THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in A-S China Plumbing Products Limited, you should at once hand this document to the purchaser(s) or transferee(s) or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

ASPPL

A-S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8262)

**OFFEREE BOARD CIRCULAR
RELATING TO
THE VOLUNTARY CONDITIONAL CASH OFFER BY
ANGLO CHINESE CORPORATE FINANCE, LIMITED
ON BEHALF OF
INAX CORPORATION
TO ACQUIRE ALL THE SHARES IN
A-S CHINA PLUMBING PRODUCTS LIMITED**

**Independent Financial Adviser to the Independent Board Committee of
A-S China Plumbing Products Limited**

CENTURION CORPORATE FINANCE LIMITED

A letter from the Board is set out on pages 7 to 12 of this offeree board circular.

A letter from the Independent Board Committee containing its recommendations to the Shareholders is set out on page 13 of this offeree board circular. A letter from the Independent Financial Adviser, containing its opinion on the Offer and its advice to the Independent Board Committee and the Shareholders, is set out on pages 14 to 52 of this offeree board circular.

24 July 2009

CHARACTERISTICS OF GEM

Characteristics of The Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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 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 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 GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

The following timetable for the Offer is principally extracted from the Offer Document.

	2009
Date of the Offer Document and the commencement of the Offer[(1)]	10 July
Offer becoming unconditional	20 July
Despatch date of this offeree board circular	24 July
Latest time and date for acceptance of the Offer	4:00 p.m. on 11 August
First closing date of the Offer[(2)]	11 August
Announcement of the results of the Offer, or as to whether the Offer has been revised or extended, on the GEM website	by 7:00 p.m. on 11 August
Latest date for posting of remittances for the first part of the Total Per Share Consideration due under the Offer in respect of valid acceptances received under the Offer[(3)]	21 August
Expected date for announcing the second part of the Total Per Share Consideration[(4)]	mid-November

Notes:

(1) The Offer was made on 10 July 2009, being the date of posting of the Offer Document, and is capable of acceptance on and from that date until the close of the Offer Period.

(2) The Offer will close on 11 August 2009 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror reserves the right to extend the Offer in accordance with the Takeovers Code. The Offer has become or been declared unconditional on 20 July 2009, and the first closing date of the Offer will be 11 August 2009. If the Offeror decides to extend the Offer, an announcement will be made stating the next closing day, and that the Offer will remain open until further notice.

(3) Rule 20 of the Takeovers Code requires that payment for Shares for which valid acceptances have been received must be made as soon as possible, but in any event within 10 days of the date of the receipt by the Registrar of the valid requisite documents from Shareholders accepting the Offer, or the Offer becoming unconditional, whichever is the later. Since the first closing date of the Offer is 11 August 2009, the date of 21 August 2009 will be the latest date for posting of remittances for the first part of the Total Per Share Consideration to those Shareholders accepting the Offer by the first closing date and valid acceptances have been received by the Registrar. Remittances in respect of the first part of the Total Per Share Consideration payable for the Shares tendered under the Offer will be despatched by ordinary post to the relevant Shareholders or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of members of the Company, at their own risk to their respective addresses as they appear on the register of members of the Company as soon as possible but in any event within 10 days of the date of the receipt by the Registrar of all valid requisite documents from Shareholders accepting the Offer.

(4) Remittances in respect of the second part of the Total Per Share Consideration, if any, payable for the Shares tendered under the Offer will be despatched by ordinary post to the relevant Shareholders or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of members of the Company, at their own risk to their respective addresses as they appear on the register of members of the Company as soon as possible but in any event within 10 days of the date of the determination of that part.

All time references contained in this offeree board circular are to Hong Kong time.

In this offeree board circular, the following expressions have the meanings set out below unless the context otherwise requires:

"Acquisition"	the acquisition by the Offeror of the Asia Bath and Kitchen Business from Ideal Standard
"acting in concert"	the meaning ascribed to it in the Takeovers Code
"Affiliates"	in relation to any body corporate, any person which is from time to time a subsidiary, subsidiary undertaking, parent company or holding company (as defined in the Companies Act) of that body corporate or of such subsidiary, subsidiary undertaking, parent company or holding company as the case may be
"American Standard"	American Standard Foreign Trading Limited, a company incorporated in Bermuda, the controlling Shareholder of the Company and a subsidiary of Ideal Standard
"Anglo Chinese"	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry on type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, and the financial adviser to the Offeror
"Announcement"	the announcement dated 22 June 2009 issued jointly by the Offeror and the Company in relation to, amongst other things, the Offer
"Asia Bath and Kitchen Business"	100% of the equity interests in the Target Companies owned by Ideal Standard and/or its Affiliates and certain intellectual property rights owned by Ideal Standard and/or its Affiliates in connection with the manufacture and distribution of bathroom and kitchen fixtures and plumbing fittings in Asia
"associate"	the meaning ascribed to it in the Takeovers Code
"Board"	the board of directors of the Company
"Business Day(s)"	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Companies Act"	the Companies Act 2006 of the United Kingdom

"Company"	A-S China Plumbing Products Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM
"Completion"	completion of the Acquisition
"Director(s)"	the director(s) of the Company
"€"	Euro, the common currency of the eurozone states
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Form of Acceptance"	the form of acceptance and transfer of Shares in respect of the Offer which accompanies the Offer Document
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Ideal Standard"	Ideal Standard International Holding Sarl, a company incorporated in Luxembourg, and the seller under the Share and Asset Purchase Agreement
"Ideal Standard Global"	Ideal Standard Global Ltd., an indirect wholly owned subsidiary of Ideal Standard
"Independent Board Committee"	the independent committee of the Board, comprising Mr. Peter James O'Donnell, who is the non-executive Director, Messrs Chang Sze-Ming, Sydney, Ho Tse-Wah, Dean and Wong Kin Chi, who are the independent non-executive Directors, which has been formed to advise the Shareholders in respect of the Offer

"Independent Financial Adviser"	Centurion Corporate Finance Limited, a corporation 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 under the SFO, the independent financial adviser to the Independent Board Committee in respect of the Offer
"Latest Practicable Date"	21 July 2009 being the latest practicable date prior to the printing of this offeree board circular for the purpose of ascertaining certain information contained in this offeree board circular
"Latest Practicable Date for the Offer Document"	7 July 2009 being the latest practicable date prior to the printing of the Offer Document for the purpose of ascertaining certain information contained in the Offer Document
"Minority Shareholders"	Shareholders other than Ideal Standard and its Affiliates
"Offer"	the conditional voluntary cash offer for the Shares at the Total Per Share Consideration being made by Anglo Chinese on behalf of the Offeror to acquire all of the issued Shares
"Offer Document"	the offer document dated 10 July 2009 issued by the Offeror in connection with the Offer
"Offer Period"	the period from 18 May 2009, being the date an announcement about, amongst other things, the possibility of the Offer was published in Japan by the Offeror's parent company, JS Group Corporation, to 4:00 p.m. on 11 August 2009, or such later time and/or date to which the Offeror may decide to extend the Offer in accordance with the Takeovers Code
"Offeror"	INAX Corporation, a company incorporated in Japan, the purchaser under the Share and Asset Purchase Agreement and a wholly-owned subsidiary of JS Group Corporation, a company incorporated in Japan and listed on the Tokyo Stock Exchange
"PRC"	the People's Republic of China
"Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the share registrar of the Company and the receiving agent for receiving and processing the acceptances of the Offer

"Relevant Period"	the period from 18 November 2008 (being the date falling six months prior to 18 May 2009, being the date of commencement of the Offer Period) to the Latest Practicable Date
"Second Amendment Agreement"	the second amendment agreement amending the Share and Asset Purchase Agreement dated 2 July 2009 entered into between Ideal Standard and the Offeror
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share and Asset Purchase Agreement"	the Share and Asset Purchase Agreement dated 18 May 2009, as amended by a supplementary agreement dated 21 June 2009 and the Second Amendment Agreement entered into between the Offeror and Ideal Standard in respect of the Acquisition and the Offer
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) of US$0.01 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suspension Date"	18 May 2009, the date on which the Shares were suspended from trading on GEM
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Companies"	American Standard Korea Inc. (incorporated in Korea), PT American Standard Indonesia (incorporated in Indonesia), American Standard B&K (Thailand) Public Company Limited (incorporated in Thailand), Ideal Standard (Thailand) Ltd. (incorporated in Thailand), Ceramic Sanitaryware Pte Ltd. (incorporated in Singapore), American Standard Consulting (Shanghai) Co Ltd (incorporated in the PRC) (the equity interests of which will be transferred to Ceramic Sanitaryware Pte Ltd., but the completion of which is subject to approval by the PRC authorities), American Standard Philippines Limited, Co. (incorporated in the Philippines), American Standard Philippines LLC (incorporated in the U.S.) and American Standard Bath & Kitchen (India) Private Ltd (incorporated in India)
"trading day"	a day on which the Stock Exchange is open for the business of dealings in securities

"Total Per Share Consideration"	the price, determined in €, to be paid by the Offeror to Shareholders for each Share in respect of which the Offer is accepted
"United States" or "U.S."	the United States of America
"US$"	US dollars, the lawful currency of the United States of America

For the purpose of illustration only and applying the same exchange rate as used in the Offer Document, amounts in this offeree board circular denominated in € have been translated into HK$ at the rate of €1.00 = HK$10.79, and amounts denominated in ¥ have been translated into HK$ at the rate of ¥1.00 = HK$0.082. For reference purposes only, as at the Latest Practicable Date, the exchange rate for converting € into HK$ is at the rate of €1.00 = HK$11.01, and the exchange rate for converting ¥ into HK$ is at the rate of ¥1.00 = HK$0.082, but none of these exchange rates has been used for translating any € or ¥ amount in this offeree board circular. Such translations should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.

A-S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8262)

Board of Directors:
Executive Directors:
Mr. Ye Zhi Mao, Jason *(Acting Chairman)*
Mr. Gao Jin Min
Ms. Chen Rong Fang
Mr. Wang Gang
Mr. Yang Xiong

Non-executive Director:
Mr. Peter James O'Donnell

Independent Non-executive Directors:
Mr. Chang Sze-Ming, Sydney
Mr. Ho Tse-Wah, Dean
Mr. Wong Kin Chi

Registered Office:
P.O. Box 309 GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands, British West Indies

Principal Place of Business:
Suite 3703
Office Tower
Langham Place
8 Argyle Street, Kowloon, Hong Kong

24 July 2009

Dear Shareholders,

**THE VOLUNTARY CONDITIONAL CASH OFFER BY
ANGLO CHINESE CORPORATE FINANCE, LIMITED
ON BEHALF OF
INAX CORPORATION
TO ACQUIRE ALL THE SHARES IN
A-S CHINA PLUMBING PRODUCTS LIMITED**

1. INTRODUCTION

Reference is made to the Announcement in which the Offeror and the Company jointly announced that on Completion of the Acquisition, the Offeror would make the Offer to acquire all the issued Shares. Ideal Standard has agreed to cause all Shares directly or indirectly held by it or any of its Affiliates, being an aggregate of 96,375,500 Shares, representing approximately 63.81% of the issued share capital of the Company as at the Latest Practicable Date to be tendered in the Offer forthwith.

Completion of the Acquisition took place on 2 July 2009, and all of the 96,375,500 Shares held by Ideal Standard and its Affiliates were tendered in the Offer on 20 July 2009.

The purpose of this offeree board circular, of which this letter forms a part, is to provide you with, amongst others, information relating to the Group and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation and advice to the Shareholders in respect of the Offer and the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders in respect of the Offer.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Mr. Peter James O'Donnell, the non-executive Director together with Messrs Chang Sze-Ming, Sydney, Ho Tse-Wah, Dean and Wong Kin Chi, being all the independent non-executive Directors, constitute the Independent Board Committee to advise the Shareholders and to make a recommendation in respect of the Offer.

Centurion Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Offer and such appointment has been approved by the Independent Board Committee.

3. THE OFFER

The terms of the Offer were set out in the Offer Document. Please refer to the Offer Document for the details.

Comparisons of Value

In addition to the comparisons of value made in the Offer Document, the Minimum Per Share Consideration of €0.283 (approximately HK$3.05) and the Estimated Total Per Share Consideration of approximately €0.314 (approximately HK$3.39) represent a discount of approximately 4.69% and a premium of 5.94% respectively over the closing price of HK$3.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

However, Shareholders and potential investors in the Company should take note of the warning statements contained in the following two paragraphs, which have been extracted from the Offer Document.

The Estimated Total Per Share Consideration may not be indicative of the Total Per Share Consideration. The Total Per Share Consideration may be materially different as it will be based on completion accounts to be prepared after Completion, and will be calculated in €, to three decimal places. The completion accounts to be prepared after Completion had not been prepared at the Latest Practicable Date for the Offer Document and are expected to be available only within approximately three to four and a half months after Completion.

Shareholders and/or potential investors in the Company are advised to exercise caution when dealing in the Shares given the substantial uncertainty in the value of the Total Per Share Consideration and the indication of the Total Per Share Consideration as set forth above. In particular, there can be no guarantee that the above indication of the Estimated Total Per Share Consideration based on a statement setting out the estimated net indebtedness, estimated intra-group indebtedness and estimated net working capital based on the unaudited management accounts of the Group as at 30 June 2009 will be equal to the Total Per Share Consideration, the amount of which will be based on accounts to be prepared after Completion.

4. INFORMATION ON THE COMPANY

The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 December 1993 and its Shares have been listed on GEM since 11 July 2003.

The Group manufactures and distributes in the PRC a broad range of bathroom and kitchen fixtures and plumbing fittings under plumbing product brand names which include the "American Standard" and "Armitage Shanks" brands.

Interests in Shares

As at the Latest Practicable Date, there were 151,034,000 Shares in issue. Other than the Shares, there are no convertible securities, warrants, options, derivatives or other securities issued by the Company.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date:

Shareholder	**Number of Shares**	**% of Issued Share Capital** *(approx.)*
Ideal Standard	508,500 [(1)]	0.34
American Standard	95,867,000 [(1)]	63.47
General Oriental Investments Limited	16,900,000 [(2)]	11.19
Public Shareholders	37,758,500	25.00
Total	**151,034,000**	**100.00**

Notes:

(1) Completion of the Acquisition took place on 2 July 2009, and all of the 96,375,500 Shares held by Ideal Standard and its Affiliates (i.e. American Standard) were tendered in the Offer on 20 July 2009. The Company was informed by the Registrar that, as at the Latest Practicable Date, a total of 96,542,700 Shares (which included 167,200 Shares from Minority Shareholders accepting the Offer) were tendered in the Offer. However, these 96,542,700 Shares have not been officially transferred to the name of the Offeror (or its nominee(s)) in the register of members as at the Latest Practicable Date, as payment for these 96,542,700 Shares have not been effected as at the Latest Practicable Date. Assuming that these 96,542,700 Shares were duly transferred and registered in the name of the Offeror as at the Latest Practicable Date, the shareholding structure of the Company would be as follows:

Shareholder	Number of Shares	% of Issued Share Capital *(approx.)*
Offeror	96,542,700	63.92
General Oriental Investments Limited	16,900,000	11.19
Public Shareholders	37,591,300	24.89
Total	**151,034,000**	**100.00**

(2) General Oriental Investments Limited was the beneficial owner of these Shares and held these Shares through nominee(s) as at the Latest Practicable Date. General Oriental Investments Limited is independent of the Offeror and the persons acting in concert with the Offeror.

Other than the Shares, as at the Latest Practicable Date, there are no convertible securities, warrants, options, derivatives or other securities issued by the Company.

5. INTENTIONS OF THE OFFEROR RELATING TO THE GROUP

The information in the following two paragraphs of this section has been principally extracted from the Offer Document.

The Offeror is acquiring the Asia Bath and Kitchen Business with a view to, amongst other things, expanding its operations and presence in Asia. The Offeror intends to integrate the Asia Bath and Kitchen Business with its existing operations, and to continue to grow the business globally, using the manufacturing capability of the Asia Bath and Kitchen Business. The acquisition of the Asia Bath and Kitchen Business, with a business presence and market share in the countries where it operates, will significantly enhance that business in the sector.

In particular, it is the intention of the Offeror that the Company will continue to carry on its existing business and will maintain its existing business to the extent where it is in the interest of the Company and the Shareholders as a whole to do so. The acquisition of the Company offers an opportunity for the Offeror to participate in the PRC bath and kitchen products market and the Company's existing manufacturing capacity in the PRC can continue to serve as an export base. As at the Latest Practicable Date for the Offer Document, the Offeror had no intention to introduce any major changes to the business of the Group or to redeploy the employees or the fixed assets of the Group, other than in the ordinary course of business, except that the Offeror anticipates that changes may be made to the composition of the Board, and if any such change is made it will be so made in compliance with the Takeovers Code and the GEM Listing Rules. As at the Latest Practicable Date for the Offer Document, no candidate had been identified to be nominated to the Board. Further announcements will be made in respect of any changes to the Board, if any, pursuant to Rule 17.50(2) of the GEM Listing Rules.

The Board noted the above intentions of the Offeror in respect of the Company and its employees, and is willing to render reasonable co-operation with the Offeror for the smooth running of the business of the Group.

6. OFFEROR'S INTENTION ON COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

The information in this section has been extracted from the Offer Document.

The Offeror intends to exercise the right to compulsorily acquire those Shares not acquired by it pursuant to the Offer under Section 88 of the Companies Law (2007 Revision) of the Cayman Islands if it acquires not less than 90% of the Shares within four months of the posting of the Offer Document as required by Rule 2.11 of the Takeovers Code. Should compulsory acquisition rights arise and be exercised in full, an application will be made for the withdrawal of the listing of the Shares on GEM in accordance with the GEM Listing Rules.

7. MAINTAINING THE LISTING

In the event that the compulsory acquisition rights are not available to the Offeror and the Offer closes, the Company will be required to ensure that not less than 25% of the Shares will be held by the public, in compliance with Rule 11.23(7) of the GEM Listing Rules.

If, at the close of the Offer less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the Shares; or

(ii) there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares. It should therefore be noted that upon completion of the Offer, there may be insufficient public float for the Shares, and therefore trading in the Shares may be suspended until a prescribed level of public float is attained.

As the Company is unable to ascertain at this stage the level of acceptances upon completion of the Offer, the Company has not decided the exact steps or actions that will be taken by it after the completion of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company will undertake to the Stock Exchange that, following the close of the Offer, it will take appropriate steps to ensure that sufficient public float in the Shares exist. This could involve seeking to procure that the Board effects an issue of new Shares, including the possibility of a Share placing or through other means. The Company will issue an announcement as and when necessary regarding the decision of any such steps, if the circumstances warrant.

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this offeree board circular, which contains its recommendation to the Shareholders in respect of the Offer, and the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Shareholders in respect of the fairness and reasonableness of the Offer and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee and the Shareholders. You are also advised to read the Offer Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer.

Yours faithfully
For and on behalf of the Board of
A-S CHINA PLUMBING PRODUCTS LIMITED

Ye Zhi Mao, Jason
Acting Chairman

A-S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8262)

24 July 2009

To the Shareholders

Dear Sir or Madam,

THE VOLUNTARY CONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF INAX CORPORATION TO ACQUIRE ALL THE SHARES IN A-S CHINA PLUMBING PRODUCTS LIMITED

We refer to the offeree board circular issued by the Company to the Shareholders dated 24 July 2009 (the "offeree board circular") of which this letter forms part. Unless the context otherwise requires, terms defined in the offeree board circular shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Shareholders as to whether or not the terms of the Offer are fair and reasonable and to make a recommendation as to acceptance of the Offer.

Centurion Corporate Finance Limited has been appointed as the independent financial adviser to advise us in respect of the above.

We draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the offeree board circular.

Having considered the terms of the Offer, taking into account the information contained in the offeree board circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Offer are not fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend you to reject the Offer.

Yours faithfully
INDEPENDENT BOARD COMMITTEE
Peter James O'Donnell
Non-Executive Director

Chang Sze-Ming, Sydney	**Ho Tse-Wah, Dean**	**Wong Kin Chi**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of the letter of advice to the Independent Board Committee and the Minority Shareholders from Centurion Corporate Finance Limited dated 24 July 2009 for incorporation in this Offeree Board Circular:

CENTURION CORPORATE FINANCE LIMITED
盛百利財務顧問有限公司

7th Floor, Duke Wellington House
14 -24 Wellington Street
Central, Hong Kong

香港中環
威靈頓街14 - 24號
威靈頓公爵大廈7樓

Telephone : (852) 2525 2128
(852) 2525 6026
Facsimile : (852) 2537 7622

24 July 2009

To the Independent Board Committee and
the Minority Shareholders of A-S China Plumbing Products Limited

Dear Sirs,

THE VOLUNTARY CONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF INAX CORPORATION TO ACQUIRE ALL THE SHARES IN A-S CHINA PLUMBING PRODUCTS LIMITED

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Minority Shareholders with respect to the Offer, details of which are outlined in the Offer Document issued by the Offeror to the Shareholders dated 10 July 2009 and in this offeree company document (referred to hereinafter as the "Offeree Board Circular"), of which this letter forms a part.

We have been appointed to give an opinion as to (i) whether the terms of the Offer are fair and reasonable in so far as the Minority Shareholders are concerned; and (ii) the acceptance or rejection of the Offer. Capitalised terms used in this letter shall have the same meanings as defined in the Offeree Board Circular unless the context otherwise requires. For the purpose of illustration only, the amounts set out herein which are denominated in € have been translated into HK$ at the rate of €1.00 = HK$10.79, amounts denominated in US$ have been translated into HK$ at the rate of US$1.00 = HK$7.80 and amounts denominated in ¥ have been translated into HK$ at the rate of ¥1.00 = HK$0.082.

On 22 June 2009, the Offeror and the Company jointly announced that the Offeror had agreed to acquire the Asia Bath and Kitchen Business from Ideal Standard, pursuant to the terms and conditions of the Share and Asset Purchase Agreement.

On 7 July 2009, pursuant to a joint announcement by the Offeror and the Company, the Offeror announced that all the conditions precedent to the Acquisition pursuant to the Share and Asset Purchase Agreement were either satisfied (or if applicable, waived) on 2 July 2009. Completion of the Acquisition took place on 2 July 2009 and the Offer is now being made.

Ideal Standard has agreed to cause all Shares directly or indirectly held by it or any of its Affiliates (including American Standard), to be tendered in the Offer forthwith. As set out in the Offer Document, Ideal Standard and its Affiliates held in aggregate 96,375,500 Shares, or approximately 63.81%, of the issued share capital of the Company. On 20 July 2009, pursuant to a joint announcement by the Offeror and the Company, the Offeror announced that valid acceptance of the Offer for a total of 96,537,500 Shares were received, representing approximately 63.92% of the entire issued share capital of the Company. Therefore, the Offer has since become unconditional in all respects.

Anglo Chinese is making the Offer on behalf of the Offeror. The Offer Document and its accompanying Form of Acceptance together set out the terms and conditions of, and certain other information relating to, the Offer.

In connection with the Offer and in accordance with the Takeovers Code, the Company has formed an independent board committee comprising the only non-executive Director, Mr. Peter James O'Donnell, and Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi being all the independent non-executive Directors, to make a recommendation in respect of the Offer.

We are not connected with the Company, the Offeror, their respective substantial shareholders, or any of their respective parties acting, or presumed to be, acting in concert with any of them. Therefore, we are considered suitable to give our letter of independent advice on the terms of the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, any of the parties involved in the Company, the Offeror, their respective substantial shareholders, or any of their respective parties acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinion and representation contained in the Offer Document, the prospectus of the Company dated 19 June 2003 and other publicly available documents, which have been provided to us by the executive Directors and for which they take full responsibility. In addition, we have also relied on the accuracy of certain public filings and information in Japan in relation to the Offeror. We have assumed that all statements, information, opinions and representations made or referred to in the Offer Document and/or the Offeree Board Circular were true at the time they were made and continued to be true at the date of this Offeree Board Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Offeree Board Circular are reasonably made after due and careful enquiry.

In respect of the financial information of the Group and the Offeror, their respective subsidiaries and business divisions, we have relied principally on their respective published audited and/or unaudited financial statements. The publicly available financial information of the Group is all prepared by the Company and for which the Directors take full responsibility. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and/or referred to in the Offeree Board Circular.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the executive Directors and we consider that we have reviewed sufficient financial information to enable us to reach an informed view on the terms of the Offer. We have no reason to doubt the accuracy and completeness of the financial information provided to us by the Company and the executive Directors and/or to justify reliance on the accuracy of the financial information of the Group as contained in the Offeree Board Circular. We have not, however, conducted any form of independent or in-depth investigation into the businesses, financial positions, or prospects of the Group, the Offeror, American Standard, or any of their respective subsidiaries, associates, parties acting, or presumed to be acting, in concert nor have we independently verified any of the information supplied to us.

TERMS OF THE OFFER

Anglo Chinese is making the Offer, on behalf of INAX Corporation, on the terms as set out in the Offer Document (including, without limitation, the further terms of the Offer set out in Appendix I to the Offer Document) and in its accompanying Form of Acceptance, to acquire all the Shares. The terms of the Offer are summarized below.

By accepting the Offer, Minority Shareholders will sell to INAX Corporation the Shares free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them at the date of Completion, including the right to receive in full all dividends and other distributions, if any, declared, made or paid after the date of Completion.

A. Total Per Share Consideration under the Offer

As set out in the "Letter From Anglo Chinese" in the Offer Document, on behalf of the Offeror, Anglo Chinese is making the Offer on the following basis:

for each Share .... the Total Per Share Consideration

Given that provision is made for adjustment to the consideration payable for the Asia Bath and Kitchen Business after Completion, the Total Per Share Consideration receivable under the Offer will be calculated and paid in two steps. The first part of the Total Per Share Consideration is on a confirmed basis of €0.283 (equivalent to approximately HK$3.05) (the "Minimum Per Share Consideration"). The second part of the Total Per Share Consideration will be a potential subsequent payment, subject to adjustment, which may result in the second part of the Total Per Share Consideration being zero amount.

Given the second part of the Total Per Share Consideration is dependent on the net working capital and the net cash of the Group as of the close of business on 30 June 2009 which remain to be determined, it is not possible to determine the final Total Per Share Consideration at this stage. However, based on a statement provided by Ideal Standard, setting out the estimated net indebtedness, estimated intra-group indebtedness and estimated net working capital based on the unaudited management accounts of the Group as at 30 June 2009, which includes the waiver of accrued royalties referred to in the Offer Document, the Total Per Share Consideration under the Offer is estimated to be approximately €0.314 (equivalent to approximately HK$3.39) (the "Estimated Total Per Share Consideration"). Details of the adjustment calculations are set out in the sub-section headed "1.1 The Estimated Total Per Share Consideration" below.

Minority Shareholders and/or potential investors in the Company are advised to exercise caution when dealing in the Shares given the substantial uncertainty in the value of the Total Per Share Consideration and the indication of the Total Per Share Consideration as set forth above. In particular, there can be no guarantee that the above indication of the Estimated Total Per Share Consideration based on a statement setting out the estimated net indebtedness, estimated intra-group indebtedness and estimated net working capital based on the unaudited management accounts of the Group as at 30 June 2009 will be equal to the Total Per Share Consideration, the amount of which will be based on accounts to be prepared after Completion.

B. Condition of the Offer

The Offer was conditional only upon acceptances being received under the Offer in respect of more than 50% of the Shares in issue. In this regard, Ideal Standard has agreed to cause all Shares directly or indirectly held by it or any of its Affiliates (including American Standard), to be tendered in the Offer forthwith. As set out in the Offer Document, Ideal Standard and its Affiliates held in aggregate 96,375,500 Shares, or approximately 63.81%, of the issued share capital of the Company. On 20 July 2009, pursuant to a joint announcement by the Offeror and the Company, the Offeror announced that valid acceptance of the Offer for a total of 96,537,500 Shares were received, representing approximately 63.92% of the entire issued share capital of the Company. Therefore, the Offer has since become unconditional in all respects.

C. Stamp Duty

Ad valorem stamp duty of the sellers at a rate of HK$1.00 for every HK$1,000 (or part thereof) of the higher of (i) the consideration payable by the Offeror in respect of the relevant acceptance; or (ii) the market value of the Shares will be deducted from the amount payable to such Shareholders. The Offeror will then pay the stamp duty deducted to the stamp duty office on behalf of the accepting Shareholders.

D. Possible compulsory acquisition and withdrawal of listing

The Offeror intends to exercise the right to compulsorily acquire those Shares not acquired by it pursuant to the Offer under Section 88 of the Companies Law if it acquires not less than 90% of the Shares within four months of the posting of the Offer Document as required by Rule 2.11 of the Takeovers Code. Should compulsory acquisition rights arise and be exercised in full, an application will be made for the withdrawal of the listing of the Shares on GEM in accordance with the GEM Listing Rules.

In the event that the compulsory acquisition rights are not available to the Offeror and the Offer closes, the Company will be required to ensure that not less than 25% of the Shares will be held by the public, in compliance with Rule 11.23(7) of the GEM Listing Rules.

E. Timetable of the Offer

As set out in the expected timetable and its notes on pages 1 and 2 of the Offer Document, the Offer will close on 11 August 2009 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror reserves the right to extend the Offer in accordance with the Takeovers Code. If the Offeror decides to extend or revise the Offer, the Offeror will issue an announcement through the GEM website by 7:00 p.m. on 11 August 2009.

If, in the course of the Offer, the Offeror revises its terms, all Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional, it should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing will be given before the Offer is closed to Shareholders who have not accepted the Offer.

F. Right of withdrawal

The execution by or on behalf of any Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised offer unless such holder becomes entitled to withdraw his/her/its acceptance under the paragraph headed "Right of Withdrawal" in Appendix I to the Offer Document and duly does so.

G. Procedures for acceptance of the Shares held through CCASS/nominees

If your Shares are held through a CCASS participant who deposited your Shares in CCASS and if you are thinking of accepting the Offer, you should carefully read the section headed "Further Procedures For Acceptance" in Appendix I to the Offer Document.

Minority Shareholders should note that CCASS charges a corporate action service fee per board lot of Shares to be tendered under the Offer and there may be other charges that are required by their stockbrokers, intermediaries or nominees in relation to tendering their Shares to the Offer.

In order for the beneficial owners of Shares whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer. To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately.

H. Overseas Minority Shareholders

The Offer is in respect of the Shares of the Company incorporated in the Cayman Islands and admitted to listing in Hong Kong and is subject to the procedure and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions. The ability of Minority Shareholders located outside of Hong Kong to participate in the Offer is subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The attention of overseas Minority Shareholders and any person (including, without limitation, any nominee, custodian or trustee) who may have an obligation to forward the Offer Document, the Offeree Board Circular and its accompanying Form of Acceptance outside of Hong Kong is drawn to the section headed "Overseas Shareholders" as set out in Appendix I to the Offer Document.

We have not considered the tax consequences on the Minority Shareholders accepting or not accepting the Offer since these are particular to their individual circumstances. In particular, Minority Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxes on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. The Offer

1.1 The Estimated Total Per Share Consideration

As set out in the "Letter From Anglo Chinese" in the Offer Document, the Total Per Share Consideration will be calculated and paid in two steps. The first part of the Total Per Share Consideration, i.e. the Minimum Per Share Consideration, is €0.283 (equivalent to approximately HK$3.05).

The second part of the Total Per Share Consideration will be a potential subsequent payment equal to:

$$\left[\frac{A + B}{C}\right] \text{ less the Minimum Per Share Consideration}$$

where:

A = €20,265,000 represents the enterprise value of the Group (on a cash free, debt free basis) attributable to the direct and indirect shareholding of Ideal Standard interest in the Company.

B = (i) Cash net of third party and intra group debt of the Group as of the close of business on 30 June 2009 which is attributable to the direct and indirect shareholding interest of Ideal Standard in the Company plus (ii) an adjustment amount reflecting any change in the net working capital of the Group as of the close of business on 30 June 2009 from the fixed "reference net working capital" of €2.6 million (approximately HK$28.1 million) attributable to the direct and indirect shareholding interest of Ideal Standard in the Company. The "reference net working capital" is the amount of current assets less current liabilities of the Group, excluding third party indebtedness, cash balances and income tax (based on the average of the amounts shown in the Group's monthly balance sheet for the 12 month period ended on 31 March 2009), (A) required for operating the businesses of the Group at their current level and (B) attributable to the direct and indirect shareholding interest of Ideal Standard in the Company.

C = 96,375,500, being the number of Shares which Ideal Standard has undertaken to tender, or procure to be tendered in the Offer.

If this adjustment results in a negative figure, the second part of the Total Per Share Consideration to be paid to Minority Shareholders will be zero.

The amount to be paid as the second part of the Total Per Share Consideration will be determined upon the finalisation of the completion accounts, which is expected to be approximately three to four and a half months after Completion. It is expected that the second part of the Total Per Share Consideration will be announced no later than around mid-November, 2009. The payment of the second part of the Total Per Share Consideration, if any, will be paid to all accepting Shareholders as soon as possible but in any event within 10 days after such amount has been determined.

The Company and the Offeror issued a joint announcement on 7 July 2009, announcing the entering into of the Second Amendment Agreement by Ideal Standard and the Offeror. The Company and its subsidiaries are not a party to the Second Amendment Agreement. At Completion it was agreed between Ideal Standard and the Offeror that accrued royalties payable to Ideal Standard by the Group would be waived by Ideal Standard. Under the Second Amendment Agreement, it was agreed that any accrued royalties payable to Ideal Standard by the Group the payment of which was waived by Ideal Standard will not be included in the determination of the net indebtedness of the Group.

Given the second part of the Total Per Share Consideration is dependent on the net working capital and the net cash of the Group as of the close of business on 30 June 2009 which remain to be determined, it is not possible to determine the final Total Per Share Consideration at this stage. However, based on a statement provided by Ideal Standard, setting out the estimated net indebtedness, estimated intra-group indebtedness and estimated net working capital based on the unaudited management accounts of the Group as at 30 June 2009, which includes the waiver of accrued royalties referred to above, the Total Per Share Consideration under the Offer is estimated to be approximately €0.314 (equivalent to approximately HK$3.39) i.e. the Estimated Total Per Share Consideration.

We understand that there has been no material change in the cash net of third party and intra-group debt or the net working capital of the Group since 30 April 2009.

The Estimated Total Per Share Consideration may not be indicative of the Total Per Share Consideration. The Total Per Share Consideration may be materially different as it will be based on completion accounts to be prepared after Completion, and will be calculated in €, to three decimal places. The completion accounts to be prepared after Completion had not been prepared at the latest practicable date for the Offer Document and are expected to be available only within approximately three to four and a half months after Completion.

Ideal Standard and its Affiliate, American Standard, may, however, effectively receive a price per Share that is less than the Minimum Per Share Consideration under the Offer.

Under the Share and Asset Purchase Agreement, where such net working capital and net cash adjustment results in a negative figure, Ideal Standard may be required to make a payment that may effectively reduce the Total Per Share Consideration to be received by Ideal Standard and its Affiliates to an amount less than the Minimum Per Share Consideration. This will not affect the Minimum Per Share Consideration to be received by the Minority Shareholders.

Minority Shareholders and/or potential investors in the Company are advised to exercise caution when dealing in the Shares given the substantial uncertainty in the value of the Total Per Share Consideration and the indication of the Total Per Share Consideration as set forth above. In particular, there can be no guarantee that the above indication of the Estimated Total Per Share Consideration based on a statement setting out the estimated net indebtedness, estimated intra-group indebtedness and estimated net working capital based on the unaudited management accounts of the Group as at 30 June 2009 will be equal to the Total Per Share Consideration, the amount of which will be based on accounts to be prepared after Completion.

In light of the above, only the first part of the Total Per Share Consideration i.e. the Minimum Per Share Consideration, which is €0.283 (equivalent to approximately HK$3.05), is on a confirmed basis. The second part of the Total Per Share Consideration, in view of its adjustment requirement, is only a potential subsequent payment, if any, and should not be relied on as a firm payment commitment for the Shares under the Offer.

1.2 Comparison of the Minimum Per Share Consideration and for reference only, the Estimated Total Per Share Consideration to market Share prices

On the basis of 151,034,000 Shares in issue as at the Latest Practicable Date and the Minimum Per Share Consideration, the Offer values the equity value of the Company at €42,742,622 (equivalent to approximately HK$461,192,891). Assuming that the Offer is accepted in full by the Shareholders and on the basis of 151,034,000 Shares in issue as at the latest practicable date for the Offer Document and based on the Minimum Per Share Consideration, the total amount of cash required to effect the Offer is €42,742,622 (equivalent to approximately HK$461,192,891).

On the basis of 151,034,000 Shares in issue as at the latest practicable date for the Offer Document and (by way of illustration only) the Estimated Total Per Share Consideration, the Offer values the equity value of the Company at €47,424,676 (equivalent to approximately HK$511,712,254). Assuming that the Offer is accepted in full by the Shareholders and on the basis of 151,034,000 Shares in issue as at the latest practicable date for the Offer Document and based on the Estimated Total Per Share Consideration, the total amount of cash required to effect the Offer is €47,424,676 (equivalent to approximately HK$511,712,254).

The following table summarises recent milestone events which may have affected market price of the Shares.

Table A: Recent important events which may affect the Share price

Trading Date	Events announced or important milestones	Closing Share Price	No. of Shares traded
Tuesday, 21 July 2009	Latest Practicable Date	HK$3.20	240,920
Thursday, 9 July 2009	First day of trading after the publication of the announcement on the Revision Of Minimum Per Share Consideration to €0.283 (equivalent to approximately HK$3.05) on 8 July 2009 after the market closed	HK$3.22	50,000
Wednesday, 8 July 2009	First day of trading after the publication of the joint announcement on, among other things, revision of Estimated Total Per Share Consideration to approximately €0.31 (equivalent to approximately HK$3.35) on 7 July 2009	HK$3.09	108,000
Tuesday, 30 June 2009	Last day of trading immediately preceding the suspension pending the publication of the joint announcement on, among other things, revision of Estimated Total Per Share Consideration to approximately €0.31 (equivalent to approximately HK$3.35)	HK$2.45	202,000
Monday, 22 June 2009	Resumption of trading of the Shares following the publication of the Announcement of the Offer dated 22 June 2009	HK$2.60	704,600
Monday, 18 May 2009	Suspension Date	Trading Suspended	

Trading Date	Events announced or important milestones	Closing Share Price	No. of Shares traded
Friday, 15 May 2009	Last day of trading immediately preceding the Suspension Date pending the publication of the Announcement	HK$1.00	182,000
Monday, 11 May 2009	First trading day after the announcement of the 1st quarter results for the 3 months ended 31 March 2009	HK$0.88	290,000
Friday, 8 May 2009	Last day of trading prior to the publication of the announcement of the 1st quarter results for the 3 months ended 31 March 2009	HK$0.75	Nil
Thursday, 26 March 2009	First trading day after the announcement of the annual results for the year ended 31 December 2008 was published after the close of the market on 25 March 2009	HK$0.69	Nil
Wednesday, 25 March 2009	Last trading day before the announcement of the annual results for the year ended 31 December 2008 was published after the close of the market on 25 March 2009	HK$0.69	Nil
Thursday, 27 November 2008	Unusual price movement announcement published today on the decrease in the Share price	HK$1.09	403,322
Wednesday, 26 November 2008	Last trading day before the publication of the unusual price movement announcement as set out above	HK$1.60	Nil

Trading Date	Events announced or important milestones	Closing Share Price	No. of Shares traded
Wednesday, 28 May 2008	First day when Shares had actually been traded following the resumption of trading after the publication of the restoration of public float announcement dated 22 May 2008	HK$2.55	129,000
Friday, 23 May 2008	First day of resumption of trading after the publication of the restoration of public float announcement dated 22 May 2008	HK$3.20	Nil
Wednesday, 19 December 2007	Closing date of the last offer at the then offer price of HK$3.31 per Share and last trading day prior to the suspension of trading pending the publication of the restoration of public float announcement dated 22 May 2008	HK$3.20	49,600

Source: website of the Stock Exchange – www.hkex.com.hk

Based on the above, and in the "Letter From Anglo Chinese" in the Offer Document, the Minimum Per Share Consideration of €0.283 (approximately HK$3.05) and Estimated Total Per Share Consideration of approximately €0.314 (approximately HK$3.39) represent a premium/(discount) of approximately:

		The Minimum Per Share Consideration	The Estimated Total Per Share Consideration
(a)	over the closing price of HK$1.00 per Share as quoted on the Stock Exchange on 15 May 2009, being the last trading day immediately preceding the Suspension Date;	205.0%	239.0%
(b)	over the average closing price of HK$0.904 per Share based on the daily closing prices for the 5 trading days immediately prior to and including 15 May 2009, being the last trading day immediately preceding the Suspension Date;	237.4%	275.0%
(c)	over the average closing price of HK$0.820 per Share based on the daily closing prices for the 10 trading days immediately prior to and including 15 May 2009, being the last trading day immediately preceding the Suspension Date;	272.0%	313.4%
(d)	over the average closing price of HK$0.707 per Share based on the daily closing prices for the 30 trading days immediately prior to and including 15 May 2009, being the last trading day immediately preceding the Suspension Date;	331.4%	379.5%
(e)	over the closing price of HK$2.45 per Share as quoted on the Stock Exchange on the latest practicable date for the Offer Document;	24.5%	38.4%
(f)	over the closing price of HK$3.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date.	(4.69%)	5.94%

The Estimated Total Per Share Consideration may not be indicative of the Total Per Share Consideration. The Total Per Share Consideration may be materially different as it will be based on completion accounts to be prepared after Completion, and will be calculated in €, to three decimal places. The completion accounts to be prepared after Completion had not been prepared at the latest practicable date for the Offer Document and are expected to be available only within approximately three to four and a half months after Completion.

Shareholders and/or potential investors in the Company are advised to exercise caution when dealing in the Shares given the substantial uncertainty in the value of the Total Per Share Consideration and the indication of the Total Per Share Consideration as set forth above. In particular, there can be no guarantee that the above indication of the Estimated Total Per Share Consideration based on a statement setting out the estimated net indebtedness, estimated intra-group indebtedness and estimated net working capital based on the unaudited management accounts of the Group as at 30 June 2009 will be equal to the Total Per Share Consideration, the amount of which will be based on accounts to be prepared after Completion.

Minority Shareholders who want to know the adjustments and their possible effects on the Total Per Share Consideration should refer to above sub-section headed "1.1 The Estimated Total Per Share Consideration".

In addition, the Minimum Per Share Consideration and the Estimated Total Per Share Consideration also represent discounts of approximately 34% and 27% respectively to the audited consolidated net tangible asset value of the Group as at 31 December 2008 of approximately HK$4.63 per Share.

Highest and lowest closing prices of the Shares

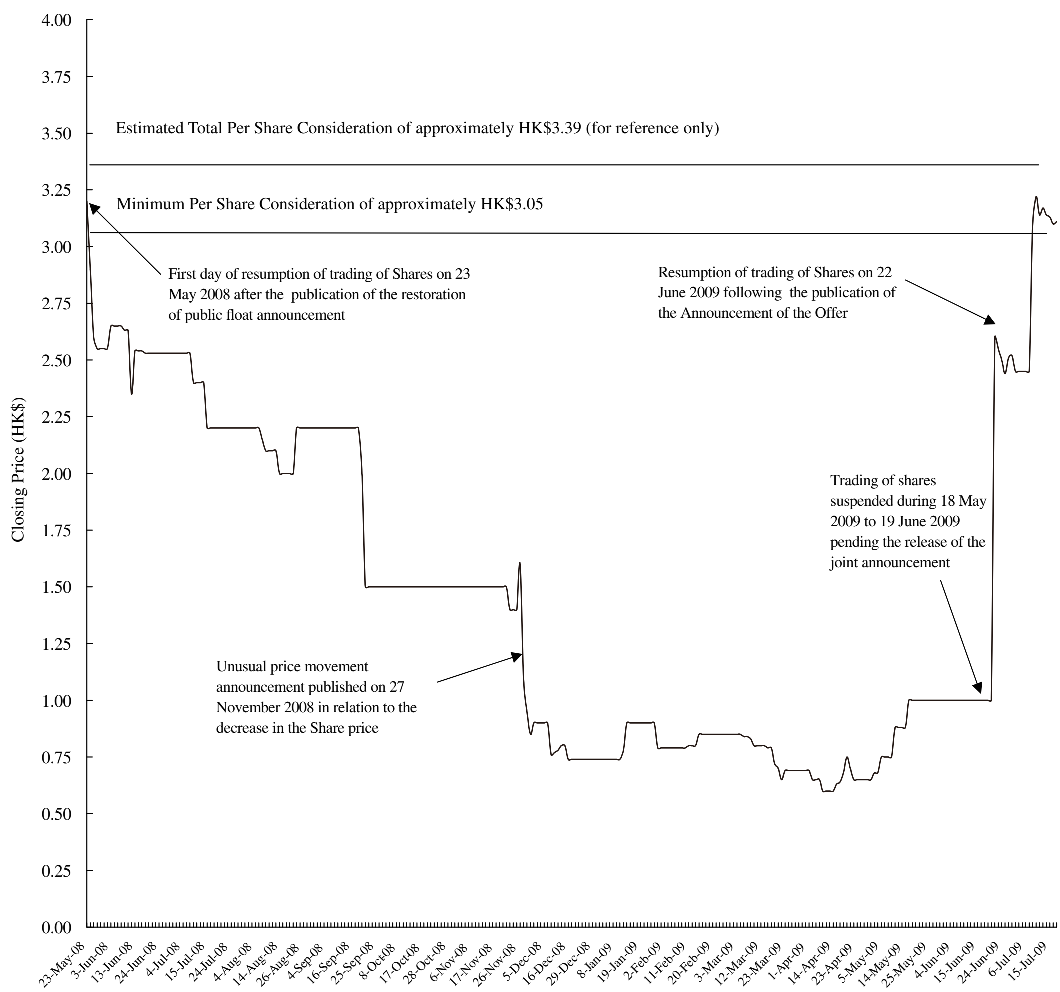
For the purpose of this letter of independent advice, we have chosen the period from 23 May 2008 (being the first trading day of the 12 month-period prior to Suspension Date, as trading of the Shares prior to 23 May 2008 was suspended after the close of the previous mandatory cash offer on 20 December 2007) to the Latest Practicable Date as the review period ("Review Period"), which was chosen on the basis that such time frame should be adequate to cover various recent milestone events reasonably expected to affect the Share prices and trading volume. During the Review Period, the highest closing price of the Shares was HK$3.22 per Share as quoted on the Stock Exchange on 9 July 2009 (reflecting the Offer) and the lowest closing price of the Shares was HK$0.60 per Share as quoted on the Stock Exchange on 7, 8, 9, 14 April 2009. The following table summarises the highest and the lowest closing prices of the Shares during the Review Period:

Table B: Highest and lowest Share prices comparison during the Review Period

Month/Period	**Highest closing Price** *(HK$)*	**Lowest closing price** *(HK$)*	**Weighted average daily closing price** *(HK$)*
2008			
May (23 May – 30 May)	3.200	2.550	2.381
June	2.650	2.350	2.546
July	2.530	2.200	0
August	2.200	2.000	2.289
September	2.200	1.500	1.477
October	1.500	1.500	1.299
November	1.600	0.950	1.067
December	0.900	0.740	0.782
2009			
January	0.900	0.740	0.774
February	0.850	0.790	0.824
March	0.850	0.650	0.700
April	0.750	0.600	0.617
May	1.000	0.680	0.828
June	2.600	2.440	2.528
July (to Latest Practicable Date)	3.220	3.090	3.151

The following chart illustrates the Minimum Per Share Consideration and for reference only, the Estimated Total Per Share Consideration as compared to the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period:

Chart I: Closing Share prices chart during the Review Period



The above chart illustrates that during the Review Period, the closing price of the Shares on the Stock Exchange ranged between HK$0.60 to HK$3.22 per Share. The closing price per Share on the Latest Practicable Date was HK$3.20.

The daily closing price of the Shares during the Review Period has shown considerable volatility. During the Review Period, the daily closing price per Share was never traded above the Estimated Total Per Share Consideration of approximately €0.314 (approximately HK$3.39) per Share. The decline of the closing price per Share to below HK$1.00 in November 2008 could be the result of global stock markets volatility, which on 27 October 2008, Hang Seng Index reached a record low of 11,015. However, the closing price per Share did not rebound in March or April 2009, when the global equity markets began to make substantial gains. For the month of June 2009, after the suspension of trading of the Shares on 22 May 2009, the closing prices per Share had consistently been trading at the price range of HK$2.44 to HK$2.60. The closing price on 22 June

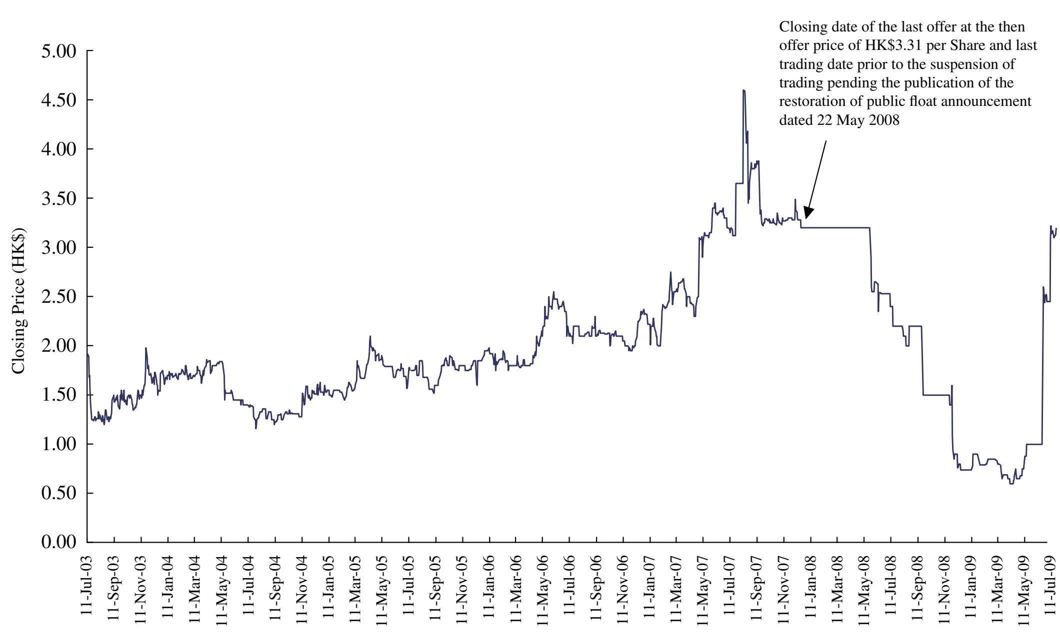
2009, being the first trading day after the Suspension Date, was HK$2.60 per Share. These closing prices fully reflected the then announced €0.22 (approximately HK$2.40) first part, but not the second part, of the then Estimated Total Per Share Consideration.

The fact that the Shares have historically been trading at a discount to net asset value of the Group during the Review Period is noted. In fact, when the Shares were listed on GEM on 11 July 2003, the then adjusted net tangible asset value per Share was US$0.438 (or approximately HK$3.4) and the highest price per Share on that first day of Share trading was HK$3.05. This however, should be balanced by the fact that such highest price per Share on 11 July 2003, based on 2002 audited results, represented a historical price-earnings multiple of approximately 100 times. Whilst the Company has since been able to establish a reasonably steady profit track record with reasonable price-earnings multiples over the years and yet the market price per Share continued to trade at a discount to net asset value. We do not know the precise reason for such non performance of market price per Share.

1.3 Comparison of the Minimum Per Share Consideration and for reference only, the Estimated Total Per Share Consideration to market index and IPO price per Share

In addition to comparisons within the Review Period, which is chosen to cover the last 12-month period, we believe an overview of the movement history of the Shares since its listing would also give a better overall picture on the market price performance of the Shares. The following chart is the closing price per Share since its listing on GEM on 11 July 2003.

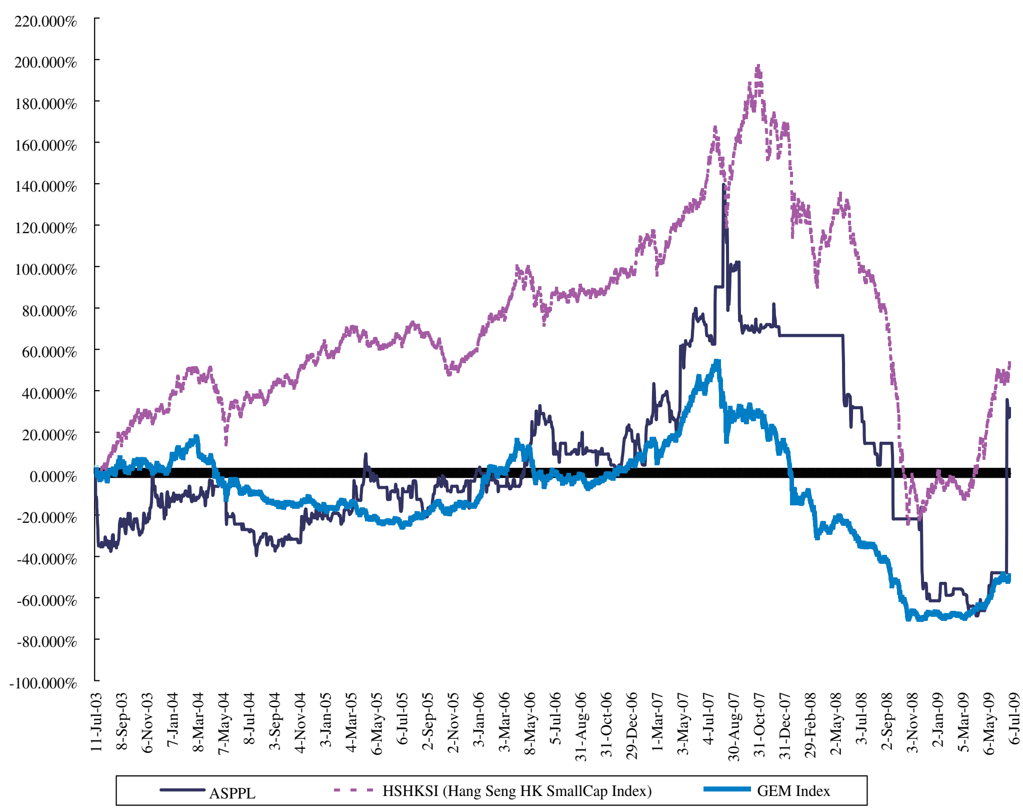
Chart II: Closing price per Share since listing



Source: data extracted from iInvestor of Infocast Ltd.

On 11 July 2003, the first day of listing of the Shares, Hang Seng HK SmallCap Index ("HSHKSI") and GEM Index closed at 1,181 and 1,164 and on the Latest Practicable Date, such indices closed at 1,912 and 600, respectively. The following chart compares the changes in such indices vs. market price per Share from its first day of trading to the Latest Practicable Date. Accordingly, the Share price has consistently under performed when compared to HSHKSI and is with mixed results when compared to GEM index, in particular, after late 2007, when the effects of the previous mandatory cash offer for the Shares had an impact.

Chart III: Changes in HSHKSI and GEM vs. market price per Share from 11 July 2003 to the Latest Practicable Date

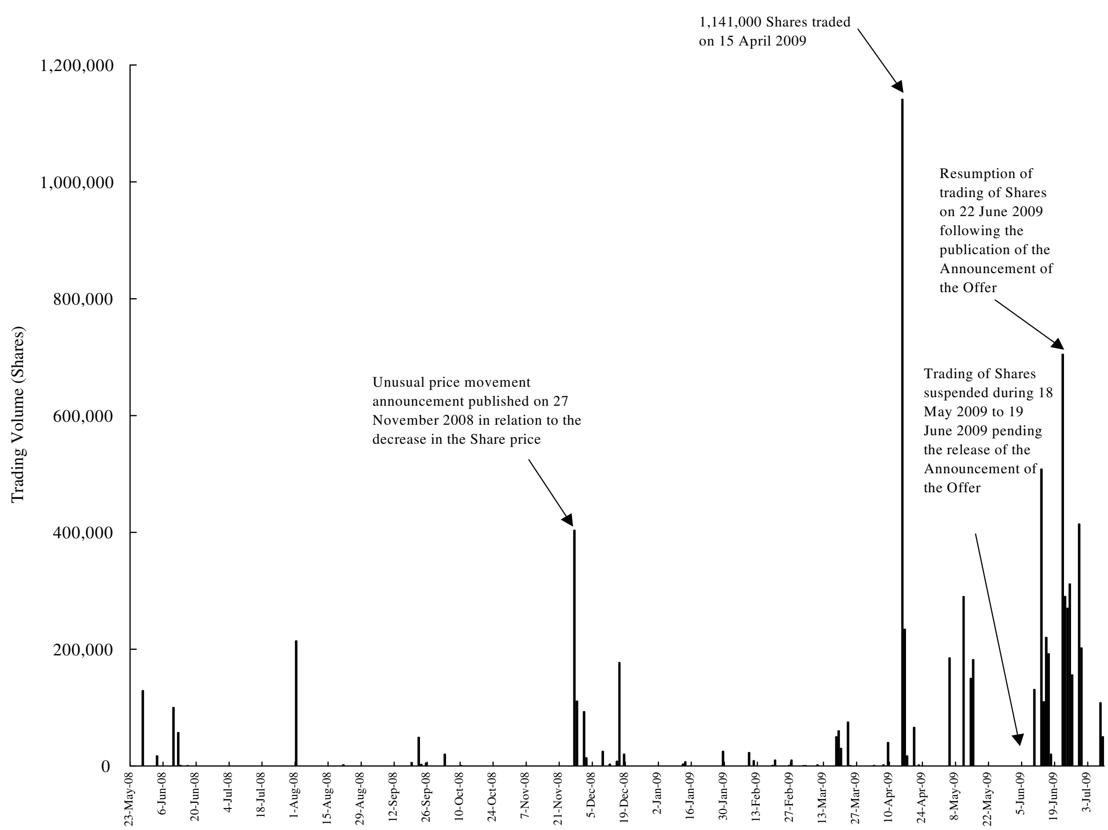


Source: data extracted from iInvestor of Infocast Ltd.

2. Trading volume of the Shares

The chart below illustrates the trading volume of the Shares on the Stock Exchange during the Review Period:

Chart IV: Trading Volume of the Shares during the Review Period



As set out in the above chart, excluding unusual increase in trading volumes due to the marked milestone events, the daily trading volume of the Shares on the Stock Exchange during the Review Period was very thinly traded, sometimes even with nil trading volume. The rise in monthly trading volume in April 2009 was due to a total of 1,141,000 Shares traded on 15 April 2009 (the Company is not aware of any details of such trade). The rise in monthly trading volume on and after 22 June 2009 was due to the announcement of the Offer.

The following table highlights the number of Shares traded on the Stock Exchange in each calendar month during the Review Period:

Table C: Monthly adjusted trading volume of the Shares during the Review Period

Month/Period	**Total monthly trading volume** *(Shares)*	**Average daily trading volume** *(Shares)*	**Percentage of total monthly trading volume to total issued share capital** *(Note 1)* *(%)*	**Percentage of total monthly trading volume to public float Shares held by Minority Shareholders** *(Note 2)* *(%)*
2008				
May (23 – 30 May)	129,000	21,500	0.085	0.592
June	175,320	8,766	0.116	0.800
July	0	0	0	0
August	216,000	11,368	0.143	0.586
September	62,600	2,981	0.041	0.170
October	20,764	989	0.014	0.055
November	514,322	25,716	0.341	1.362
December	340,000	16,190	0.225	0.900
2009				
January	35,000	1,944	0.023	0.093
February	54,000	2,700	0.036	0.143
March	218,316	9,923	0.145	0.578
April	1,503,000	75,150	0.995	3.981
May	807,000	80,700	0.534	2.137
June	2,347,760	335,394	1.554	6.218
July (to Latest Practicable Date)	1,662,520	162,252	1.074	4.297

Note 1: Based on 151,034,000 Shares, being the total number of issued Shares in issue as at the Latest Practicable Date.

Note 2: Based on 37,758,500 Shares held in public float by Minority Shareholders, being the total number of Shares in issue at the Latest Practicable Date deducting (i) 96,375,500 Shares being beneficially owned by Ideal Standard and its Affiliates and (ii) 16,900,000 Shares being beneficially owned by General Oriental Investments Limited up to and as at the Latest Practicable Date.

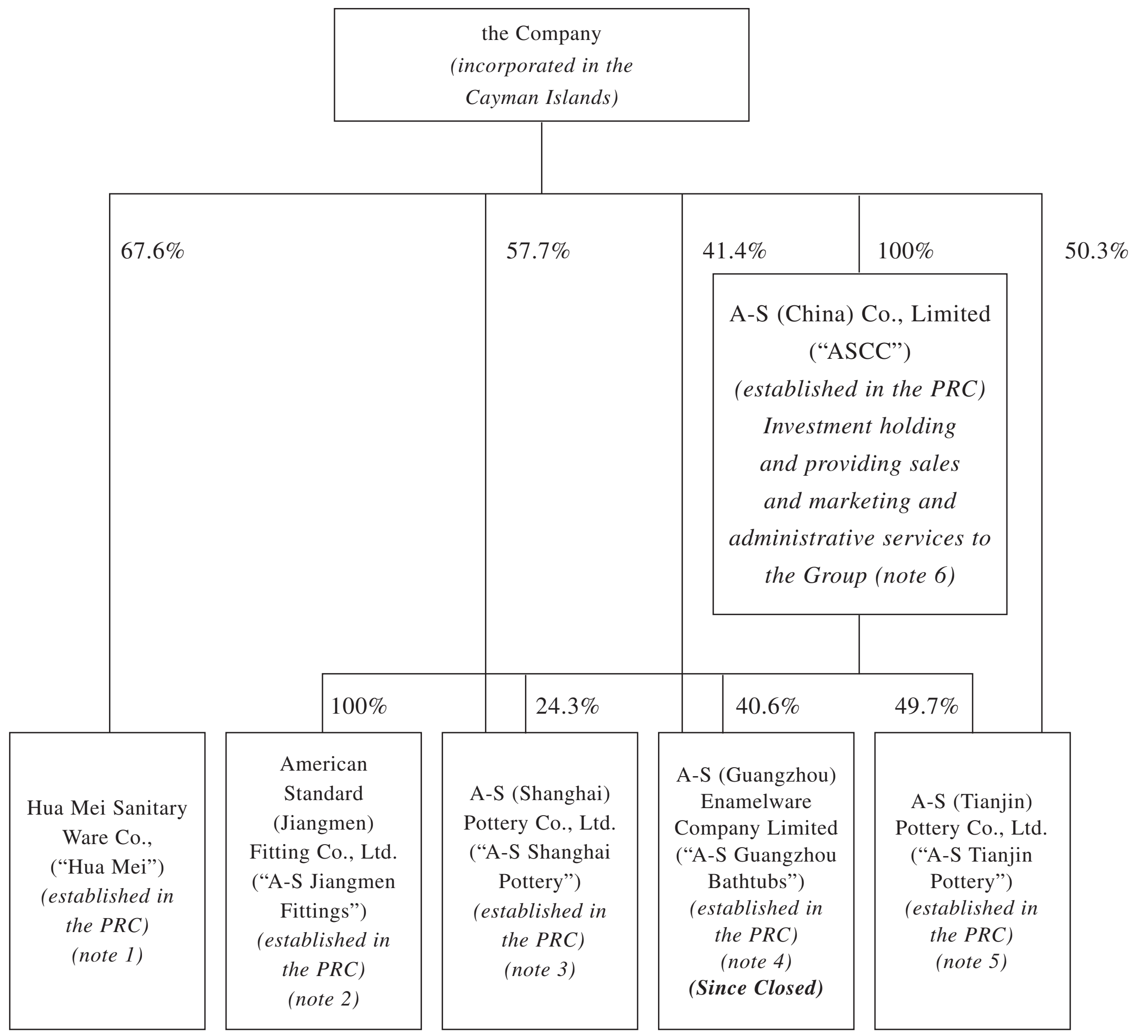
The above table shows that the number of Shares traded on the Stock Exchange during the Review Period as compared to the number of total issued Shares held in public hands (i.e. excluding American Standard and General Oriental Investments Limited) ranges from 0.055% to 6.218%. Taking into account the sudden surge in the trading volume of the Shares during the Review Period in April and May 2009, we are of the view that the liquidity of the Shares as evidenced by its daily or monthly trading volume is relatively low. We are not aware of the precise reason for such low liquidity.

3. An overview of the Group's business

The control stake of the Company was part of the global bath and kitchen business of American Standard Companies Inc. being acquired by Ideal Standard in late 2007 and such bath and kitchen business has one of the longest histories in the industry, dating back to 1875 as the then Standard Sanitary Manufacturing Company in the U.S.. The Group manufactures and distributes in the PRC (excluding Hong Kong) a broad range of bathroom and kitchen fixtures and plumbing fittings under the plumbing product brand names which include the "American Standard" and "Armitage Shanks" brands. The Group and its joint venture companies (including joint ventures and wholly foreign-owned enterprises) in the PRC have established a manufacturing base for the production of bathroom and kitchen fixtures and plumbing fittings, using the manufacturing equipment and technologies developed by the then American Standard Companies Inc. and subsequently, the Ideal Standard group, to ensure the quality of its products. The Group has a staff of 1,521, of which some 101 are in sales and marketing.

The Group's products are sold domestically through a large and well-established network of authorized dealers and sub-dealers via their sales outlets throughout the PRC. The Group also exports its products to North America and Europe with Ideal Standard Global serving as its export distributor under various Export Distribution Agreements (which are proposed to be novated to the Offeror). Hong Kong, for historical reason, is not part of the Group's business, but is part of the Asia Bath and Kitchen Business. The Group's extensive manufacturing and distribution footprint in the PRC make it a competitor to major players such as Kohler and TOTO in the PRC sanitary ware market. The following is a structure chart of the Group as at the Latest Practicable Date:

Chart V: Structure chart of the Group



Notes:

1. Hua Mei, a sino-foreign equity joint venture established in the PRC on 22 May 1985 for a term of 50 years, is principally engaged in the manufacturing of ceramic sanitary ware and tank fittings.

2. A-S Jiangmen Fittings, a wholly foreign-owned enterprise established in the PRC on 19 August 1991 for a term of 50 years, is principally engaged in the manufacturing of faucets and taps and related plastic accessories. It also manufactures toilet seats and covers.

3. A-S Shanghai Pottery, a sino-foreign equity joint venture established in the PRC on 17 June 1994 for a term of 50 years, is principally engaged in the manufacturing of kitchen sinks, ceramic sanitaryware and related accessories.

4. A-S Guangzhou Bathtubs, a sino-foreign equity joint venture established in the PRC principally engaged in the manufacturing of bathtubs and related products, is the subject of a recent restructuring which has resulted in the Group divesting all its interests to the relevant joint venture partners.

5. A-S Tianjin Pottery, a wholly-foreign-owned enterprise established in the PRC on 31 January 1994 for a term of 50 years, is principally engaged in the manufacturing of ceramic sanitaryware products and accessories.

6. ASCC, a wholly-foreign-owned enterprise established in the PRC on 19 October 1995 for a term of 50 years, is principally engaged in investment in companies in the sanitaryware industry. It also provides services to such investee companies relating to the training of staff, marketing and market development, consultation, the obtaining of loans and provision of guarantees. It is a subsidiary of the Company. The total investment and registered capital of ASCC is US$30 million.

As set out in Chart V above, ASCC is a wholly foreign-owned enterprise established in the PRC and a subsidiary of the Company. It provides services to, among others, the Group's PRC ventures relating to the training of staff, marketing and market development, consultation. ASCC currently has a deficit position in its retained earnings account and consequently, it is unable to remit or distribute its surplus cash of approximately US$11 million on its unaudited balance sheet as at 8 December 2008 to the Company. ASCC is in such position as a result of, as we understand from the Company, inadequate funding support from the minority joint venture partners in the Group's PRC ventures for increasing fees from these PRC ventures to ASCC for advertising and marketing efforts undertaken and funded by ASCC. The Company has since taken a more detailed look at its group structure and relationship with each of its minority partners in the Group's PRC ventures, with a view to further restructuring such arrangements, in order to better align minority interests at joint venture levels with interest of the Group.

As set out in the prospectus of the Company dated 19 June 2003, the Company had in place with the then American Standard Inc. an intellectual property agreement dated 1 January 1996 ("Intellectual Property Agreement") which enabled the Company to require then American Standard Inc., and subsequently, Ideal Standard Global, to grant to the companies in which the Company holds a majority interest territorial licences to manufacture and distribute products in the PRC under the various plumbing products brand names of American Standard. Your attention is drawn to section 12 below for more information on the Intellectual Property Agreement.

Individual PRC ventures of the Group as set out above had entered into certain trademark licence agreements, technical assistance agreements and some have entered into management assistance agreements with Ideal Standard Global. Individual PRC ventures of the Group had also entered into export distribution agreements ("Export Distribution Agreements") whereby the Ideal Standard group had been appointed as the exclusive distributor of each of such PRC ventures for the distribution and sales of the Group's sanitaryware, bathtubs and plumbing fittings products outside the PRC. All the abovementioned agreements are currently proposed to be novated, with INAX Corporation replacing Ideal Standard Global as party to such agreements. For details, please refer to the Company's continuing connected transaction circular dated 17 July 2009.

The Group's major product lines are ceramic sanitary ware, bathtubs and plumbing fittings. The raw materials for such product lines are steel, copper, zinc and clay, the price of each of which was affected by the high levels of inflation in recent years. Although consumers in the PRC market, just like other large Asian markets, continue to emphasize value, there are increasing pricing opportunities for better and higher end European/Japanese-design products. This shift from function to form is likely to accelerate, given the rapid increase in spending power of the PRC consumers. The Company, in line with the pan Asian strategy of the bath and kitchen business under the then American Standard Inc., was positioning itself to become a "design solutions" provider, leveraging on the then American Standard Inc./ Ideal Standard group's global scale, leading-edge design and technologies. Going forward, such mode of operation will likely to continue under INAX Corporation, given its stated intentions as set out in the Offer Document.

4. Past results of the Group

The following table highlights the Group's results for the three years ended 31 December 2008 and for the 3 months ended 31 March 2009 as extracted from the Company's annual reports and quarterly report:

Table D: Past three years' results highlights of the Group

	For the year ended 31 December 2008 (Audited) *(US$' 000)*	For the year ended 31 December 2007 (Audited) *(US$' 000)*	For the year ended 31 December 2006 (Audited) *(US$' 000)*	For the 3 months ended 31 March 2009 (unaudited) *(US$' 000)*
Turnover by geographical segments:				
PRC (excluding Hong Kong)	60,276	54,892	46,354	8,835
European countries	26,677	24,965	17,875	3,466
North America	11,045	13,282	10,367	3,836
Others (Hong Kong and other countries in the Asia-Pacific)	17,554	13,535	12,217	3,039
TOTAL TURNOVER	115,552	106,674	86,813	19,176
Less: Cost of sales	(80,538)	(72,016)	(57,690)	(14,432)
Gross profit	35,014	34,658	29,123	4,744
Gross profit margin	*30.3%*	*32.5%*	*33.5%*	*24.7%*
Administrative and operating expenses	(29,796)	(21,693)	(16,900)	(5,912)
Selling and distribution costs	(3,966)	(3,582)	(2,822)	(771)
Other expenses, net	(165)	(196)	(21)	(2)
Provision of liquidation of a subsidiary				
– A-S Beijing Bathtubs	–	–	(3,431)	–
– A-S Guangzhou Bathtubs	(9,975)	–	–	–
Amotisation of intellectual property rights	–	(6,998)	–	–

	For the year ended 31 December 2008 (Audited) *(US$' 000)*	For the year ended 31 December 2007 (Audited) *(US$' 000)*	For the year ended 31 December 2006 (Audited) *(US$' 000)*	For the 3 months ended 31 March 2009 (unaudited) *(US$' 000)*
(Loss)/Profit before income tax	(8,888)	2,189	5,949	(1,941)
Income tax expense	(2,473)	(3,069)	(2,466)	(322)
(LOSS)/PROFIT FOR THE YEAR/PERIOD	(11,361)	(880)	3,483	(2,263)
Attributable to:				
– Equity holders of the Company	(12,542)	(2,850)	1,377	(2,469)
– Minority interests	1,181	1,970	2,106	206
The following adjustments as extracted from the relevant audited accounts are to eliminate effects of the one-off charges on the net profit after tax:				
Add: Provision of liquidation of				
– A-S Beijing Bathtubs	–	–	3,431	–
– A-S Guangzhou Bathtubs	9,975	–	–	–
Add: Amotisation of intellectual property rights	–	6,998	–	–
Adjusted profit/(loss) attributable to:				
– Equity holders of the Company	(2,567)	4,148	4,808	N.A.
– Minority interests	1,181	1,970	2,106	N.A.
Earnings/(Loss) per Share (“E.P.S.”)/(“L.P.S.”) attributable to equity holders of the Company	(US$0.0830) (HK$0.6474)	US$0.0189 HK$0.1474	US$0.0091 HK$0.0709	(US$0.0163) (HK$0.1271)
Adjusted E.P.S./(L.P.S.) attributable to equity holders of the Company	(US$0.0169) (HK$0.1318)	US$0.0274 HK$0.2137	US$0.0318 HK$0.2480	N.A. N.A.

As each of the three years ended 31 December 2008 contained certain one-off charges or losses such as liquidation of subsidiaries and amortisation of intellectual property rights, we have decided to adjust the Group's profit to exclude the impact of such one-off charges or losses, so as to give a more precise picture of the results of its principal business.

Whilst the Company is the only company listed on either the GEM or the Main Board of the Stock Exchange whose principal activities are the manufacturing and distribution in the PRC (excluding Hong Kong) and globally a broad range of bathroom and kitchen fixtures and plumbing fittings under well and internationally recognized brand names, this uniqueness is not to be misconstrued as a weakness. The Company is, in our view, uniquely positioned to capitalize on the emerging market potential in the PRC and the costs issues adversely affecting its European and North American counterparts within the bath and kitchen business. Therefore, the potential of the Group's "China concept" focus, we believe, has not been fully reflected under the Offer. The following information is to illustrate the then market's valuation based on its past earnings, when the Company was first listed on 11 July 2003 on GEM.

Table E: Three years' results highlights set out in the Company's prospectus dated 19 June 2003

	For the year ended 31 Dec. 2002 (Audited) *(US$' 000)*	**For the year ended 31 Dec. 2001 (Audited)** *(US$' 000)*	**For the year ended 31 Dec. 2000 (Audited)** *(US$' 000)*
TURNOVER	65,333	54,918	66,459
Net profit attributable to equity holders	589	150	6,075
E.P.S. attributable to equity holders	US$0.0039 HK$0.0304	US$0.0010 HK$0.0078	US$0.0402 HK$0.3135
Price-earnings multiple as represented by the closing price of HK$1.92 on 11 July 2003, being the 1st trading day *(Note: the highest and lowest price per Share on that day was HK$3.05 and HK$1.85 respectively)*	**63.2 times**		

In so far as industry comparables are concerned, whilst there are several companies listed on exchanges in Asia whose businesses include sanitary ware, none of these companies is in our view, comparable to the Company on the bases of their respective listing venues or the presence of other non sanitary ware businesses.

Dealing with the highlight of the Group's results as set out in its annual reports for each of the three years ended 31 December 2008 and interim report for the 3 months period ended 31 March 2009 in turn:

4.1 3 months period ended 31 March 2009 (unaudited)

Total turnover of the Group for the three months ended 31 March 2009 amounted to approximately US$19.18 million (2008: US$23.94 million). Domestic sales and export sales decreased by 13% and 25% respectively compared to the same period last year, resulting from significant softening of the underlying market since the second half of year 2008.

The gross profit margin of the three months decreased by 1.9% to 24.7% compared to the same period last year principally due to foreign exchange translation losses arising from accounts receivables denominated in Euros.

The Group recorded a net loss after minority interests of approximately US$2.5 million during the three months ended 31 March 2009 compared to a net loss after minority interests of approximately US$1.8 million in the same period last year, which was mainly due to the decrease in gross profit margin.

4.2 For the year ended 31 December 2008 (audited)

Notwithstanding the challenging macro-economic environment, the Group continued to deliver growth in 2008. Despite a significant softening of the underlying market in the second half of the year, sales in the PRC increased by 9.8% as compared with 2007, due to the continued investment in the distribution platform and improvement of the retail execution. Sales to overseas markets increased by more than 7% due to the improvement on the effectiveness and quality of the Group's manufacturing operations.

During 2008, the Group's overall sales increased 8.3% to US$115.55 million. Despite a significant softening of the underlying market in the second half of the year, PRC sales for the year still recorded an increase of 10% over the year with the effort of the management. Export sales continued to improve due to the continuing improvement of product portfolios. The Group reported 7% growth in export sales for the year.

During the year, energy costs and material costs such as the price of copper had increased significantly. The Group raised its selling price in mid year and successfully transferred part of the increased costs to customers in order to maintain a reasonable profit margin. Nevertheless, gross profit margin still recorded a decrease from 32.5% for 2007 to 30.3% for the 2008.

The Group recorded a net loss after minority interests of approximately US$12.5 million for the year compared to a net loss after minority interests of approximately US$2.9 million for 2007. The net loss for the year was mainly due to a provision of restructuring costs incurred for the liquidation of a subsidiary, A-S Guangzhou Bathtubs, of approximately US$10.0 million. By excluding the restructuring costs for the liquidation of the subsidiary, the Group recorded a net loss after minority interests of approximately US$2.5 million. This was mainly due to increased marketing expenditure and an extensive market positioning study report by a leading international consultancy firm, all at considerable expenses of the Group, for the purpose of strengthening the brand image on a longer term basis. Had such expenses not been incurred, it would have reported a net profit.

As at 31 December 2008, the net current assets of the Group amounted to US$29.1 million. The current assets comprised of cash and bank deposits of approximately US$18.9 million (of this amount, approximately US$18 million is held by Company's subsidiaries, some of which have minority ownership interests), and accounts receivable of approximately US$11.9 million, inventories of approximately US$11.6 million, prepayments, deposits, other receivables of approximately US$4.5 million and amounts due from related parties of approximately US$17.4 million. The current liabilities comprised of accounts payable of approximately US$10.0 million, amounts due to related parties approximately US$7.4 million, corporate income tax payable of approximately US$0.8 million, other payables, deposits and accrued liabilities of approximately US$16.9 million. There were no outstanding bank loans or finance lease obligations as at 31 December 2008.

In these difficult economic times, whilst management remained confident about the Group's domestic sales, the global recession has affected every industry and its magnitude yet to be known, in so far as the Group is concerned.

4.3 For the year ended 31 December 2007 (audited)

2007 was a year in which the Group achieved 18% domestic sales growth. The reason for such success and other achievements were due to the (i) breakthrough in the partnership strategy with certain key real estate developers by building up distribution brands in core cities; (ii) winning of the high profile Olympic projects; (iii) improvement in productivities and efficiency of the Group's plants; and (iv) sales to overseas markets increased by more than 28.0% reflecting the effectiveness and quality of the Group's manufacturing operations.

For the year, sales grew by over 22.9% to US$107 million and profit before tax and impairment of intellectual property rights increased by 56% from US$5.9 million (including the impact of closing the Group's operation under A-S Beijing Bathtubs in 2006) to US$9.2 million, but without taking into account the impact of a full provision for the value of the Company's intangible assets, which amounted to approximately US$7.0 million. Details of such provision, which was in relation to the intellectual property rights under the Intellectual Property Agreement, were set out in (i) note 16.2 to the financial statements of the 2007 audited accounts of the Group on pages 68-69 of the Company's 2007 annual report; and (ii) in note 2 to the financial statements of the 2008 audited accounts of the Group on page I-7 of this Offeree Board Circular.

During the year, material costs such as the price of copper increased significantly. The Group raised its selling price in mid year and successfully transferred part of the increased costs to customers. Nevertheless, gross profit margin of the Group still recorded a slight decrease from 33.5% for 2006 to 32.5% for the year.

Due to the write-off of approximately US$7 million of intellectual property rights, profit before tax decreased by 63% from US$5.9 million (including the impact of closing the Group's operation under A-S Beijing Bathtubs in 2006) to US$2.2 million in 2007, while net profit attributable to shareholders decreased from US$1.4 million in 2006 to a loss of US$2.9 million in 2007.

As at 31 December 2007, the net current assets of the Group amounted to US$38.6 million. The current assets comprised of cash and bank deposits of approximately US$31.0 million, and accounts receivable of approximately US$11.2 million. There were no outstanding bank loans or finance lease obligations as at 31 December 2007.

4.4 For the year ended 31 December 2006 (audited)

The Group continued to do a lot to develop its business by leveraging on American Standard's technology and leading-edge designs. Of particular note was the launch of the "Imagine" suite, developed in Europe by one of the famous designers, and manufactured in the Group's plants in the PRC. Imagine is an example of the Group's global approach to product development. Sales to overseas markets through American Standard rose by 6.4% to US$40.46 million.

The Group's turnover and for the year ended 31 December 2006 increased by approximately 4.2% from 2005's US$83.32 million to US$86.81 million whereas its net profit attributable to Shareholders declined by approximately 76.9% from 2005's US$5.95 million to US$1.38 million. Gross profit margin, as set out in Table D above, dropped from 2005's 38.8% to 2006's 33.54%, due largely to increases in raw material costs, both energy and more particularly, copper, a major cost component in the Group's fitting products. During 2006, copper prices nearly doubled. Not all of such increases in production costs could be passed on to customers which resulted in the decline in the Group's gross profit margin.

During the year, the Group had liquidated A-S Beijing Bathtubs, an unprofitable bathtub plant and consolidated all the Group's bathtub manufacturing in the plant under A-S Guangzhou Bathtubs (see Chart V for these PRC ventures). As a result, the Group charged all restructuring costs of approximately US$3.4 million to its profit and loss account for the year 2006. Such restructuring costs included impairment written-off, termination severance and other restructuring related expenses and there was no material adverse impact on the Group's cashflow as such restructuring costs were mainly due to revaluation of its assets. For details on the "adjusted" earnings, after adjusting the US$3.4 million restructuring cost to Group's net earnings, please refer to Table D above.

As at 31 December 2006, net current assets of the Group amounted to US$56.4 million. The current assets comprised of cash and bank deposit of approximately US$50.1 million (of which approximately US$42 million is held by subsidiaries of the Company, some of which have minority interests). The Group had accounts receivable of approximately US$11.5 million and inventories of approximately US$7.7 million. Total property, plant and equipment amounted to approximately US$48.1 million and Goodwill and intangible assets were approximately US$2.1 million and US$7.0 million respectively. The Group had no outstanding bank loans or finance lease obligations as at 31 December 2006.

5. Cash offer comparables not available

We are of the view that none of the cash offers made in the Review Period for listed issuers whose shares are listed on the Stock Exchange is comparable to the Company, given its rather unique business and manufacturing footprint.

6. Net assets of the Group

As set out in the audited accounts of the Group as at 31 December 2008, being the latest published audited accounts on the Group's assets and liabilities, the following information on the Group's audited consolidated net assets is available:

Table F: Adjusted consolidated unaudited net assets of the Group

	As at 31 December 2008 *(US$' 000)*
Current Assets	
Cash and cash equivalents	18,924
Trade receivables	11,867
Inventories	11,570
Amount due from related parties	17,420
Prepayments, deposits and other receivables	4,489
Total current assets	64,270
Add: Non-current Assets	
Property, plant and equipment	48,793
Land use rights	8,259
Other non-current assets	3,523
Goodwill	2,105
Total Assets	126,950
Less: Current Liabilities	
Trade payables	(9,994)
Amount due to related parties	(7,383)
Other payables and accruals	(16,894)
Current income tax liabilities	(761)
Dividend payable	(164)
Net assets attributable to Shareholders under the Offer ("NAV")	91,754
NAV per Share in HK$	**HK$4.74**

	As at 31 December 2008
Minimum Per Share Consideration of €0.283 (approximately HK$3.05) represents a discount to such NAV of	**35.7%**
For reference only, Estimated Total Per Share Consideration of approximately €0.314 (approximately HK$3.39) represents a discount to such NAV of	**28.5%**
NAV less goodwill	**HK$4.63**
Minimum Per Share Consideration of €0.283 (approximately HK$3.05) represents a discount to such NAV of	**34.1%**
For reference only, Estimated Total Per Share Consideration of approximately €0.314 (approximately HK$3.39 represents a discount to such NAV (less goodwill) of	**26.8%**

The last remaining intangible assets of the Group, which amounted to US$6,998,000 as at 31 December 2006, were in respect of the intellectual property rights and had been written off in 2007. Details and reason of such write-off were set out in (i) note 16.2 to the financial statements of the 2007 audited accounts of the Group on pages 68-69 of the Company's 2007 annual report; and (ii) in note 2 to the financial statements of the 2008 audited accounts of the Group on page I-7 of this Offeree Board Circular. Thus, other than the small amount of goodwill of US$2.1 million as at 31 December 2008, the Group's assets are all tangible in nature and are all for the purpose of its own manufacturing and distribution of bathroom and kitchen fixtures and plumbing fittings.

Based on the above analysis, we take the view that that the Minimum Per Share Consideration of approximately HK$3.05 and for reference only, the Estimated Total Per Share Consideration of approximately HK$3.39, represents a discount to audited net tangible assets value of the Group per Share under the Offer of approximately 34.1% and 26.8% respectively.

Minority Shareholders should note that as the Company is not required under the Offer to prepare a valuation report on its property, plant and equipment, amounting to a book value of approximately US$49 million as disclosed in Table F above, which only represents net book value of such assets. The Company is not required to prepare such valuation report as the properties of the Group are principally for production and staff quarter purpose only. Apart from the aforesaid property, plant and equipment, the Group's other assets as at 31 December 2008 were mainly cash, trade receivables, inventories and amount due from related parties (arising from trade terms granted to such related parties). None of these requires any substantial provision or write off.

In view of the above analysis, the considerable discount to the Group's net asset value as represented by each of the Minimum Per Share Consideration and for reference only, the Estimated Total Per Share Consideration is in our view, unfair and unreasonable.

7. Information on INAX Corporation and its intentions

The Offeror is incorporated in Japan and has an extensive history in the manufacture of tiling, building materials and sanitary fixtures for residential, commercial and public buildings and facilities. It currently has operations in Asia, Europe and the United States of America and is a wholly-owned subsidiary of JS Group Corporation, a company listed in Tokyo and, as at 7 July 2009 had a market capitalization of approximately ¥401,978 million (approximately HK$32,962.2 million). As at 31 March, 2009, being the date to which the latest published accounts of JS Group Corporation were made up, the net current assets position of JS Group Corporation was approximately ¥189,539 million (approximately HK$15,542.2 million), including a cash balance of approximately ¥87,887 million (approximately HK$7,206.7 million), and the total net assets of JS Group Corporation was approximately ¥533,073 million (approximately HK$43,712.0 million).

JS Group Corporation consists of integrated operating companies that offer sashes, doors, exteriors, bathrooms, kitchens, sanitary ware, building materials for commercial buildings and other products. As set out in JS Group Corporation's 2008 annual report, the sanitary ware products under INAX Corporation generated total sales of ¥97,700 million (approximately HK$8,011 million) for the year ended 31 March 2008, which ranked second in Japan, after TOTO. INAX Corporation and TOTO dominate the Japanese market for sanitary ware products and have a combined market share of approximately 30%. The overall sales of JS Group Corporation overseas only accounted for about 1% of its consolidated net sales for the year ended 31 March 2008.

In the PRC, total sales for INAX Corporation amounted to ¥1,200 million (approximately HK$118 million) for the year ended 31 March 2008, which was approximately 1.2% of its total sales and such PRC sales was even behind its sales in Vietnam, which amounted to ¥3,100 million (approximately HK$254 million) for the same period. In the PRC, INAX Corporation has four subsidiaries as at 31 March 2008, two of which appear to be in sanitary ware and sanitary fittings manufacturing business respectively, all based in Suzhou. Thus in the PRC marketplace, INAX Corporation's presence is relatively small whereas its major Japanese competitor, TOTO, is considered one of the two leading high end brands (the other being Kohler). As disclosed in its 2008 annual report, the president and chief operating officer of JS Group Corporation stated that *"We forecast that severe business conditions will hasten industry restructuring, so, given these conditions, our intent is to make the JS Group stronger through aggressive strategic investment, including M&A"*. The Offer appears to be a result of such strategy.

As set out in the "Letter From Anglo Chinese" in the Offer Document, the Offeror is acquiring the Asia Bath and Kitchen Business with a view to, amongst other things, expanding its operations and presence in Asia. The Offeror intends to integrate the Asia Bath and Kitchen Business with its existing operations, and to continue to grow the business globally, using the manufacturing capability of the Asia Bath and Kitchen Business. The acquisition of the Asia Bath and Kitchen Business, with a business presence and market share in each of the countries where it operates, will significantly enhance that business in the sector.

In particular, it is the intention of the Offeror that the Company will continue to carry on its existing business and will maintain its existing business to the extent where it is in the interest of the Company and the Shareholders as a whole to do so. The acquisition of the Company offers an opportunity for the Offeror to participate in the PRC bath and kitchen products market and the Company's existing manufacturing capacity in the PRC can continue to serve as an export base. As at the latest practicable date for the Offer Document, the Offeror had no intention to introduce any major changes to the business of the Group or to redeploy the employees or the fixed assets of the Group, other than in the ordinary course of business, except that the Offeror anticipates that changes may be made to the composition of the Board which will not result in any breach of the Takeovers Code and will be in compliance with the Takeovers Code and the GEM Listing Rules. As at the latest practicable date for the Offer Document, no candidate had been identified to be nominated to the Board. Further announcements will be made in respect of any changes to the Board, if any, pursuant to Rule 17.50(2) of the GEM Listing Rules.

In light of the above and the section below, we are of the view that JS Group Corporation, through INAX Corporation, is a reputable regional player in the sanitary ware business, with depth and breadth in both finance and know-how. The acquisition of the Asia Bath and Kitchen Business which includes the 63.81% controlling equity interest in the Company is in our view, a positive development for the Company and the Minority Shareholders.

8. The Group's current market position and its future prospects under INAX Corporation

Whilst it is true that the PRC market is a market with 1.3 billion people, it is also a market in which competition for plumbing products is fierce and there is no one dominant player. This competitive market is described by the Company's management as fragmented, with close to some 1,000 competitors in the manufacturing and sales of plumbing products, a large number of which are in the ceramic sanitary ware products, with others in bathtubs and plumbing fittings. This large number of players generally have surplus production capacity.

The PRC market for sanitary ware products can be divided into four market sectors, being the premium grade, high-end, mid-end and low-end. In the high-end sector, the Group's major competitors are TOTO and Kohler, of Japan and the U.S. respectively and none of them, as estimated by the management of the Company, has dominated the market share in such sector. The Company's management believes the Group is probably ranked as the third largest market leader in the high-end plumbing products market right behind these two competitors. Unlike TOTO and Kohler, the Group's products are not perceived as premium grade, due to their somewhat less compelling product designs. The Group's products are also not regarded as low-end. For the mid-end sector, which is the most competitive as there are about 100 competing brands in this sector, the Group has a much smaller market share than its competitors, namely Arrow (part of the Lehua brands), Kohler and a few other major brands.

Having reviewed a number of research and market study reports, we are of the view that in terms of market share in general, the ranking of the Group's brands is behind Arrow, Kohler, TOTO, in that order. Other competitors of the Group which ranked behind the Group (but not in any particular order) include INAX, HCG, Duravit, Moen, Roca, Appollo, Huida, Dongpeng and other local brands owned by state-owned or private enterprises in the PRC. Increasingly, the Group's competitors are diversifying into other manufacturing products like kitchen, tiles and faucets, which are complimentary to their sanitary ware products. It is also important to note that based on our discussions with senior management of the

Company, historically, the Group's major competitors are known to out-spend the Group in advertising and marketing in the PRC. Such aggressive marketing tactics are brand investments (brand image is important for high-end residential and hotel developments) and resulted in generating demand and lessen competitive threats. In response, the Group has begun to step up its marketing expenditures, including the commissioning of an extensive market positioning study undertaken by a leading international firm of management consultants in 2008.

The current production *modus operandi* of the Group could be traced back to the years preceding to the sale of the entire bath and kitchen business of the then American Standard Companies Inc. to Ideal Standard. Rising costs in both Europe and in North America in 2006 had adversely impacted on its entire bath and kitchen business and in response, American Standard Companies Inc. announced its consolidation of operations and streamlining of commercial functions and as part of such measures, certain plants and locations in Europe would be closed, with a view to transferring its fittings assembly and logistics to more cost efficient locations such as the PRC. These were the reasons for the increase in the annual caps sought by the Company in respect of the Group's export sales outside the PRC under the various Export Distribution Agreements entered into with the then American Standard Companies Inc. and subsequently, Ideal Standard Global, a summary of the relevant annual cap is set out below:

Table G: Annual caps in export sales of the Group's products

	2007	**2008**	**2009**
Sales of ceramic sanitaryware and plumbing fittings under the Export Distribution Agreements	US$82 million	US$124 million	US$124 million

As set out in Table D above, actual export turnover of the Group's products outside the PRC amounted to approximately US$55.3 million for the year ended 31 December 2008 whereas total turnover within the PRC was approximately US$60.3 million.

Since 1 November 2007, the bath and kitchen business of the then American Standard Companies Inc. in North America has been split into a separate business unit independent of Ideal Standard. This created less certainty in the Group's export sales to the North American markets as the Company's channel of distribution in these markets became vulnerable. This was because the Bath and Kitchen Business in the Americas, being a separate business unit, was free to source products from any producer in or outside the PRC and as a result, put pressure on the Group's export sales volumes and profit margins to the North American market. As disclosed in Table D, for the year ended 31 December 2008, export to North America amounted to approximately US$11.0 million, down from US$13.3 million for the year ended 31 December 2007.

The Group has also been adversely affected by rising costs, increased competition and the global recession. In response, it has recently completed closing down A-S (Guangzhou) Enamelware Company Limited, a sino-foreign equity joint venture of the Company established in the PRC principally engaged in the manufacturing of bathtubs and related products. The provision on such closing down was made in the audited accounts for the year ended 31 December 2008. A-S (Guangzhou) Enamelware Company Limited had actually taken over the bathtub manufacturing activities in another plant in 2006 in Beijing, after it was liquidated in 2006.

As stated in its 2008 annual report, JS Group Corporation identified one of the urgent issues it faced was to expand its overseas business, which it was lagging behind its competitors. The acquisition of the Asia Bath and Kitchen Business and in particular, the PRC business of the Group, appear to be a good fit, as INAX Corporation's own manufacturing and distribution footprint in the PRC is relatively small and local PRC sales represented only 1.2% of its overall sales. Through its acquisition of the Asia Bath and Kitchen Business and at one go, INAX Corporation will gain a well established regional manufacturing and distribution footprint in the PRC and be able to compete more effectively with its major Japanese competitor TOTO.

INAX Corporation and other members of the JS Group Corporation are already engaged in the production and distribution of kitchen system, indoor and outdoor wall tiles, window sashes/doors, housing and building materials and equipment. Thus to the extent JS Group Corporation would elect to do so, it could integrate the business of the Group into a more robust, efficient and well integrated competitor. On this note, it is also important to mention that JS Group Corporation disclosed in its 2008 annual report about "acquisition/merger risks" and stated that it would seek to integrate acquisitions such as the Group into its "corporate cultures and management strategies".

As set out in the Company's first quarterly report for the three months ended 31 March 2009, despite the downturn of the global economic environment, management is guardedly confident that domestic sales will strengthen as the year progresses based on recent housing market transactions. However, management also recognizes the seriousness of the global recession and that business conditions in the domestic market could weaken. We are of the view that the short term trading environment of the Group will remain challenging, as we understand from management of the Group that sanitary ware demand has a tendency to trail after an economic slowdown.

In view of the aforesaid intention of INAX Corporation, the core businesses of the JS Group Corporation (which are complimentary to that of the Group), its depth and breadth in both manufacturing know how and finance, we are of the opinion that, on balance, the Acquisition could be a positive development for the future prospects of the Group. INAX Corporation is an "industry investor" of the Company and as set out in JS Group Corporation's 2008 annual report, it is currently ranked second in the sophisticated Japanese sanitary ware market (after TOTO). As such, INAX Corporation has the relevant track record in product design/development and brand image issues which could be of assistance to the Group as it is perceived to be lacking in its product designs/development (in particular, the premium grade products) and brand image investment, when compared to its competitors, details of which are set out above.

9. Background information of the Acquisition and pricing of the Company

The Group is part of the Asia Bath and Kitchen Business, which consists of the PRC (i.e. the Group), Thailand, Korea, Vietnam, Indonesia, Philippines, Others (Headquarter, Singapore and India). Within the Asia Bath and Kitchen Business, a strong presence is noted in the PRC, Korea and Thailand, where the markets remain unconsolidated without any dominant player. Apart from the PRC, the other largest developing market in the Asia-Pacific region is represented by India. For historical and tariff reasons, the Asia Bath and Kitchen Business does not have a strong presence in India. Growth in these Asia-Pacific markets is generally driven by new residential developments and the Asia Bath and Kitchen Business' strategy for success was to leverage on Ideal Standard's global and regional presence and design capabilities.

As set out in the Offer Document, the first part of the Total Per Share Consideration is determined based on an enterprise value of each of the units within the Asia Bath and Kitchen Business which includes the Group, (on a cash free, debt free basis) attributable to the direct and indirect shareholding of Ideal Standard interest in the Company. Details of the Total Per Share Consideration receivable under the Offer and the relevant calculations and adjustments thereof are set out in sub-section headed "1.1 The Estimated Total Per Share Consideration" above.

Minority Shareholders should note that only the first part of the Estimated Total Per Share Consideration, which is the Minimum Per Share Consideration of €0.283 (equivalent to approximately HK$3.05) is firm. The second part of the Estimated Total Per Share Consideration, in view of its adjustments, is only a potential subsequent payment, if any, and should not be relied on as a firm payment commitment.

We are of the opinion that the aforesaid "across-the-board" valuation approach to arrive at an enterprise value of the Group (as part of the Asia Bath and Kitchen Business as a whole) is unable to adequately reflect the individual characteristic, book value, future prospect and earnings driver aspect of each of the units within the Asia Bath and Kitchen Business. To illustrate, within the Asia Bath and Kitchen Business, PRC and Thailand are the two largest business units, followed by South Korea. In this regard, we are of the opinion that the PRC market offers better growth opportunity, when viewed against the size and growth aspect of other units within the Asia Bath and Kitchen Business. According to the International Monetary Fund, the PRC was the 3rd largest when ranked by its 2008 gross domestic product ("GDP") of US$4,402 billion. In comparison, South Korea's and Thailand's 2008 GDP of US$947 billion and US$273 billion were ranked 15th and 35th respectively. The PRC's economy was also ranked the 4th largest in 2008 by the International Monetary Fund, after European Union, U.S., Japan. The overall sales of the PRC sanitary market for fixtures and fittings are estimated to grow at a low double digit annual compound growth rate over the next few years, with the highest of such growth rate projected to come from the premium grade products.

In light of the aforesaid, the Minimum Per Share Consideration of €0.283 (equivalent to approximately HK$3.05) is the only firm offer, which we do not consider fair and reasonable.

The PRC is becoming a leading producer of sanitary ware products globally. We are of the view that the Group, being in the PRC, generally recognized as a more cost efficient production center when compared to those in Western Europe and North America (as evidenced by considerable amount of export sales of the Group outside the PRC under the various Export Distribution Agreements as mentioned above, the pricing of such sales are competing with other production centers in Asian and East European countries) coupled with a developing large economy in terms of GDP, is likely to provide solutions to the various costs and market share issues affecting other more matured markets in Western Europe and in North America.

The sale of the Asia Bath and Kitchen Business was through an "auctioning" process led by an investment bank and resulted in INAX Corporation, being an "industry buyer", becoming the successful bidder. At one go under the Acquisition, INAX Corporation gains, among other things, a substantial sanitary ware footprint in the PRC and significantly narrow the market share gap between itself and its main Japanese competitor, TOTO, in the PRC. Whilst the "auction" process was meant to be a competitive bidding process, the end result of such pricing of the Shares under the Offer, when viewed against the net asset value of the Group, is in our opinion, inadequate, in view of the considerable discounts of 35.7% and 28.5% to audited net assets value of the Group as respectively represented by the Minimum Per Share Consideration and, for reference only, the Estimated Total Per Share Consideration. Such discounts, in our view, fail to recognise the fact that if INAX Corporation were to build its own production capacity, it would have to pay for it on a dollar-for-dollar basis.

In view of the above, we are of the opinion the terms of the Offer Price is not fair and reasonable.

10. Dividends

Prior to the payment of the US$0.163 per Share interim dividends in 2007 (which was driven by the previous mandatory cash offer), the Company had not paid any dividend since its listing on GEM on 11 July 2003. The Company did not declare any dividends for the year ended 31 December 2008. Accordingly, we do not consider the Company has a steady dividend policy.

11. Maintaining the listing status of the Company

In the event that the compulsory acquisition rights are not available to the Offeror and the Offer closes, the Company, will be required to ensure that not less than 25% of the Shares will be held by the public, in compliance with Rule 11.23(7) of the GEM Listing Rules. If, at the close of the Offer less than 25% of the Shares are held by the public, then the Stock Exchange may exercise its discretion to suspend dealings in the Shares. It should therefore be noted that upon completion of the Offer, there may be insufficient public float for the Shares, and therefore trading in the Shares may be suspended until a prescribed level of public float is attained.

12. Intellectual Property Agreement

As set out in the prospectus of the Company dated 19 June 2003, the Company had in place with American Standard Inc. then the Intellectual Property Agreement dated 1 January 1996, which enabled the Company to require the then American Standard Inc. to grant to the companies in which the Company holds a majority interest territorial licences to manufacture and distribute products in the PRC under the various plumbing products brand names of American Standard.

The rights and obligations of American Standard Inc under the Intellectual Property Agreement were assigned and novated to Ideal Standard Global, with effect from 31 October 2007. It is now proposed that such rights and obligations of Ideal Standard Global will be assigned and novated to INAX Corporation.

Under the terms of the to be novated Intellectual Property Agreement, the Company will have the exclusive right to require INAX Corporation 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 "American Standard" and "Armitage Shanks". Under the terms of the to be novated Intellectual Property Agreement, INAX Corporation is not permitted to license any of its plumbing product trademarks and patents to any party within the PRC other than companies in which the Company holds directly or indirectly a majority interest. However, if INAX Corporation's direct or indirect ownership interest in any of the licensees falls below 51%, INAX Corporation has the right to terminate the territorial license granted to such licensees. In the event that INAX Corporation's ownership interest in the Company falls below 51%, the Company is still entitled to require INAX Corporation to grant territorial licenses to the Company's subsidiaries in the PRC under the standard terms of similar contracts granted by INAX Corporation from time to time. The Intellectual Property Agreement contains no specified termination date.

We would draw your attention to the section headed "Additional Information" on page 17 of the "Letter From Anglo Chinese" in the Offer Document which states that *"The intellectual property agreement, which pursuant to its terms is governed by the law of the State of New York, contains no term regarding its duration. In addition, the intellectual property agreement does not provide that the right granted to the Company thereunder cannot be terminated or revoked by notice by ASI even if the interest of American Standard Companies Inc. and its subsidiaries from time to time, (excluding the Company and its subsidiaries) in the Company falls below 51%, although this conclusion is drawn by the Company as stated in the Company's prospectus."*.

We have also been given to understand that the Trademark Licence Agreements, Technical Assistance Agreements and the Technical Assistance Agreement entered into by the PRC Venture(s) are separate agreements independent of the Intellectual Property Agreement and accordingly, such PRC Venture(s) may still operate even if the Intellectual Property Agreement were to be terminated.

SUMMARY

The fact that market price per Share has been trading at a discount to net asset value of the Group prior to the Offer is noted. The depressed Share prices in late 2008 may be due to the global financial crisis and the resulting stock markets volatility in late 2008, which may have caused the decline of the closing price per Share to below HK$1.00 in November 2008, as Hang Seng Index reached a record low of 11,015 on 27 October 2008.

The Group's business is adversely affected by the on-going global recession, which resulted in declines in its gross profit margin and net profit attributable to Shareholders for the year ended 31 December 2008 and for the three-month period ended 31 March 2009 respectively. That said, the Group's adjusted net loss (excluding one-off provision) attributable to Shareholders of US$2.57 million for the year ended 31 December 2008 was, in our view, by no means a poor performance, given the severity of the global recession. The Group had also incurred considerable marketing expenditures and market-related consulting fees in 2008 and had these expenditures and fees not been incurred, it would have reported a net profit for the year ended 31 December 2008.

Against this background of global economic turmoil and apparently right in the midst of global stock markets volatility, the Asia Bath and Kitchen Business was put up for sale via an "auction" led by an investment bank. We believe INAX Corporation, an astute "industry buyer" and the successful bidder, has made a timely purchase of the Acquisition under such market conditions.

Via the Group and at one go, INAX Corporation gains a substantial sanitary ware footprint in the PRC and substantially narrows the PRC market share gap between itself and its main competitor, TOTO. If INAX Corporation were to build new production capacity in the PRC, it would have to pay full amount of such investment, without any discount whatsoever. It would also be unlikely that such start-up could produce cash flow immediately. None of these benefits however, has been adequately reflected under the Offer, in view of the discounts of 35.7% and 28.5% to audited net assets value of the Group as respectively represented by the Minimum Per Share Consideration and for reference only, the Estimated Total Per Share Consideration. The second part of the Total Per Share Consideration is not even a firm commitment to pay for the Shares under the Offer as it is subject to adjustments upon the finalisation of the completion accounts, which is expected to be approximately three to four and a half months after Completion.

The aforesaid notwithstanding, Minority Shareholders should note that on the basis of the Minimum Per Share Consideration of €0.283 (equivalent to approximately HK$3.05) and for reference only, assuming the Total Per Share Consideration would be approximately the same as the Estimated Total Per Share Consideration, the Offer, whilst unfair and unreasonable for reasons set out herein, does present an exit for Minority Shareholders who need to exit their shareholding in the Company now. In this regard, unlike the Bain Capital funds which acquired the Asia Bath and Kitchen Business (together with other bath and kitchen businesses of the then American Standard group) in 2007, INAX Corporation is not a private equity fund and is not compelled to seek an exit within a specified investment horizon. Accordingly, this may present uncertainty as to when the next exit opportunity might be available.

In light of the above and on balance, we are of the view that the terms of the Offer do not represent a reasonable offer price, on the following bases:

(i) when viewed against the net tangible asset value backing per Share, each of the Minimum Per Share Consideration and for reference only, the Estimated Total Per Share Consideration represents a considerable discount;

(ii) the "across-the-board" valuation approach on the Asia Bath and Kitchen Business as a whole is unable to adequately reflect the individual characteristic and net book value of each of the units within the Asia Bath and Kitchen Business; and

(iii) the apparent lack of recognition under the Offer in respect of the perceived importance of the PRC marketplace in which the Group operates.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms of the Offer to be unfair and unreasonable so far as the Minority Shareholders are concerned. We therefore, advise the Independent Board Committee to recommend the Minority Shareholders not to accept the Offer.

Our advice on rejecting the Offer notwithstanding, Minority Shareholders who wish to take this opportunity to realise part or all of their Shares due to the uncertainty about when the next exit opportunity may present itself, the uncertainty surrounding the ongoing global recession, the illiquidity of the Shares trading volume or the non performing Share price in the past (which, in view of those liquidity and market price trends of the Shares in the Review Period, are likely to continue after the Offer) should first consider selling their Shares in the open market rather than accepting the Offer, if the net proceeds from the sale of their Shares are more than the net amount to be received under the Offer, based on the Estimated Total Per Share Consideration.

Shareholders and/or potential investors in the Company are advised to exercise caution when dealing in the Shares given the substantial uncertainty in the value of the Total Per Share Consideration and the indication of the Total Per Share Consideration as set forth above. In particular, there can be no guarantee that the above indication of the Estimated Total Per Share Consideration based on a statement setting out the estimated net indebtedness, estimated intra-group indebtedness and estimated net working capital based on the unaudited management accounts of the Group as at 30 June 2009 will be equal to the Total Per Share Consideration, the amount of which will be based on accounts to be prepared after Completion.

If due to market conditions, these Minority Shareholders are unable to sell their Shares, they can always tender their Shares in acceptance of the Offer prior to the closing of the Offer. These Minority Shareholders should therefore, read carefully the procedures for accepting the Offer as detailed in the Offer Document and its accompanying Form of Acceptance.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

1. THREE YEAR FINANCIAL SUMMARY

The following financial information is extracted from the audited consolidated financial statements of the Group for each of the three years ended 31 December 2006, 2007 and 2008.

The auditors' reports in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2006, 2007 and 2008 did not contain any qualifications. The auditors who prepared such auditors' reports for each of the two years ended 31 December 2006 and 2007 were Ernst & Young. The auditors who prepared such auditors' reports for the year ended 31 December 2008 were PricewaterhouseCoopers.

Summary Consolidated Income Statements

		For the years ended 31 December		
		2008	**2007**	**2006**
	Note	*US$'000*	*US$'000*	*US$'000*
REVENUE		115,552	106,674	86,813
Cost of sales		(80,538)	(72,016)	(57,690)
Gross profit		35,014	34,658	29,123
Other expenses, net		(165)	(196)	(21)
Distribution costs		(3,966)	(3,582)	(2,822)
Administrative and operating expenses		(29,796)	(21,693)	(16,900)
Amortization of intellectual property rights	1	–	(6,998)	–
Provision on liquidation of a subsidiary	1	(9,975)	–	(3,431)
PROFIT/(LOSS) BEFORE TAX		(8,888)	2,189	5,949
Income tax expense		(2,473)	(3,069)	(2,466)
Profit/(Loss) for the year		(11,361)	(880)	3,483
Attributable to:				
Equity holders of the parent		(12,542)	(2,850)	1,377
Minority interests		1,181	1,970	2,106
		(11,361)	(880)	3,483
Dividends		–	24,689	–
Earnings/(Loss) Per Share		(8.30)	(1.89)	0.91
Dividends per Share (cents)		–	16.3	–

Summary Consolidated Assets and Liabilities as at 31 December 2008

	US$'000
Total Assets	126,950
Total Liabilities	(35,196)
	91,754

Note:

1. The only extraordinary or exceptional item for the year ended 31 December 2008 is the provision on liquidation of a subsidiary of US$9,975,000. The only extraordinary or exceptional item for the year ended 31 December 2007 is the amortization of Intellectual Property Rights of US$6,998,000. The only extraordinary or exceptional item for the year ended 31 December 2006 is the provision on liquidation of a subsidiary of US$3,431,000.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following financial information is extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2008. The auditors who prepared the auditors' reports for the year ended 31 December 2008 were PricewaterhouseCoopers.

Consolidated Income Statement

For the year ended 31 December 2008

		Year ended 31 December	
		2008	**2007**
	Notes	*US$'000*	*US$'000*
Revenue	1	115,552	106,674
Cost of sales		(80,538)	(72,016)
Gross profit		35,014	34,658
Other expenses, net		(165)	(196)
Distribution costs		(3,966)	(3,582)
Administrative and operating expenses		(29,796)	(21,693)
Amortisation of intellectual property rights	2	–	(6,998)
Provision on liquidation of a subsidiary	3	(9,975)	–
(Loss)/profit before income tax		(8,888)	2,189
Income tax expense	4	(2,473)	(3,069)
Loss for the year		(11,361)	(880)
Attributable to:			
Equity holders of the Company		(12,542)	(2,850)
Minority interests		1,181	1,970
		(11,361)	(880)

Consolidated Balance Sheet
As at 31 December 2008

		As at 31 December	
		2008	**2007**
	Notes	*US$'000*	*US$'000*
ASSETS			
Non-current assets			
Goodwill	5	2,105	2,105
Land use rights	6	8,259	8,121
Property, plant & equipment	7	48,793	49,767
Other non-current assets	8	3,523	1,550
		62,680	61,543
Current assets			
Inventories	9	11,570	10,448
Trade receivables	10	11,867	13,779
Amounts due from related parties	11	17,420	10,919
Deposits, prepayments and other receivables	12	4,489	3,259
Cash and cash equivalents	13	18,924	30,857
		64,270	69,262
Total assets		126,950	130,805
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	1,510	1,510
Reserves	15	77,185	85,871
		78,695	87,381
Minority interests		13,059	11,175
Total equity		91,754	98,556
LIABILITIES			
Current liabilities			
Trade payables	16	9,994	8,929
Amounts due to related parties	17	7,383	5,848
Other payable & accruals		16,894	16,545
Current income tax liabilities		761	763
Dividend payable		164	164
Total liabilities		35,196	32,249
Total equity and liabilities		126,950	130,805

Consolidated Statement of Changes in Equity
For the year ended 31 December 2008

	Attributable to equity holders of the Company								
	Issued share capital	Share premium account	Statutory and discretionary reserve fund	Currency translation reserve	Capital contribution	Retained earnings/ (accumulated losses)	Total	Minority interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2007	1,510	85,305	5,640	1,220	–	15,606	109,281	12,156	121,437
Net gain not recognised in the income statement	–	–	–	5,035	–	–	5,035	770	5,805
(Loss)/profit for the year	–	–	–	–	–	(2,850)	(2,850)	1,970	(880)
Dividends paid to minority interests	–	–	–	–	–	–	–	(3,721)	(3,721)
Equity-settled share option arrangements	–	–	–	–	604	–	604	–	604
Interim dividend paid	–	(24,689)	–	–	–	–	(24,689)	–	(24,689)
Appropriation to reserve fund and expansion fund	–	–	2,949	–	–	(2,949)	–	–	–
Balance at 31 December 2007 and at 1 January 2008	1,510	60,616	8,589	6,255	604	9,807	87,381	11,175	98,556
Net gain not recognised in the income statement	–	–	–	3,856	–	–	3,856	703	4,559
(Loss)/profit for the year	–	–	–	–	–	(12,542)	(12,542)	1,181	(11,361)
Appropriation to reserve fund and expansion fund	–	–	133	–	–	(133)	–	–	–
Balance at 31 December 2008	1,510	60,616	8,722	10,111	604	(2,868)	78,695	13,059	91,754

Consolidated Cash Flow Statement
For the year ended 31 December 2008

		Year ended 31 December	
		2008	**2007**
	Notes	*US$'000*	*US$'000*
Cash flows from operating activities			
Cash generated from operations	18	387	16,279
Income tax paid		(2,475)	(2,976)
Net cash (outflow)/inflow from operating activities		(2,088)	13,303
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(7,936)	(3,437)
Purchase of other non-current assets	8	(3,016)	(2,334)
Proceeds from sale of property, plant and equipment	18	142	197
Interest received		342	916
Net cash outflow from investing activities		(10,468)	(4,658)
Cash flows from financing activities			
Interim dividends paid to the Company's shareholders		–	(24,657)
Dividends paid to minority interests		–	(5,716)
Net cash outflow from financing activities		–	(30,373)
Net decrease in cash and cash equivalents		(12,556)	(21,728)
Cash and cash equivalents at beginning of year	13	30,857	50,062
Exchange differences		623	2,523
Cash and cash equivalents at end of the year	13	18,924	30,857

Notes to the Financial Statements

1. SEGMENT INFORMATION

The Group's revenue is principally derived from the manufacture, sale and distribution of plumbing products with focus in Mainland China. The products of the Group are subject to similar risks and returns and therefore, the Group has only one business segment.

An analysis of the segment revenue of the Group's geographical segments is as follows:

	Segment revenue	
	2008	**2007**
	US$'000	*US$'000*
Mainland China	60,276	54,892
European countries	26,677	24,965
North America	11,045	13,282
Others	17,554	13,535
Total	115,552	106,674

No further geographical segment information is provided as over 90% of the Group's assets are located in Mainland China.

2. INTANGIBLE ASSETS

Group

	Intellectual property rights	**Trademark license fees**	**Total**
	US$'000	*US$'000*	*US$'000*
At 1 January 2007			
Cost	10,000	1,650	11,650
Accumulated amortisation	(3,002)	(1,650)	(4,652)
Net book amount	6,998	–	6,998
Year ended 31 December 2007			
Opening net book amount	6,998	–	6,998
Amortisation charge	(6,998)	–	(6,998)
Closing net book amount	–	–	–
At 31 December 2007, 1 January and 31 December 2008			
Cost	10,000	1,650	11,650
Accumulated amortisation	(10,000)	(1,650)	(11,650)
Net book amount	–	–	–

The Company entered into an agreement with ASCI on 1 January 1996 for the Company to have the 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 ASI's plumbing products in Mainland China (the "Intellectual Property Rights"). There is no termination date specified in this agreement.

The Intellectual Property Rights was amortised with an estimated useful live of 20 years up to 2005. In 2005, the Company made an assessment to categorise the Intellectual Property Rights as an indefinite intangible asset. The amortisation was then ceased in 2005.

In 2007, the Group was disposed by ASCI to Ideal Standard. Ideal Standard did not state its intention not to terminate the agreement at will. The Company had therefore made a full impairment charge against the net book amount of Intellectual Property Rights as at 31 December 2007 which indeed was amortisation charge including those understated amortisation for years 2005 and 2006. The corresponding figure has been amended to reflect the amortisation charge. After the amendment, the net book amount of the Intellectual Property Rights as at 31 December 2007 remained as zero.

3. PROVISION ON LIQUIDATION OF A SUBSIDIARY

According to the long-term manufacturing optimisation strategy, approval of the Board of the Company and agreement with the joint venture partner, the Group has planned to liquidate an unprofitable bathtub plant, A-S Guangzhou Bathtubs. It has ceased production and operation in the September of 2008. All the employees have been dismissed in accordance with local laws and regulations. ASCC has entered into a Framework Agreement with the local partners about A-S Guangzhou Bathtubs restructuring and the acquisition of local partners' shares in A-S Guangzhou Bathtubs. The relevant transactions were under negotiation and bidding process of state- owned assets. All the bathtub manufacturing has been consolidated in another plant in Guangdong to enhance overall operating efficiency. Inventories have been stated at the lower of cost and net realisable value. Land use rights and property, plant & equipment has been written down to fair value less costs to sell. The restructuring costs include assets impairment, termination severance and other restructuring related expenses.

	2008
	US$'000
Assets Impairment	
– Property, plant and equipment	7,125
– Inventory	216
Termination severance	743
Others	1,891
Total	9,975

4. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits subject to Hong Kong profits tax.

PRC income tax for 2008 is calculated based on the statutory income tax rate of 25% (2007: 33%) of the assessable income of the Group except for certain subsidiaries which are taxed at preferential rates of 18% (2007: 10% to 27%) based on the relevant PRC tax rules and regulations.

	2008 US$'000	2007 US$'000
Current tax:		
– PRC income tax	2,473	3,069
Income tax expense	2,473	3,069

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (losses)/profits of the consolidated entities as follows:

	2008 US$'000	2007 US$'000
(Loss)/profit before tax	(8,888)	2,189
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	(2,222)	722
Tax effects of:		
Preferential tax rates on the income of certain subsidiaries	(305)	(2,832)
Expenses not deductible for tax purposes	743	131
Tax losses for which no deferred income tax asset was recognised		
– the Company and the subsidiary to be liquidated	2,981	2,888
– other entities	1,276	2,160
Tax charge	2,473	3,069

5. GOODWILL

	Group US$'000
At 31 December 2007 and 2008	
Cost and net carrying amount	2,105

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 amount of the goodwill has been determined based on a value in use calculation using cash flow projections according to financial budgets approved by management covering a five year period. The discount rate applied to the cash flow projections was determined after considering specific risks relating to the business. 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 31 December 2008 and 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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 budget year, adjusted for expected efficiency improvements and raw material price inflation.

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

6. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2008	**2007**
	US$'000	*US$'000*
In China held on:		
Leases of between 29 to 40 years	8,259	8,121
Net book value at 1 January	8,337	8,053
Amortisation	(247)	(216)
Exchange differences	370	500
Net book value at 31 December	8,460	8,337
Current portion included in prepayments, Deposits and other receivables	(201)	(216)
Non-current portion	8,259	8,121

7. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *US$'000*	Plant & machinery *US$'000*	Furniture, equipment & motor vehicles *US$'000*	Construction in progress *US$'000*	Total *US$'000*
At 1 January 2007					
Cost	25,855	52,223	12,604	735	91,417
Accumulated depreciation	(7,389)	(24,205)	(11,718)	–	(43,312)
Net book amount	18,466	28,018	886	735	48,105
Year ended 31 December 2007					
Opening net book amount	18,466	28,018	886	735	48,105
Exchange differences	1,085	1,645	52	–	2,782
Additions	–	272	475	2,690	3,437
Transfers	53	2,115	867	(3,035)	–
Disposals	(300)	(35)	–	–	(335)
Depreciation	(569)	(2,747)	(906)	–	(4,222)
Closing net book amount	18,735	29,268	1,374	390	49,767
At 31 December 2007					
Cost	27,299	57,971	13,421	390	99,081
Accumulated depreciation	(8,564)	(28,703)	(12,047)	–	(49,314)
Net book amount	18,735	29,268	1,374	390	49,767
Year ended 31 December 2008					
Opening net book amount	18,735	29,268	1,374	390	49,767
Exchange differences	1,042	1,842	327	–	3,211
Additions	–	10	807	7,119	7,936
Transfers	728	954	839	(2,521)	–
Disposals	(135)	(117)	(55)	–	(307)
Depreciation	(709)	(2,774)	(1,206)	–	(4,689)
Impairment charge	(3,873)	(2,992)	(260)	–	(7,125)
Closing net book amount	15,788	26,191	1,826	4,988	48,793
At 31 December 2008					
Cost or valuation	29,112	59,283	14,433	4,988	107,816
Accumulated depreciation & Impairment	(13,324)	(33,092)	(12,607)	–	(59,023)
Net book amount	15,788	26,191	1,826	4,988	48,793

Depreciation expense of US$4,305,000 (2007: US$3,813,000) has been charged in 'cost of sales' and US$384,000 (2007: US$409,000) in 'administrative and operating expenses'.

8. OTHER NON-CURRENT ASSETS

Group

	In-store decoration and display costs *US$'000*	Office decoration *US$'000*	Total *US$'000*
At 1 January 2007			
Cost	36	–	36
Accumulated amortisation	(5)	–	(5)
Net book amount	31	–	31
Year ended 31 December 2007			
Opening net book amount	31	–	31
Additions	2,334	–	2,334
Amortisation charge	(815)	–	(815)
Closing net book amount	1,550	–	1,550
At 31 December 2007			
Cost	2,369	–	2,369
Accumulated amortisation	(819)	–	(819)
Net book amount	1,550	–	1,550
Year ended 31 December 2008			
Opening net book amount	1,550	–	1,550
Additions	2,851	165	3,016
Amortisation charge	(1,167)	–	(1,167)
Exchange differences	123	1	124
Closing net book amount	3,357	166	3,523
At 31 December 2008			
Cost	5,436	166	5,602
Accumulated amortisation	(2,079)	–	(2,079)
Net book amount	3,357	166	3,523

9. INVENTORIES

	Group	
	2008	**2007**
	US$'000	*US$'000*
Raw materials	3,741	3,693
Work in progress	1,773	1,899
Finished goods	6,056	4,856
	11,570	10,448

The cost of inventories recognised as expense and included in 'cost of sales' amounted to US$60,368,000 (2007: US$53,844,000).

The Group provided US$42,000 inventory provision which has been recorded under 'cost of sales' in the consolidated income statement (2007: reversal of provision US$155,000).

10. TRADE RECEIVABLES

	Group	
	2008	**2007**
	US$'000	*US$'000*
Trade receivables	13,962	14,973
Less: Provision for impairment of receivables	(2,095)	(1,194)
Trade receivables – net	11,867	13,779

The Group's trading terms with its customers are mainly on credit. The Group generally grants a credit term of 60 to 210 days to its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2008	**2007**
	US$'000	*US$'000*
Within 30 days	3,955	7,708
Within 31-90 days	4,078	2,503
Within 91-180 days	2,606	2,418
Over 180 days	1,228	1,150
	11,867	13,779

As at 31 December 2008, trade receivables of US$8,722,000 (2007: US$12,560,000) were fully performing.

As at 31 December 2008, trade receivables of US$3,145,000 (2007: US$1,219,000) were past due but not impaired. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables, based on the invoice date, is as follows:

	2008	**2007**
	US$'000	*US$'000*
Within 30 days	–	–
Within 31-90 days	929	111
Within 91-180 days	1,284	548
Over 180 days	932	560
	3,145	1,219

As at 31 December 2008, trade receivables of US$2,095,000 (2007: US$1,194,000) were impaired and provided for. The amount of the provision was US$2,095,000 as at 31 December 2008 (2007: US$1,194,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables, based on the invoice date, is as follows:

	2008	**2007**
	US$'000	*US$'000*
Within 31-90 days	6	–
Within 91-180 days	27	7
Over 180 days	2,062	1,187
	2,095	1,194

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2008	**2007**
	US$'000	*US$'000*
US dollar	3,095	2,530
RMB	8,772	11,249
	11,867	13,779

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group	
	2008	**2007**
	US$'000	*US$'000*
At 1 January	1,194	564
Provision for receivable impairment	901	640
Receivables written off during the year as uncollectible	–	(10)
At 31 December	2,095	1,194

The creation and release of provision for impaired receivables have been included in 'Administrative and operating expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

11. AMOUNTS DUE FROM RELATED PARTIES

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

The Group's trading terms with its related parties are mainly on credit. The Group generally grants a credit term of 60 to 120 days to its related parties. Each related party has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the balance sheet date, the Group has certain concentrations of credit risk as 48% (2007: 41%) of the Group's total amounts due from related parties, were due from the Group's largest customer. Trade receivables are non-interest-bearing.

An analysis of amounts due from related parties as at the balance sheet date is as follows:

	Group	
	2008	**2007**
	US$'000	*US$'000*
Trade receivables	15,288	9,074
Other receivables	2,132	1,845
	17,420	10,919

An analysis of trade receivable as at the balance sheet date is as follows:

	Group	
	2008	**2007**
	US$'000	*US$'000*
Fully performing	9,359	7,973
Past due but not impaired	5,929	1,101
	15,288	9,074

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

As at 31 December 2008, the fair value of the deposits and other receivables of the Group and the Company approximate their carrying amounts.

13. CASH AND CASH EQUIVALENTS

	Group	
	2008	**2007**
	US$'000	*US$'000*
Cash at bank and on hand	11,606	30,018
Short-term bank deposits	7,318	839
Cash and cash equivalents	18,924	30,857

The carrying amounts of the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	Group	
	2008	**2007**
	US$'000	*US$'000*
RMB	16,116	26,769
US dollar	2,385	3,266
Euro	392	787
HK dollar	31	35
	18,924	30,857

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to US$16,116,000 (2007: US$26,769,000). The RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. As at 31 December 2008, the Group's bank deposits are deposited in reputable banks in the PRC, which is considered by management without significant credit risk. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

14. SHARE CAPITAL

	Group	
	2008	**2007**
	US$'000	*US$'000*
Authorised:		
300,000,000 ordinary shares of US$0.01 each	3,000	3,000
Issued and fully paid:		
151,034,000 ordinary shares of US$0.01 each	1,510	1,510

15. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the financial statements in this auditors' report.

16. TRADE PAYABLES

At 31 December 2008, the ageing were as follows:

	Group	
	2008	**2007**
	US$'000	*US$'000*
Within 30 days	8,061	7,096
Within 31-90 days	1,078	431
Within 91-180 days	415	400
Over 180 days	440	1,002
	9,994	8,929

The trade payables are non-interest-bearing and are normally settled within 30 to 60 days terms.

17. AMOUNTS DUE TO RELATED PARTIES

Amounts due at each balance sheet date arose from trademark license, technical assistance and management assistance fees and purchase transactions. The ageing of amounts due to related parties arising from purchase transactions are within one year.

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

An amount of US$3,659,000 due to ASCI was included in the other payables balance in the 2007 financial statements. Ideal Standard has subsequently clarified that such a payable should have been regarded as due to Ideal Standard after the Group was disposed by ASCI to Ideal Standard International in October 2007. Accordingly the amount has been reclassified from other payables to amounts due to related parties in the 2007 comparative figures of these 2008 financial statements.

18. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2008	**2007**
	US$'000	*US$'000*
Profit before income tax including discontinued operations	(8,888)	2,189
Adjustments for:		
– Amortisation of land use rights	247	216
– Depreciation	4,689	4,222
– Amortisation of intellectual property rights	–	6,998
– Amortisation of other non-current assets	1,167	815
– Assets impairment for the liquidation of a subsidiary	7,341	–
– Loss on disposal of property, plant and equipment	165	138
– Employee share option benefits	–	604
– Interest received	(342)	(916)
Changes in working capital:		
– Balances with related parties	(4,966)	(4,383)
– Deposits, prepayments and other receivables	(1,230)	(1,843)
– Inventories	(1,122)	(2,721)
– Trade receivables	1,912	282
– Trade payables	1,065	2,856
– Other payables and accruals	349	7,822
Cash generated from operations	387	16,279

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008	**2007**
	US$'000	*US$'000*
Net book amount	307	335
Loss on disposal of property, plant and equipment	(165)	(138)
Proceeds from disposal of property, plant and equipment	142	197

3. FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2009

Set out below is the unaudited consolidated results of the Group for the three months ended 31 March 2009 reproduced from the unaudited first quarterly report of the Company for the three months ended 31 March 2009.

Condensed Consolidated Profit and Loss Account

		Unaudited three months ended 31 March	
		2009	**2008**
	Notes	*US$'000*	*US$'000*
REVENUE	1	19,176	23,945
Cost of sales		(14,432)	(17,553)
Gross profit		4,744	6,392
Other revenues/(expenses), net		(2)	23
Distribution costs		(771)	(920)
Administrative and other operating expenses		(5,912)	(6,612)
LOSS BEFORE TAX		(1,941)	(1,117)
Tax	2	(322)	(625)
LOSS FOR THE PERIOD		(2,263)	(1,742)
Attributable to:			
Equity holders of the parent		(2,469)	(1,819)
Minority interests		206	77
		(2,263)	(1,742)

Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to equity holders of the parent									
	Issued Share capital	Share premium account	Reserve fund	Expansion reserve	Exchange fluctuation reserve	Share Option reserve	Retained profits	Total	Minority interest	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2008	1,510	60,616	7,008	1,581	6,255	604	9,807	87,381	11,175	98,556
Net gain not recognized in the profit and loss account	–	–	–	–	2,626	–	–	2,626	431	3,057
Net profit/(loss) for the period	–	–	–	–	–	–	(1,819)	(1,819)	77	(1,742)
At 31 March 2008	1,510	60,616	7,008	1,581	8,881	604	7,988	88,188	11,683	99,871
At 1 January 2009	1,510	60,616	7,141	1,581	10,111	604	(2,868)	78,695	13,059	91,754
Net gain not recognized in the profit and loss account	–	–	–	–	5	–	–	5	(44)	(39)
Net profit/(loss) for the period	–	–	–	–	–	–	(2,469)	(2,469)	206	(2,263)
At 31 March 2009	1,510	60,616	7,141	1,581	10,116	604	(5,337)	76,231	13,221	89,452

Please refer to the Notes to the Financial Statements below:

1. 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 31 March	
	2009	**2008**
	US$'000	*US$'000*
Segment Revenue		
Mainland China	8,835	10,199
North America	3,836	3,003
European countries	3,466	6,912
Others	3,039	3,831
Total	19,176	23,945

2. TAX

	Unaudited three months ended 31 March	
	2009	**2008**
	US$'000	*US$'000*
Current period provision in respect of:		
The PRC	322	625

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.

A Mainland China subsidiary, A-S (Jiangmen) Fittings Co., Ltd. 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 20% as it is located in the Tianjin economic and development zone.

Another China subsidiary, Hua Mei Sanitary Ware Co., Ltd is subject to a CIT rate of 20% as it is qualified as a "Knowledge and Technology Concentration Enterprise."

4. INDEBTEDNESS

As at the close of business of the Latest Practicable Date, the Group did not have any bank overdrafts or loans or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

The Directors confirm that they are not aware of any material changes in the financial or trading position or outlook of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this offeree board circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this offeree board circular have been arrived at after due and careful consideration and there are no other facts not contained in this offeree board circular, the omission of which would make any statement in this offeree board circular misleading.

The information contained in this offeree board circular relating to the Offer, the Offeror and its Affiliates and parties acting in concert with them, and the intentions of Offeror relating to the Group has been extracted from the Offer Document. The Directors accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised Share Capital:		*US$*
300,000,000	Shares	3,000,000
Issued and Fully Paid-up Share Capital:		
151,034,000	Shares	1,510,340

All the Shares in issue rank *pari passu* in all respects with each other, including the rights in respect of capital, dividends and voting.

No Shares have been issued by the Company since 31 December 2008, being the end of the last financial year of the Company.

There are no options, warrants and conversion rights affecting the Shares.

Other than the Shares, there are no convertible securities, warrants, options, derivatives or other securities issued by the Company.

3. DISCLOSURE OF INTERESTS IN THE COMPANY

(a) As at the Latest Practicable Date, none of the Directors had any interests in the Shares.

(b) As at the Latest Practicable Date, none of the subsidiaries of the Company or any pension funds of the Group nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(c) As at the Latest Practicable Date, no persons (save and except the Offeror pursuant to the Share and Asset Purchase Agreement) who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(d) As at the Latest Practicable Date, no Shares or any convertible securities, warrants, options or derivatives in respect of any Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

(e) As at the Latest Practicable Date, neither the Company nor any of the Directors has borrowed or lent any Shares or any convertible securities, warrants or options to acquire (or other outstanding derivatives in respect of) any Shares.

4. OTHER DISCLOSURES

(a) As at the Latest Practicable Date, neither the Company nor any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had any arrangement with any other person (save and except the Offeror pursuant to the Share and Asset Purchase Agreement) of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code.

(b) As at the Latest Practicable Date, neither the Company nor any of the Directors was interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

(c) As at the Latest Practicable Date, there were no material contracts entered into by the Offeror in which any of the Directors has a material personal interest.

5. DEALINGS IN THE SHARES

(a) During the Relevant Period:

(i) none of the Directors had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

(ii) neither the Company nor any of the Directors had dealt for value in the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror; and

(iii) no persons (save and except Ideal Standard and American Standard pursuant to the Share and Asset Purchase Agreement) who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, its Affiliates or any of the persons acting in concert with any of them had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(b) During the period from the commencement of the Offer Period to the Latest Practicable Date:

(i) none of the subsidiaries of the Company or any pension funds of the Group nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

(ii) no persons (save and except the Offeror pursuant to the Share and Asset Purchase Agreement) who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

(iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) has been entered into or amended within six months before 18 May 2009, being the commencement date of the Offer Period, (ii) is a continuous contract with a notice period of 12 months or more, or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group after the date two years before the commencement of the Offer Period on 18 May 2009 up to and including the Latest Practicable Date, and are or may be material:

(a) the instrument of novation, amendment, joinder and release entered into amongst American Standard Inc. ("**ASI**"), A-S (Guangzhou) Enamelware Company Limited ("**A-S Guangzhou**") and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the A-S Guangzhou Technical Assistance Contract being the technical assistance contract entered into between A-S Guangzhou and ASI dated 1 April 2006;

(b) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S (Shanghai) Pottery Co., Ltd. ("**A-S Shanghai**") and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the A-S Shanghai Technical Assistance Agreement being the technical assistance agreement entered into between A-S Shanghai and ASI on 29 April 1994 (the term of which was extended by two extension agreements entered into between the same parties on 16 June 2003 and 1 January 2006, respectively) (the "**Novation Agreement regarding the A-S Shanghai TAA**");

(c) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S (Tianjin) Pottery Co., Ltd. ("**A-S Tianjin**") and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the A-S Tianjin Technical Assistance Agreement being the technical assistance agreement entered into between A-S Tianjin and ASI on 23 February 1994 (the term of which was extended by an extension agreement entered into between the same parties on 1 January 2006) (the "**Novation Agreement regarding the A-S Tianjin TAA**");

(d) the instrument of novation, amendment, joinder and release entered into amongst ASI, American Standard (Jiangmen) Fittings Co., Ltd. (formerly known as A-S (Jiangmen) Fittings Co., Ltd. ("**A-S Jiangmen**")) and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under a technical assistance agreement entered into between Ultrawide (Xinhui) Plumbing Mfg. ("**Ultrawide**") (the predecessor of A-S Jiangmen) and ASI on 14 January 1994 (the "**Novation Agreement regarding the A-S Jiangmen TAA**");

(e) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Guangzhou and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the A-S Guangzhou Export Distributorship Agreement being the export distributorship agreement entered into between A-S Guangzhou and ASI on 31 October 1994 (the term of which was extended by two extension agreements entered into between the same parties on 16 June 2003 and 1 January 2006, respectively);

(f) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Shanghai and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the A-S Shanghai Export Distributorship Agreement being the export distributorship agreement entered into between A-S Shanghai and ASI on 29 April 1994 (the term of which was extended by two extension agreements entered into between the same parties on 16 June 2003 and 1 January 2006, respectively) (the "**Novation Agreement regarding the A-S Shanghai EDA**");

(g) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Tianjin and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the A-S Tianjin Export Distributorship Agreement being the export distributorship agreement entered into between A-S Tianjin and ASI on 31 January 1994 (the term of which was extended by two extension agreements entered into between the same parties on 16 June 2003 and 1 January 2006, respectively) (the "**Novation Agreement regarding the A-S Tianjin EDA**");

(h) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Jiangmen and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the A-S Jiangmen Export Distributorship Agreement being the export distributorship agreement entered into between Ultrawide and ASI on 14 January 1994 (the term of which was extended by two extension agreements entered into between the same parties on 16 June 2003 and 1 January 2006, respectively) (the "**Novation Agreement regarding the A-S Jiangmen EDA**");

(i) the instrument of novation, amendment, joinder and release entered into amongst ASI, Hua Mei Sanitary Ware Co., Ltd. ("**Hua Mei**") and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under an export distributorship agreement entered into between Hua Mei and ASI on 5 June 1985 (the "**Novation Agreement regarding the Hua Mei EDA**");

(j) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Guangzhou and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the trademark licence agreement entered into between A-S Guangzhou and ASI on 3 December 1994;

(k) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Shanghai and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the trademark licence agreement entered into between A-S Shanghai and ASI on 29 April 1994 (the "**Novation Agreement regarding the A-S Shanghai TLA**");

(l) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Tianjin and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the trademark licence agreement entered into between A-S Tianjin and ASI on 23 February 1994 (the "**Novation Agreement regarding the A-S Tianjin TLA**");

(m) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Jiangmen and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the trademark licence agreement entered into between Ultrawide and ASI on 14 January 1994 (the "**Novation Agreement regarding the A-S Jiangmen TLA**");

(n) the instrument of novation, amendment, joinder and release entered into amongst ASI, Hua Mei and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the trademark licence and knowhow transfer agreement entered into between Hua Mei and ASI on 5 June 1985 (the "**Novation Agreement regarding the Hua Mei TLA**");

(o) the instrument of novation, amendment, joinder and release entered into amongst ASI, A-S Tianjin and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the management assistance agreement entered into between A-S Tianjin and ASI on 23 February 1994 (the "**Novation Agreement regarding the A-S Tianjin MAA**");

(p) the instrument of novation, amendment, joinder and release entered into amongst ASI, Hua Mei and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under the management agreement entered into between Hua Mei and ASI on 5 June 1985 (the "**Novation Agreement regarding the Hua Mei MAA**");

(q) the instrument of novation, amendment, joinder and release entered into amongst ASI, the Company and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of ASI under (i) the Management and Administrative Assistance Agreement being the management and administrative assistance agreement entered into between the Company and ASI on 20 April 1994 (the term of which was extended by two extension agreements entered into between the same parties on 16 June 2003 and 1 January 2006) and (ii) the intellectual property agreement between ASI and the Company dated 1 January 1996 (the "**Novation Agreement regarding the ASPPL MAA and IPA**");

(r) the instrument of novation, amendment, joinder and release entered into amongst American Standard, the Company and Ideal Standard Global dated 12 October 2007 for the purpose of transferring and novating the benefits, rights and obligations of American Standard under (i) the ASCI Reimbursement Agreement being the reimbursement agreement between American Standard Companies Inc. and the Company dated 16 June 2003 (the term of which was extended by an extension agreement entered into between the same parties dated 1 January 2006) and (ii) the 2006 ASCI Reimbursement Agreement being the reimbursement agreement between American Standard Companies Inc. and the Company dated 1 January 2006 (the "**Novation Agreement regarding ASPPL Reimbursements**");

(s) the framework agreement dated 23 September 2008 entered into among Wei Ya Industry Company Limited ("**Wei Ya**"), Industrial Development Corporation Limited of Guangzhou Economic & Technological Development Zone ("**Industrial Development Corporation**"), the Company, A-S (China) Co., Ltd. ("**ASCC**") and A-S Guangzhou;

(t) the share transfer agreement dated 31 March 2009 entered into among Wei Ya, Industrial Development Corporation and A-S Jiangmen;

(u) the real property transfer contract dated 31 March 2009 entered into among A-S Guangzhou and Industrial Development Corporation;

(v) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Jiangmen EDA**") dated 26 June 2009 entered into amongst the Offeror, A-S Jiangmen and Ideal Standard Global for the purpose of transferring and novating the benefits, rights, obligations of Ideal Standard Global to the Offeror under the Novation Agreement regarding the A-S Jiangmen EDA (the term of which was extended by an extension agreement entered into between Ideal Standard Global and A-S Jiangmen on 25 November 2008);

(w) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Shanghai EDA**") dated 26 June 2009 entered into amongst the Offeror, A-S Shanghai and Ideal Standard Global for the purpose of transferring and novating the benefits, rights, obligations of Ideal Standard Global to the Offeror under the Novation Agreement regarding the A-S Shanghai EDA (the term of which was extended by an extension agreement entered into between Ideal Standard Global and A-S Shanghai on 25 November 2008);

(x) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Tianjin EDA**") dated 26 June 2009 entered into amongst the Offeror, A-S Tianjin and Ideal Standard Global for the purpose of transferring and novating the benefits, rights, obligations of Ideal Standard Global to the Offeror under the Novation Agreement regarding the A-S Tianjin EDA (the term of which was extended by an extension agreement entered into between Ideal Standard Global and A-S Tianjin on 25 November 2008);

(y) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the Hua Mei EDA**") dated 26 June 2009 entered into amongst the Offeror, Hua Mei and Ideal Standard Global for the purpose of transferring and novating the benefits, rights and obligations of Ideal Standard Global to the Offeror under the Novation Agreement regarding the Hua Mei EDA;

(z) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the ASPPL MAA and IPA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and the Company for the purpose of transferring and novating the benefits, rights and obligations of Ideal Standard Global under, amongst other things, the Novation Agreement regarding the ASPPL MAA and IPA (the term of the management and administrative assistance agreement under the Novation Agreement regarding the ASPPL MAA and IPA was extended by an extension agreement entered into between Ideal Standard Global and the Company on 25 November 2008);

(aa) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Shanghai TLA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and A-S Shanghai for the purpose of transferring and novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the A-S Shanghai TLA;

(bb) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Tianjin TLA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and A-S Tianjin for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the A-S Tianjin TLA;

(cc) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Jiangmen TLA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and A-S Jiangmen for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the A-S Jiangmen TLA;

(dd) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the Hua Mei TLA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and Hua Mei for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the Hua Mei TLA;

(ee) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Shanghai TAA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and A-S Shanghai for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the A-S Shanghai TAA (the term of which was extended by an extension agreement entered into Ideal Standard Global and A-S Shanghai on 25 November 2008);

(ff) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Tianjin TAA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and A-S Tianjin for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the A-S Tianjin TAA (the term of which was extended by an extension agreement entered into between Ideal Standard Global and A-S Tianjin on 25 November 2008);

(gg) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Jiangmen TAA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and A-S Jiangmen for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the A-S Jiangmen TAA (the term of which was extended by an extension agreement entered into between Ideal Standard Global and A-S Jiangmen on 25 November 2008);

(hh) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the A-S Tianjin MAA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and A-S Tianjin for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the A-S Tianjin MAA (the term of which was extended by an extension agreement entered into between Ideal Standard Global and A-S Tianjin on 25 November 2008);

(ii) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding the Hua Mei MAA**") dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and Hua Mei for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding the Hua Mei MAA; and

(jj) the second instrument of novation, amendment, joinder and release (the "**New Novation Agreement regarding ASPPL Reimbursements**) dated 26 June 2009 entered into amongst the Offeror, Ideal Standard Global and the Company for the purpose of transferring, novating the benefits, rights and obligations of Ideal Standard Global under the Novation Agreement regarding ASPPL Reimbursements (the term of which was extended by two separate extension agreements both dated 25 November 2008 entered into between the Company and Ideal Standard Global regarding the reimbursements from the Company and the reimbursements to the Company respectively).

9. EXPERT AND CONSENT

(a) The name and qualification of the professional adviser who has given opinions or advice which are contained or referred to in this offeree board circular are set out below:

Name	Qualification
Centurion Corporate Finance Limited	a corporation 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 under the SFO

(b) Centurion Corporate Finance Limited, being the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this offeree board circular with the inclusion in this offeree board circular of the text of its letter and references to its name in the form and context in which they appear.

10. MISCELLANEOUS

(a) None of the Directors will be given any benefit (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

(b) There is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

(c) The English text of this offeree board circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection while the Offer remains open for acceptance (a) at the office of the Company at Suite 3703, Office Tower, Langham Place, 8 Argyle Street, Kowloon, Hong Kong, between 9:00 a.m. and 6:00 p.m. (except Saturdays, Sundays and public holidays), (b) on the website of the Company at www.asppl.com and (c) on the website of the SFC at www.sfc.hk:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2008;

(c) the letter from the Board dated 24 July 2009, the text of which is set out on pages 7 to 12 of this offeree board circular;

(d) the letter from the Independent Board Committee dated 24 July 2009, the text of which is set out on page 13 of this offeree board circular;

(e) the letter from the Independent Financial Adviser dated 24 July 2009, the text of which is set out on pages 14 to 52 of this offeree board circular;

(f) the material contracts referred to in the section headed "Material Contracts" in this Appendix II;

(g) the written consent referred to in the section headed "Expert and Consent" in this Appendix II; and

(h) this offeree board circular.