and except for the Extension Agreement of the Management and Administrative Assistance Agreement); and (b) the renewal of the annual caps for the existing Continuing Connected Transaction Agreements (other than the Relevant Continuing Connected Transactions) which will expire on 31 December 2008, upon the terms that:

1. the Continuing Connected Transactions will be entered into in the usual and ordinary course of business of the Group and either (a) on normal commercial terms; or (b) if there is no available comparison, on terms no less favourable to the Group than terms available from/to (as appropriate) independent third parties; and
2. the Continuing Connected Transactions will be entered into in accordance with the relevant Continuing Connected Transaction Agreements and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In view of the interests of ISIHS, ISIHS and its respective associates will abstain from voting in relation to the EGM. An Independent Board Committee (comprising Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi) has been appointed to advise the Independent Shareholders on whether or not (a) the entering into of the Extension Agreements for the renewal of the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions and the transactions contemplated respectively thereunder, and the annual caps for the Relevant Continuing Connected Transactions; and (b) the renewal of the annual caps for the existing Continuing Connected Transaction Agreements (other than the Relevant Continuing Connected Transactions) which will expire on 31 December 2008, are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser was appointed to advise the Independent Board regarding (a) the entering into of the Extension Agreements for the renewal of the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions and the transactions contemplated respectively thereunder, and the annual caps for the Relevant Continuing Connected Transactions; and (b) the renewal of the annual caps for the existing Continuing Connected Transaction Agreements (other than the Relevant Continuing Connected Transactions) which will expire on 31 December 2008.

6. EGM

An EGM will be convened for the purpose of considering and, if deemed appropriate, approving (a) the entering into of the Extension Agreements for the renewal of the Continuing Connected Transaction Agreements for the Relevant Continuing Connected Transactions and the transactions contemplated respectively thereunder, and the annual caps for the Relevant Continuing Connected Transactions (save and except for the Extension Agreement of the Management and Administrative Assistance Agreement); and (b) the renewal of the annual caps for the existing Continuing Connected Transaction Agreements (other than the Relevant Continuing Connected Transactions) which will expire on 31 December 2008. A circular containing particulars of the renewal of the Continuing Connected Transaction Agreement for the Relevant Continuing Connected Transactions, and the annual caps for the Continuing Connected Transactions, as well as a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

7. GENERAL INFORMATION

The principal business activities of the Group involve the manufacturing and distribution in the PRC of a broad range of bathroom and kitchen fixtures and plumbing fittings under the plumbing product brand names of Ideal Standard Group, including “American Standard” and “Armitage Shanks” brands.

The principal business activities of the Ideal Standard Group involve the provision of bathroom furnishings, fixtures and shower enclosures under the product brand names of the Ideal Standard Group, including “Ideal Standard” and “Jado”.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“A-S Jiangmen Fittings”	American Standard (Jiangmen) Fittings Co., Ltd. (formerly known as A-S (Jiangmen) Fittings Co., Ltd.), a wholly foreign owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“A-S Shanghai Pottery”	A-S (Shanghai) Pottery Co., Ltd., a sino-foreign equity joint venture established under the laws of the PRC and a 82%-owned subsidiary of the Company
“A-S Tianjin Pottery”	A-S (Tianjin) Pottery Co., Ltd., a wholly foreign owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“ASI”	American Standard Inc., a wholly-owned subsidiary of American Standard Companies Inc.
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of directors of the Company (including the independent non-executive Directors)
“Company”	A-S China Plumbing Products Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
“Continuing Connected Transaction Agreements”	the agreements governing the terms and conditions of the Continuing Connected Transactions, comprising the Export Distributorship Agreements, the Intellectual Property Agreement, the Management and Administrative Assistance Agreement, the Reimbursement Agreements, the Technical Assistance Agreements and the Trademark Licence Agreements, which were novated by the relevant Novation Agreements, and each of the agreements is individually referred to as a “Continuing Connected Transaction Agreement”

“Continuing Connected Transactions”	the existing transactions set out in the Continuing Connected Transaction Agreements
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the shareholders of the Company to be convened to approve the Continuing Connected Transactions and the annual caps for the Continuing Connected Transactions
“Export Distributorship Agreements”	the export distributorship agreements and the supplemental agreements thereto entered into between ASI and each of the PRC Ventures, regarding the appointment of ASI as their exclusive distributor outside the PRC, as novated by the relevant Novation Agreements
“Extension Agreements”	the ten (10) extension agreements all dated 25 November 2008 for the renewal of the Continuing Connected Transaction Agreements in respect of the Relevant Continuing Connected Transactions, and each of the agreements is individually referred to as an “Extension Agreement”
“GEM”	the Growth Enterprise Market on the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hua Mei”	Hua Mei Sanitary Ware Co., Ltd., a sino-foreign equity joint venture established under the laws of the PRC and a 67.6%-owned subsidiary of the Company
“Ideal Standard Group”	ISIHS and its subsidiaries from time to time, excluding the Group

“Idea Standard (UK)”	Ideal Standard Global Ltd., a company incorporated in England and Wales and an indirect wholly-owned subsidiary of ISIHS
“ISI”	Ideal Standard International BVBA, a company incorporated in Belgium and a subsidiary of ISIHS
“ISIHS”	Ideal Standard International Holding Sarl, a company incorporated in Luxembourg, and is a controlling shareholder of the Company holding directly and indirectly through its wholly-owned subsidiaries an aggregate of 96,375,500 Shares, representing approximately 63.81% of the issued share capital of the Company as at the date of this announcement
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi, the independent non-executive Directors, established for the purpose of reviewing and advising the Independent Shareholders in respect of the terms of the Continuing Connected Transactions
“Independent Financial Adviser”	Centurion Corporate Finance Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	the Shareholders other than ISIHS and its associates
“Intellectual Property Agreement”	the intellectual property agreement dated 1 January 1996 entered into between the Company and ASI which gives the Company the exclusive right to require ASI to grant territorial licences to manufacture and distribute products in the PRC under the plumbing products brand names owned by ASI to the companies in which the Company holds a direct or indirect majority interest, as novated by the relevant Novation Agreement

“Management and Administrative Assistance Agreement”	the management and administrative assistance agreement dated 20 April 1994 and supplements thereto entered into between ASI and the Company regarding the provision of management and administrative services by ASI to the Company, as novated by the relevant Novation Agreement
“Management Assistance Agreements”	the management assistance agreements and supplements thereto, if any, entered into between ASI and each of Hua Mei and A-S Tianjian Pottery respectively, regarding the provision of management assistance to each of Hua Mei and A-S Tianjian Pottery, as novated by the relevant Novation Agreements
“Novation Agreements”	the agreements entered into by ASI (or, in relation to the Reimbursement Agreements, American Standard Companies Inc.), Ideal Standard (UK) and the relevant member(s) of the Group dated 12 October 2007 governing the novation of all rights and obligations under the Continuing Connected Transaction Agreements from ASI (or, in relation to the Reimbursement Agreements, American Standard Companies Inc.) to Ideal Standard (UK), and each of such agreements is individually referred to as a “Novation Agreement”
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Venture(s)”	any one or all of the following subsidiaries of the Company in the PRC, namely, A-S Shanghai Pottery, A-S Tianjin Pottery, A-S Jiangmen Fittings and Hua Mei
“Reimbursement Agreements”	the reimbursement agreements entered into between the Company and American Standard Companies Inc. regarding the reimbursement of staff costs, insurance payments and other expenses to/from the Group, as novated by the relevant Novation Agreements

“Relevant Continuing Connected Transactions”	the Continuing Connected Transactions under the following ten (10) existing agreements, namely (1) the Export Distributorship Agreement between Ideal Standard (UK) and A-S Jiangmen Fittings; (2) the Export Distributorship Agreement between Ideal Standard (UK) and A-S Shanghai Pottery; (3) the Export Distributorship Agreement between Ideal Standard (UK) and A-S Tianjin Pottery; (4) the Management and Administrative Assistance Agreement between Ideal Standard (UK) and the Company; (5) the Technical Assistance Agreement between Ideal Standard (UK) and A-S Jiangmen Fittings; (6) the Technical Assistance Agreement between Ideal Standard (UK) and A-S Tianjin Pottery; (7) the Technical Assistance Agreement between Ideal Standard (UK) and A-S Shanghai Pottery; (8) the Management Assistance Agreement between Ideal Standard (UK) and A-S Tianjin Pottery; (9) Reimbursement Agreement between Ideal Standard (UK) and the Company regarding the reimbursement of expenses by the Group to the Ideal Standard Group; and (10) Reimbursement Agreement between Ideal Standard (UK) and the Company regarding the reimbursement of expenses by the Ideal Standard Group to the Group
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the GEM Listing Rules
“US\$”	United States Dollars, the lawful currency of the United States of America

“Technical Assistance Agreements”

the technical assistance agreements and supplemental agreements thereto entered into between each of the PRC Ventures and ASI and, in the case of Hua Mei, a joint trademark licence and technical assistance agreement signed with ASI regarding the provision of technical assistance to each of the PRC Ventures, as novated by the relevant Novation Agreements

“Trademark Licence Agreements”

the trademark licence agreements entered into between each of the PRC Ventures and ASI and, in the case of Hua Mei, a joint trademark licence and technical assistance agreement signed with ASI regarding the grant of the rights to use certain trademarks owned by ASI in respect of plumbing products to each of the PRC Ventures, as novated by the relevant Novation Agreements

As at the date of this announcement, the board of directors of the Company comprises Mr. Ye Zhi Mao, Jason, Mr. Gao Jinmin, Ms. Chen Rong Fang, Mr. Wang Gang and Mr. Yang Xiong as executive directors; Mr. Peter James O’Donnell as non-executive director; and Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi as independent non-executive directors.

By Order of the Board
Chen Rong Fang
Company Secretary

Hong Kong, 25 November 2008

This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited of the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting.