

# **ASPPL**

**A - S China Plumbing Products Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code : 8262**

## **Third Quarterly Report**

**For the nine months ended 30 September 2009**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Operations Review**

- Total turnover of the Group for the three months ended 30 September 2009 amounted to approximately US\$33.24 million (2008: US\$30.08 million) and turnover for the nine months ended 30 September 2009 amounted to US\$81.85 million (2008: US\$88.75 million).
- Domestic sales and export sales for the nine months ended 30 September 2009 decreased by 3% and 13% respectively compared to the same period last year, resulted from a significant softening of the underlying market since the second half of year 2008. However, the market has seen a slight recovery in 2009 Q3 and the total turnover increased by 11% compared to the same period last year.
- The gross profit margin of the nine months increased by 7.7% to 36.4% compared to the same period last year principally due to the improving manufacturing performance including material saving, gas conversions, restructuring program etc.; meanwhile, the actions taken to increase price in 2008 and the stronger focus on retail execution from 2009 are also the key drivers.
- The Group recorded a net profit after minority interests of approximately US\$0.05 million during the nine months ended 30 September 2009 compared to a net loss after minority interests of approximately US\$11.4 million in the same period last year. The net loss during the period of last year was mainly due to a provision of restructuring costs incurred for the liquidation of a subsidiary of approximately US\$9.0 million.

### **Prospect**

- Despite the downturn of global economic environment, management is guardedly confident that domestic sales will strengthen as the year progresses based on the tendency of domestic macro-economy recovery.

### **FOREIGN CURRENCY EXPOSURE**

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

## QUARTERLY RESULTS FOR THE NINE MONTHS AND THREE MONTHS ENDED 30 SEPTEMBER 2009

The board of directors of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months and three months ended 30 September 2009 together with the comparative unaudited consolidated results for the corresponding period in 2008 (the “Relevant Periods”) as follows:

### Condensed Consolidated Income Statements

	Notes	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
REVENUE	4	33,242	30,081	81,846	88,751
Cost of sales		(20,146)	(21,574)	(52,089)	(63,274)
Gross profit		13,096	8,507	29,757	25,477
Other (expenses)/profit, net		(13)	24	(202)	(174)
Distribution costs		(1,395)	(1,170)	(3,277)	(3,335)
Administrative and other operating expenses		(7,997)	(7,709)	(22,371)	(21,561)
Restructuring costs		-	(8,989)	-	(8,989)
PROFIT/(LOSS) BEFORE TAX		3,691	(9,337)	3,907	(8,582)
Tax	5	(1,202)	(379)	(2,540)	(2,047)
PROFIT/(LOSS) FOR THE PERIOD		<u>2,489</u>	<u>(9,716)</u>	<u>1,367</u>	<u>(10,629)</u>
Attributable to:					
Equity holders of the parent		1,865	(10,006)	53	(11,404)
Minority interests		624	290	1,314	775
		<u>2,489</u>	<u>(9,716)</u>	<u>1,367</u>	<u>(10,629)</u>
Basic/diluted earnings/(loss) per share for earnings/(loss) attributable to the equity holders of the Company during the period (US cents)	6	<u>1.23</u>	<u>(6.62)</u>	<u>0.04</u>	<u>(7.55)</u>

## Condensed Consolidated Statements of Comprehensive Income

	Unaudited three months		Unaudited nine months	
	ended 30 September		ended 30 September	
	2009	2008	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Profit/(Loss) for the period</b>	2,489	(9,716)	1,367	(10,629)
<b>Other comprehensive income</b>				
Currency translation differences	412	12	412	4,743
	<u>412</u>	<u>12</u>	<u>412</u>	<u>4,743</u>
<b>Other comprehensive income for the period, net of tax</b>	412	12	412	4,743
	<u>412</u>	<u>12</u>	<u>412</u>	<u>4,743</u>
<b>Total comprehensive income for the period</b>	2,901	(9,704)	1,779	(5,886)
	<u><u>2,901</u></u>	<u><u>(9,704)</u></u>	<u><u>1,779</u></u>	<u><u>(5,886)</u></u>
<b>Total comprehensive income attributable to:</b>				
- equity holders of the Company	2,251	(10,002)	439	(7,339)
- minority interest	650	298	1,340	1,453
	<u>650</u>	<u>298</u>	<u>1,340</u>	<u>1,453</u>
	<u><u>2,901</u></u>	<u><u>(9,704)</u></u>	<u><u>1,779</u></u>	<u><u>(5,886)</u></u>

## Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent										
	Issued share capital	Share premium account	Reserve fund	Expansion reserve	Exchange fluctuation reserve	Share Option reserve	Other reserve	Retained profits	Total	Minority interest	Total equity
<i>Notes</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2008	1,510	60,616	7,008	1,581	6,255	604	-	9,807	87,381	11,175	98,556
Total comprehensive income for the period ended 30 September 2008	-	-	-	-	4,065	-	-	(11,404)	(7,339)	1,453	(5,886)
Balance at 30 September 2008	<u>1,510</u>	<u>60,616</u>	<u>7,008</u>	<u>1,581</u>	<u>10,320</u>	<u>604</u>	<u>-</u>	<u>(1,597)</u>	<u>80,042</u>	<u>12,628</u>	<u>92,670</u>
Balance at 1 January 2009	1,510	60,616	7,141	1,581	10,111	604	-	(2,868)	78,695	13,059	91,754
Total comprehensive income for the period ended 30 September 2009	-	-	-	-	386	-	-	53	439	1,340	1,779
Waiver of amounts due from/to related parties	7	-	-	-	-	-	4,452	-	4,452	-	4,452
Dividend declared or paid to minority interest shareholders		-	-	-	-	-	-	-	-	(1,815)	(1,815)
Balance at 30 September 2009	<u>1,510</u>	<u>60,616</u>	<u>7,141</u>	<u>1,581</u>	<u>10,497</u>	<u>604</u>	<u>4,452</u>	<u>(2,815)</u>	<u>83,586</u>	<u>12,584</u>	<u>96,170</u>

*Notes to the condensed consolidated interim financial statements:*

**1. GENERAL INFORMATION**

A-S China Plumbing Products Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 14 December 1993 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares have been listed on the Growth Enterprise Market (the GEM) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 July 2003. The Company’s registered office address is P.O. Box 309 Ugland House, South Church Street, Grand Cayman, the Cayman Islands.

During the period, the Company remained an investment holding company and its subsidiaries were principally engaged in the manufacture, sale and distribution of plumbing products in Mainland China (the “PRC”). The Company and its subsidiaries are collectively referred to as the “Group” in this unaudited consolidated financial results.

As at 30 September 2009, in the opinion of the Directors, the immediate holding company of the Company is INAX Corporation. INAX Corporation is a wholly-owned subsidiary of JS Group Corporation, a company listed in Japan.

The unaudited consolidated financial results together with the notes thereto are presented in US dollars, unless otherwise stated. The condensed consolidated interim financial information was approved and authorised for issue by the board of directors of the Company on 10 November 2009.

**2. BASIS OF PRESENTATION**

The unaudited consolidated financial results for the nine months ended 30 September 2009 has been prepared in accordance with Hong Kong Accounting standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting standards (“HKFRSs”).

**3. ACCOUNTING POLICIES**

Except as described below, the accounting policies applied are consistent with those used for the preparation of the Company’s annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

### **3. ACCOUNTING POLICIES (CONTINUED)**

- HKAS 1 (revised), 'Presentation of financial statements'.

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The condensed consolidated interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'.

HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

The condensed consolidated interim financial information has been prepared in accordance with the revised disclosure requirements.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'.

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.



### **3. ACCOUNTING POLICIES (CONTINUED)**

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), 'Borrowing costs'.
- HKFRS 2 (amendment), 'Share-based payment'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items.
- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures'.
- HK(IFRIC) 17, 'Distributions of non-cash assets to owners'.
- HK(IFRIC) 18, 'Transfers of assets from customers'.

HKICPA's improvements to HKFRS published in May 2009:

- Amendment to HKFRS 2 'Share-based payment'.
- Amendment to HKFRS 5 'Non-current assets held for sale and discontinued operations'.
- Amendment to HKFRS 8 'Operating segments'.
- Amendment to HKAS 1 'Presentation of financial statements'.

### 3. ACCOUNTING POLICIES (CONTINUED)

- Amendment to HKAS 7 'Statement of cash flows'.
- Amendment to HKAS 17 'Leases'.
- Amendment to HKAS 36 'Impairment of assets'.
- Amendment to HKAS 38 'Intangible assets'.
- Amendment to HKAS 39 'Financial instruments: Recognition and measurement'.
- Amendment to HK(IFRIC) 9 'Reassessment of embedded derivatives'.
- Amendment to HK(IFRIC) 16 'Hedges of a net investment in a foreign operation'.

### 4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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 class of customers and distribution methods. The products of the Group are also subject to similar risks and returns and therefore, the Group has only one business segment.

	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Segment Revenue</b>				
Mainland China	17,354	15,439	43,494	44,727
North America	2,807	3,026	10,129	8,922
European countries	8,652	6,280	17,882	22,189
Others	4,431	5,336	10,341	12,913
Total	<u>33,242</u>	<u>30,081</u>	<u>81,846</u>	<u>88,751</u>

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

## 5. TAX

	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax provision in respect of:				
PRC income tax	<u>1,202</u>	<u>379</u>	<u>2,540</u>	<u>2,047</u>

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

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

PRC income tax for 2009 is calculated based on the statutory income tax rate of 25% (2008: 25%) of the assessable income of the Group except for certain subsidiaries which are taxed at preferential rates of 20% (2008: 18%) based on the relevant PRC tax rules and regulations.

The Company and two subsidiaries are in tax loss position so effective tax rate is not 25%.

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

The calculation of unaudited basic earnings per share for the nine months ended 30 September 2009 was based on the unaudited net profit for the period attributable to equity holders of the Company of US\$53,000 (Nine months ended 30 September 2008: net loss of US\$11,404,000), and the weighted average number of issued ordinary shares of 151,034,000 (2008: 151,034,000) during the period.

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

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

The calculation of basic earnings/(loss) per share is based on:

	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(loss):				
Profit/(loss) attributable to equity holders of the Company used in the basic earnings/(loss) per share calculation	<u>1,865</u>	<u>(10,006)</u>	<u>53</u>	<u>(11,404)</u>
Share:				
Weighted average number of shares in issue during the period used in basic earnings/(loss) per share calculation	<u>151,034</u>	<u>151,034</u>	<u>151,034</u>	<u>151,034</u>
	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
Basic earnings/(loss) per share attributable to equity holders of the Company	<u>1.23</u>	<u>(6.62)</u>	<u>0.04</u>	<u>(7.55)</u>

**7. WAIVER OF AMOUNT DUE FROM/TO RELATED PARTIES**

In June 2009, a receivable of USD1.7 million due from Ideal Standard Global Ltd ("ISG") was waived, based on the resolution of the Board of Directors of the Company that the receivable would be waived on the condition that ISG waived USD2.9 million of trademark and technical assistance fee charges due from A-S Guangzhou Bathtubs, a subsidiary of the Group, and that ISG had confirmed they agreed to waive the charges.

On top of the waiver of charges due from A-S Guangzhou Bathtubs as described above, Ideal Standard International BVBA also waived trademark and technical assistance fee charges due from other subsidiaries of the Group amounted to USD3.3 million.

The net amount of USD4.5 million was transferred to other reserve under equity.

## **8. POST BALANCE SHEET EVENTS**

On 22 October 2009, A-S (Guangzhou) Enamelware Company Limited (“A-S Guangzhou Bathtubs”), a subsidiary of the Company, entered into a binding Agreement with CCCC Guangzhou Dredging Co., Ltd. for the disposal of a property comprising two-storeyed factory building situate at No. 98 Dongjiang Road, Guangzhou Economic & Technological Development Zone, the PRC (“Property”), at the consideration of approximately USD6.6 million. The net book value of the Property (after taking into account the depreciation and impairment charges for the factory building) amounted to approximately USD2.5 million as at 31 December 2008. The Group is expected to realise a gross profit of approximately of USD4.1 million based on the consideration minus the net book value of the Property.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: nil).

## **DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES**

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## **DISCLOSURE OF INTERESTS**

### **(a) Directors’ and chief executive’s interests and short positions in shares and underlying shares**

As at 30 September 2009, none of the Directors and chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) had or was deemed to have any interests in or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the securities and Futures Ordinance (the “SFO”), which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”), to be notified to the Company and the Stock Exchange.

## DISCLOSURE OF INTERESTS (CONTINUED)

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

As at 30 September 2009, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the issued share capital of the Company and were recorded in the register of interest required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Number of ordinary shares held	Capacity and nature of interest	Approximate percentage of holding
INAX Corporation (Note 1)	130,122,042	Corporate benefit owner	86.15%
JS Group Corporation (Note 1)	130,122,042	Interest in controlled corporation	86.15%
Clearwater Capital GP (III), Ltd. (Note 2)	15,088,297	Interest in controlled corporation	9.99%
Clearwater Capital Partners Holdings, LLC (Note 2)	15,088,297	Interest in controlled corporation	9.99%
Clearwater Capital Partners, LLC (Note 2)	15,088,297	Investment manager	9.99%
Petty Robert Dean (Note 2)	15,088,297	Interest in controlled corporation	9.99%
RDP Holdings, LLC (Note 2)	15,088,297	Interest in controlled corporation	9.99%

*Note 1:* Pursuant to a Share and Asset Purchase Agreement dated 18 May 2009 entered into between INAX Corporation and Ideal Standard International, INAX Corporation agreed to, inter alia, make a voluntary conditional cash offer to acquire all the shares in the Company subject to satisfaction or waiver of certain conditions precedent, and Ideal Standard International agreed to cause all the shares in the Company held by it and its affiliates to be tendered in such offer. Completion under the Share and Asset Purchase Agreement took place on the day of 2 July 2009. INAX Corporation is a wholly-owned subsidiary of JS Group Corporation. JS Group Corporation is therefore deemed to be interested in the interests of INAX Corporation under Part XV of the SFO.

*Note 2:* Petty Robert Dean, RDP Holdings, LLC, Clearwater Capital GP (III), Ltd. and Clearwater Capital Partners Holdings, LLC SCA are taken to have an interest in the shares of the Company held by Clearwater Capital Partners, LLC due to their direct or indirect control over, and therefore are deemed under Part XV of the SFO to be interested in the interests of Clearwater Capital Partners, LLC in the Company.

## **DISCLOSURE OF INTERESTS** *(CONTINUED)*

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

As disclosed above, as at 30 September 2009, no other person (other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above) had registered an interest or short position in the shares and underlying shares or debentures of the Company or any of its associated corporation that was required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## **SHARE OPTION SCHEMES**

As at 30 September 2009, the Company did not have any share option scheme in place.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2009.

## **BOARD PRACTICES AND PROCEDURES**

The Company complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the nine months ended 30 September 2009.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company complied with the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company had made specific enquiry of all directors whether its directors have complied with, or whether there have been any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors during the nine months ended 30 September 2009.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the nine months ended 30 September 2009.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. During the period ended 30 September 2009, the audit committee had three members, comprising of three independent non-executive directors, Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi with Mr. Wong Kin Chi serving as the chairman of the committee. The audit committee has reviewed the Group’s Third Quarterly Report for the period ended 30 September 2009.

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

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

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

Hong Kong, 10 November 2009