ASPPL

A-S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report

For the six months ended 30 June 2003

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This report, for which the directors of A-S China Plumbing Products Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

HIGHLIGHTS

- Turnover for the six months ended 30 June 2003 rose approximately 29.5% to approximately US$34.6 million compared to the same period in 2002.
- The Group recorded operating and net profit for the six months ended 30 June 2003 whereas it made operating and net loss in the same period in 2002.
- The net cash inflow from operating activities for the six months ended 30 June 2003 increased approximately 133% to approximately US$238,000 compared to the same period in 2002.
- The board does not recommend the payment of an interim dividend for the six months ended 30 June 2003.
- While the export sales to North America were significantly higher in the first half of 2003 compared to the same period last year, we noted some slow down in the second quarter compared to the first quarter this year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and operations review

— Severe Acute Respiratory Syndrome ("SARS") hit the PRC hard in the second quarter, although the extent of impact varied by regions. Hong Kong and Guangdong were the first on the casualty list, followed by Beijing/Tianjin/Hebei in May. Shanghai, Jiangsu and the rest of the PRC were affected to a lesser extent. The impact to our business was caused by two direct effects of SARS: (i) consumers were afraid to go shopping; and (ii) decoration projects were postponed and in some cities, banned altogether. Fortunately SARS seems to be moving away and we are expecting business to be back to normal in the third quarter.

— In spite of the weaker domestic market caused by the outbreak of SARS, A-S China Plumbing Products Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") reported higher overall sales in the second quarter and the first half of 2003 over the same periods last year attributable to higher export sales. Gross profit for the second quarter increased by US$510,000 as compared with same period last year and gross profit for the first half of 2003 increased by US$2,389,000 as compared with same period last year. The board of directors is pleased to report that, compared to same period last year, net profit was US$747,000 better in the second quarter and US$1,415,000 better in the first half of this year.

— While the export sales to North America were significantly higher in the first half of 2003 compared to the same period last year, we noted some slow down in the second quarter compared to the first quarter this year.

— On the business side, we focused on the fundamentals of new product development, continued to re-build our retail network, ramping up our project selling capability and, last but not the least, chased up each and every selling opportunity to cover for lost sales in SARS-hit areas.

Prospects

— With the gradual abatement of SARS and an anticipated recovery in the retail sector, plus incremental sales generated from the new products launched in the first half of the year, the board of directors expects the domestic sales in the second half of the year to be better than the first half of the year and the same period last year. However, due to a slowing down of our key export markets, we expect that the Group's export sales growth in the second half of 2003 will slow down accordingly.

— The Group will continue to upgrade its retail network by upgrading the image of its retail shops and moving to better locations and will continue to develop the channel to gain better access to our customers in the new construction, renovation and replacement markets.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operation was principally financed by cash flows generated internally. As at 30 June 2003, the Group's cash and cash equivalents amounted to approximately US$21 million, of which 75% was denominated in US$. The Group adopts a conservative approach to its treasury policy. Cash is generally placed in short-term interest bearing deposits denominated in US$ with authorized financial institutions in Hong Kong and the PRC.

As at 30 June 2003, the Group did not have any bank borrowings or finance lease obligations.

As at 30 June 2003, the Group had performance bonds of approximately US$1,971,000, which were secured by the Company's time deposits of the same amount.

On 21 May 2003, the Group obtained a bank credit facility of US2,000,000, which is secured by the irrevocable and unconditional corporate guarantee of the Company. The credit facility is obtained for the issuance of performance bonds and has not been utilized as at 30 June 2003.

As at 30 June 2003, the Group's total current assets and total current liabilities were US$52 million and US$27 million, respectively; the current ratio (current assets/current liabilities) of the Group was 1.9 as compared with 1.7 as at 31 December 2002.

As at 30 June 2003, the Group's total assets and total liabilities were US$133 million and US$30 million, respectively; the gearing ratio (total assets/total liabilities) of the Group was 4.4 as compared with 4.2 as at 31 December 2002.

The directors are of the opinion that, taking into account the banking facility available and internal financial resources of the Group, the Group has sufficient working capital for its present requirements.

On 19 June 2003, upon the delivery of the listing document of the Company (the "Listing Document") dated 19 June 2003 to the Exchange, the capital reorganisation of the Company as detailed in appendix IV of the Listing Document became unconditional. Apart from these, there has been no change in the capital structure of the Company during the six months ended 30 June 2003.

A-S (Jiangmen) Fittings Co., Ltd. ("A-S Jiangmen Fittings") is in the process of increasing its total investment and registered capital from US$7.85 million to US$10.85 million. After the increase in the total investment and registered capital, Ultrawide Engineering Limited's contribution to the total investment and registered capital will increase from US$7.85 million to US$10.6 million, representing an increase in shareholding percentage from 96.8% to 97.7%, and A-S (China) Co., Ltd.'s ("A-S (China)") shareholding percentage will decrease from 3.2% to 2.3%. The said increase in the total investment and registered capital of A-S (Jiangmen) Fittings is anticipated to be completed by October 2003.

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"). Since the exchange rate fluctuation between US$ and RMB is minimal, the directors consider that the Group is not significantly exposed to any exchange risk and accordingly, the Group did not utilize any financial instruments in the foreign currency market to hedge against the risk of fluctuation of the RMB in relation to other foreign currencies. The directors believe that, having regard to the working capital position of the Group, the Group is able to meet its future exchange liabilities, if any, as they become due.

CONTINGENT LIABILITIES

As at 30 June 2003, the Group had contingent liabilities in connection with performance bonds of approximately US$2.0 million issued by a bank to the Group's customers, which were secured by the Company's time deposits of the same amount. The Group had no other material contingent liabilities as at the same date.

As at 30 June 2003, the Group had no debt securities issued, outstanding and authorized or otherwise created but unissued.

FUTURE PLANS FOR INVESTMENT OR CAPITAL ASSETS

The Group's future plans for investment or capital assets will be in line with the "Statement of Business Objectives and Strategies" as contained in the Listing Document. The Group plans to increase the utilisation of its existing production facilities, which the directors expect will reduce the average cost of sales. The directors believe that the Group will have sufficient production capacity to support anticipated growth in sales without further material capital expenditure on production facilities in the near future.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2003, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT

During the six months ended 30 June 2003, the Group had no significant new investments.

EMPLOYEE INFORMATION

As at 30 June 2003, the Group employed 2,672 employees in the PRC. Total staff cost (including directors' remuneration) of the Group stood at approximately US$5 million for the six months ended 30 June 2003. Employees are remunerated according to their performance and working experience. In addition to the basic salaries, the employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Company's subsidiaries in the PRC are required to contribute between 19% to 22.5% of payroll costs to the central pension scheme.

The Group provides on-the-job training and other ongoing training opportunities to its staff to enhance their technical and managerial skills. Special training programmes are organized for senior technical and managerial staff on managerial and quality control and other production related skills including Six Sigma, materials management and demand flow manufacturing techniques.

COMPARISION OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS OPERATION

The following is a comparison of the actual business progress in the period from 1 January 2003 to 30 June 2003 (the "Review Period") and the business objectives as set out on pages 122 of the Listing Document. To attain our long-term business goals, the Group reviews its business objectives and strategies on an ongoing basis and makes adjustments as necessary.

Business objectives for the Review Period as set out in the Listing Document	***Actual business progress in the Review Period***
Strategic Development	
— During the period, no facility expansion is contemplated. The directors believe maintaining low costs will be critical in plumbing products market, the Group will continue its drive to improve manufacturing performance through the implementation of Six Sigma programmes. The number of staff members of the Group who will receive training under the Six Sigma programmes at all levels, especially the elementary and intermediary levels, is expected to increase during this period. These efforts will be made in relation to each of the Group's three product lines.	— As planned, no facility expansion was implemented. 698 employees were trained under the Six Sigma programmes at all levels. A Six Sigma Champion programme which was originally planned to be carried out in the first half of this year was however required to be postponed to July this year because of SARS.

Business objectives for the Review Period as set out in the Listing Document	*Actual business progress in the Review Period*
Sales and Marketing and Product Development	
— Sales outlet expansion will continue from 260 outlets at the end of 2002 to 280 outlets by 30 June 2003.The number of cities in which the Group is represented by at least one authorized retail outlet will be increase from 110 at the end of 2002 to around 120 by 30 June 2003.	— Number of retail outlets stood at 274 spread over 117 cities by 30 June 2003, slightly below our plan of 280 retail outlets in 120 cities primarily due to the weakened sentiment in the retail market, which was most severely impacted by SARS.
— The Group plans to review its logistics system as the infrastructure in China improves and opportunities arise for the creation of distribution center in key areas in China.	— The Group added two new distribution centers in Tianjin and Guangdong as planned, which helped to improve our logistics support to our Do-It-Yourself customers in the North and South regions.
— New products in ceramic sanitaryware, plumbing fittings and bathtubs are expected to be launched.	— Over 37 new products were launched in the first half of 2003 and we expect these new products will help to lift our domestic sales in the second half of 2003.
— Efforts to improve brand awareness and position will be stepped up during this period with programmes aimed at attracting customers to visit the Group's outlets.	— As planned, a number of consumer promotion programmes were implemented in the first half of 2003 to attract customers to visit our shops.
Human Resources	
— The Group will continue its emphasis on providing appropriate training to its authorized dealers and other personnel on product knowledge, sales techniques and other business practices.	— A total of 51,888 man-hours of training were delivered to our employees in the first half of 2003 on the areas of product knowledge, sales, technical, management and other skills.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003 - (UNAUDITED)

The board of directors is pleased to announce the unaudited interim financial results of the Group for the three months and the six months ended 30 June 2003 together with the comparative unaudited consolidated results for the respective corresponding periods in 2002 (the "Relevant Periods") as follows:

Condensed Consolidated Profit And Loss Account

		Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	Notes	**2003**	**2002**	**2003**	**2002**
		US$'000	*US$'000*	*US$'000*	*US$'000*
TURNOVER	*3*	18,486	16,209	34,588	26,716
Cost of sales		(12,581)	(10,814)	(24,964)	(19,481)
Gross profit		5,905	5,395	9,624	7,235
Other revenue/ (expenses), net		19	(131)	(341)	(107)
Distribution costs		(539)	(555)	(939)	(851)
Administrative and other operating expenses		(3,293)	(3,516)	(6,759)	(6,630)
PROFIT/(LOSS) FROM OPERATING ACTIVITES	*4*	2,092	1,193	1,585	(353)
Finance costs		—	(23)	—	(46)
PROFIT/(LOSS) BEFORE TAX		2,092	1,170	1,585	(399)
Tax	*5*	(285)	(228)	(446)	(323)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		1,807	942	1,139	(722)
Minority interests		(374)	(256)	(573)	(127)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		1,433	686	566	(849)
Dividend		—	—	—	—
Earnings/(loss) per share (US cents) Basic	*6*	0.95	0.45	0.37	(0.56)

Condensed Consolidated Balance Sheet

	Notes	Unaudited 30 June 2003 US$'000	Audited 31 December 2002 US$'000
NON-CURRENT ASSETS			
Fixed assets	7	61,592	63,580
Goodwill	8	2,377	2,467
Intangible assets	9	17,260	17,626
		81,229	83,673
CURRENT ASSETS			
Due from group companies	10	5,894	8,710
Prepayments, deposits and other receivables		6,059	4,345
Inventories	11	8,653	7,491
Trade receivables	12	7,962	7,407
Cash and cash equivalents	13	21,327	22,222
Pledged time deposits	13	1,971	834
		51,866	51,009
CURRENT LIABILITIES			
Due to group companies	14	7,926	9,956
Dividend payable		132	132
Trade payables	15	6,799	6,068
Corporate income tax payable		179	399
Other payables, deposits and accrued liabilities		12,290	13,180
		27,326	29,735
NET CURRENT ASSETS		24,540	21,274
TOTAL ASSETS LESS CURRENT LIABILITIES		105,769	104,947
NON-CURRENT LIABILITY			
Due to holding company	16	(2,362)	(2,652)
		103,407	102,295
Minority interests		(15,759)	(15,186)
		87,648	87,109
CAPITAL AND RESERVES	17		
Issued capital		11	11
Reserves		87,637	87,098
		87,648	87,109

Consolidated Statement of Changes in Equity (Unaudited)

	Issued capital	Share premium account	Reserve fund	Expansion reserve	Exchange fluctuation reserve	Accumu-lated losses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2003	11	88,814	2,843	908	(3,006)	(2,461)	87,109
Exchange realignment	–	–	–	–	(27)	–	(27)
Net gains and losses not recognized in the profit and loss account	–	–	–	–	(27)	–	(27)
Net profit for the period	–	–	–	–	–	566	566
At 30 June 2003	11	88,814	2,843	908	(3,033)	(1,895)	87,648
At 1 January 2002	11	88,814	2,558	908	(2,831)	(2,765)	86,695
Exchange realignment	–	–	–	–	55	–	55
Net gains and losses not recognized in the profit and loss account	–	–	–	–	55	–	55
Net loss for the period	–	–	–	–	–	(849)	(849)
At 30 June 2002	11	88,814	2,558	908	(2,776)	(3,614)	85,901

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June 2003 *US$'000*	2002 *US$'000*
Net cash inflow from operating activities	238	102
Net cash used in investing activities	(833)	(1,047)
Net cash used in financing activities	(300)	—
Decrease in cash and cash equivalents	(895)	(945)
Cash and cash equivalents at 1 January	22,222	21,440
Effect of foreign exchange rate changes	—	20
Cash and cash equivalents at 30 June	21,327	20,515
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	16,223	17,014
Unpledged time deposits with original maturity of less than three months when acquired	5,104	3,501
	21,327	20,515

Notes:

1. BASIS OF PRESENTATION

The principal accounting policies adopted by the Group in arriving at the financial information described in the condensed unaudited consolidated interim financial statements are set out below:

(a) These condensed unaudited consolidated interim financial statements have been prepared under the historical cost convention in accordance with Statements of Standard Accounting Practice No. 25 "Interim Financial Reporting" and Interpretations issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong;

(b) These condensed unaudited consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"); and

(c) The principal accounting policies and basis of presentation adopted for the preparation of the condensed unaudited consolidated interim financial statements are consistent with those adopted by the Group's annual report for the year ended 31 December 2002.

All financial information relating to the period from 1 January 2003 to 30 June 2003 has not been audited.

2. PRINCIPAL ACTIVITIES

The Group manufactures and distributes in the People's Republic of China (the "PRC") a broad range of bathroom and kitchen fixtures and plumbing fittings under the plumbing product brand names of American Standard Inc. ("ASI"), including the "American Standard" and "Armitage Shanks" brands. The Group has established a manufacturing base for the production of bathroom and kitchen fixtures and plumbing fittings in Beijing, Shanghai, Tianjin and Guangdong provinces using manufacturing equipment and manufacturing technologies developed by American Standard Companies Inc. to ensure the quality of its products.

3. TURNOVER

(a) Segment information

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

	Three months ended 30 June		Six months ended 30 June	
	2003	**2002**	**2003**	**2002**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment revenue				
PRC	11,158	12,587	18,746	20,149
North America	4,716	2,552	11,326	4,201
United Kingdom	1,070	683	1,966	1,833
Others	1,542	387	2,550	533
Total	18,486	16,209	34,588	26,716

	Three months ended 30 June		Six months ended 30 June	
	2003	**2002**	**2003**	**2002**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment results				
PRC	1,347	911	173	(892)
North America	930	260	1,574	322
United Kingdom	126	32	117	186
Others	(311)	(10)	(279)	31
Total	2,092	1,193	1,585	(353)

(b) 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.

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Three months ended 30 June		Six months ended 30 June	
	2003	**2002**	**2003**	**2002**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost of inventories sold	12,581	10,814	24,964	19,481
Amortisation:				
Goodwill	45	45	90	90
Intangible assets	287	276	466	458
Auditors' remuneration	52	52	103	103
Directors' remuneration	75	74	151	176
Depreciation	1,099	1,647	2,367	2,489
Staff costs (including directors' remuneration):				
Wages and salaries	2,248	2,899	4,574	5,683
Pension scheme contributions	275	276	536	353
	2,523	3,175	5,110	6,036
Loss on disposal of fixed assets	215	201	353	286
Operating lease rentals in respect of land and buildings	210	122	353	279
Provision/(write-back) for doubtful debts	(174)	117	(182)	449
Provision/(write-back) for slow-moving inventories	(4)	(2)	61	451
Research and development costs	133	110	275	117
And after crediting:				
Interest income	(23)	(17)	(34)	(45)
Foreign exchange (gains)/losses, net	(6)	1	(30)	(5)

5. TAX

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	US$'000	*US$'000*	*US$'000*	*US$'000*
Current period provision in respect of:				
The PRC	285	228	446	323

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.

The subsidiaries of the Company in the PRC (the "PRC subsidiaries") were granted or have a right to apply for exemption from corporate income taxes ("CIT") for the two years starting from the first year in which they earn assessable profits, and are entitled to a 50% exemption from CIT for the following three years (the "50% exemption").

A PRC subsidiary A-S Jiangmen Fittings is subject to a CIT rate of 24% and it qualifies as a "technologically advanced enterprise", and pursuant to relevant PRC tax regulations, A-S Jiangmen Fittings is entitled to a 50% CIT exemption for the three years starting from 1 January 2002. Accordingly, the CIT rate of A-S Jiangmen Fittings was 12%. As of 30 June 2003, A-S Jiangmen Fittings has not obtained the written approval from the local tax bureau for current year CIT exemption.

Another PRC subsidiary, Hua Mei Sanitary Ware Co., Ltd. ("Hua Mei") is subject to a CIT rate of 24% and has obtained a written approval for a preferential tax rate of 15% from 1 January 2002 to 31 December 2003 from the local tax bureau as it qualifies as a "high and new technology enterprise".

No provision for deferred tax has been provided as there was no significant temporary difference during the Relevant Periods.

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the Relevant Periods is based on the net profit/(loss) from ordinary activities attributable to shareholders for each of the Relevant Periods and on the assumption that 151,034,000 shares had been in issue throughout the Relevant Periods, comprising 11,618 shares issued and outstanding throughout the Relevant Periods (until the capital reorganisation of the Company became unconditional on 19 June 2003) and 151,022,382 shares issued pursuant to the increase in authorised share capital, subdivision and capitalisation issue, as described more fully in the paragraph headed "Capital reorganisation" in appendix IV to the Listing Document.

No diluted earnings/(loss) per share is presented for each of the Relevant Periods as no diluting events existed.

7. FIXED ASSETS

	Buildings	Plant and machinery	Furniture, equipment and motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost:					
At 1 January 2003	29,446	57,662	11,843	521	99,472
Additions	–	521	205	24	750
Disposals	–	(1,263)	(132)	–	(1,395)
At 30 June 2003	29,446	56,920	11,916	545	98,827
Accumulated depreciation:					
At 1 January 2003	5,561	21,383	8,948	–	35,892
Provided during the period	426	1,284	657	–	2,367
Disposals	(8)	(902)	(114)	–	(1,024)
At 30 June 2003	5,979	21,765	9,491	–	37,235
Net book value:					
At 30 June 2003	23,467	35,155	2,425	545	61,592
At 31 December 2002	23,885	36,279	2,895	521	63,580

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

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

8. GOODWILL

	US$'000
Cost:	
At 1 January 2003 and at 30 June 2003	3,361
Accumulated amortisation:	
At 1 January 2003	894
Provided during the period	90
At 30 June 2003	984
Net book value:	
At 30 June 2003	2,377
At 31 December 2002	2,467

9. INTANGIBLE ASSETS

	Intellectual property rights	Land use rights	Trademark licence fees	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost:				
At 1 January 2003	10,000	11,406	1,650	23,056
Additions	—	100	—	100
At 30 June 2003	10,000	11,506	1,650	23,156
Accumulated amortisation:				
At 1 January 2003	1,876	2,053	1,501	5,430
Provided during the period	282	147	37	466
At 30 June 2003	2,158	2,200	1,538	5,896
Net book value:				
At 30 June 2003	7,842	9,306	112	17,260
At 31 December 2002	8,124	9,353	149	17,626

Included in land use rights were net book values of approximately US$329,000 and US$334,000 as at 30 June 2003 and 31 December 2002, respectively, for which the official land use right certificate is pending approval from the relevant PRC bureau. The directors are of the opinion that they will continue to pursue such actions as they consider commercially practicable and in the interests of the Group to obtain the official title certificate.

The trademark license fees solely represented the value of two brands contributed by the PRC joint venture partners at the formation of the relevant PRC subsidiaries.

10. DUE FROM GROUP COMPANIES

	30 June 2003 *US$'000*	31 December 2002 *US$'000*
PT American Standard Indonesia	5	48
Sanitaryware Manufacturing Corporation - Philippines	121	85
Ideal Standard (Thailand) Ltd.	—	37
American Standard Vietnam Inc.	34	70
American Standard Plumbing (UK) Ltd.	924	1,187
American Standard Korea Inc.	287	55
World Standard Trade Limited	—	5,339
American Standard Inc. - Paintsville Fittings Factory	161	25
Ideal Standard S.A De C.V.	1,088	665
Ideal Standard S.A.	37	152
American Standard Inc. - USPPL	61	5
Ideal Standard S.R.L.	—	307
Salem metal based plant	535	601
American Standard - Canada	163	120
Ideal Standard S.L.	—	14
Ideal Standard - Greece	84	—
American Standard Europe BvbA	388	—
American Standard Bath & Kitchen America	1,568	—
ASI	438	—
	5,894	8,710

All amounts arose from trading transactions.

The balances due from group companies represented amounts due from subsidiaries of American Standard Companies Inc. and its subsidiaries excluding the Group ("American Standard Group") and are unsecured, interest-free and repayable in accordance with trade terms.

11. INVENTORIES

	30 June 2003 *US$'000*	31 December 2002 *US$'000*
Raw materials	4,197	3,182
Work in progress	976	977
Finished goods	3,480	3,332
	8,653	7,491

12. TRADE RECEIVABLES

The aged analysis of net trade receivables at the balance sheet dates is as follows:

	30 June 2003 *US$'000*	31 December 2002 *US$'000*
Within 30 days	6,427	6,127
31 days to 90 days	848	1,112
91 days to 180 days	607	168
Over 180 days	80	—
	7,962	7,407

The Group generally grants a credit term of 45 days to its customers.

13. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2003 *US$'000*	31 December 2002 *US$'000*
Cash and bank balances	16,223	16,931
Time deposits	7,075	6,125
	23,298	23,056
Less: pledged time deposits for credit facility	(1,971)	(834)
	21,327	22,222

14. DUE TO GROUP COMPANIES

	30 June 2003 *US$'000*	31 December 2002 *US$'000*
American Standard Korea Inc.	256	77
ASI	6,986	9,507
Ideal Standard Fittings - Mexico	11	6
Ideal Standard Sanitaryware (Thailand) Limited	1	76
The US Plumbing Products division - Staff	89	95
The US Plumbing Products division - Tiffin, Ohio plant of American Standard Group	16	16
The US Plumbing Products division - Paintville	13	10
Ideal Standard S.R.L.	2	5
Ideal Standard Wittlich GmbH	246	111
VIDIMA AD	7	2
Meloh Armaturen GmbH	4	21
Ideal Standard (Thailand) Limited	2	2
Fitting Bulgaria	6	—
Jado Aktiengesellschaft	9	28
Armitage Shanks Ltd.	13	—
Sanifrance	5	—
American Standard Europe BvbA	199	—
American Standard Plumbing (UK) Ltd.	56	—
Ideal Standard Germany, Wittlich Plant	3	—
Edwards Logistics Limited	2	—
	7,926	9,956

The balances due to group companies represented amounts due to subsidiaries of American Standard Group and are unsecured, interest-free and repayable in accordance with the trade terms.

15. TRADE PAYABLES

The aged analysis of trade payables at the balance sheet dates is as follows:

	30 June 2003 *US$'000*	31 December 2002 *US$'000*
Within 30 days	4,420	4,082
31 days to 90 days	1,460	999
91 days to 180 days	303	353
Over 180 days	616	634
	6,799	6,068

16. DUE TO HOLDING COMPANY

The balance represented the remaining consideration for the intellectual property rights granted by ASI (note 21(2)).

17. RESERVES

The amounts of the Group's reserves and the movements therein for the six months ended 30 June 2003 with the last corresponding period are presented in the consolidated statement of changes in equity.

18. CONTINGENT LIABILITIES

As at 30 June 2003, the Group had contingent liabilities for performance bonds totalling approximately US$1,971,000 (31 December 2002: US$834,000). The performance bonds of US$1,971,000 were secured by the Company's time deposits of the same amount.

19. COMMITMENTS

		30 June 2003	31 December 2002
		US$'000	*US$'000*
(i)	Capital commitments		
	- authorised but not contracted for, in respect of the purchases of fixed assets	408	131
	- contracted but not provided for, in respect of the purchases of fixed assets	2,866	61
	Total	3,274	192

(ii) On entering into the joint venture agreements of the Company's PRC subsidiaries, ASI undertook to provide the technical knowhow and to allow trademarks under license from ASI and its affiliates used for the plumbing products manufactured and sold by the Company's PRC subsidiaries in return for the following fees:

A-S (Beijing) Enamel Steel Sanitaryware Co., Ltd.:	
Technical assistance fee	2% of net sales Lump sum start up fee of US$100,000
Trademark licence fee	3% of net sales of the plumbing products in the PRC under licence from ASI and its affiliates ("AS Products")
Management assistance fee	1.5% of net sales
A-S (Guangzhou) Enamelware Company Limited:	
Technical assistance fee	2.5% of net sales
Trademark licence fee	2.5% of net sales of AS products
A-S (Shanghai) Fittings Co., Ltd.:	
Technical assistance fee	1.5% of net sales
Trademark licence fee	3.5% of net sales of AS products

A-S (Shanghai) Pottery Co., Ltd.:	
Technical assistance fee	2.5% of net sales for years 1 to 5 and 2% of net sales for years 6 to 10
Trademark licence fee	3% of net sales of AS products
A-S (Tianjin) Pottery Co., Ltd.:	
Technical assistance fee	2% of net sales
Trademark licence fee	3% of net sales
Management assistance fee	2% of net sales
Hua Mei:	
Technical assistance fee	1.5% of net sales
Trademark licence fee	1.8% of net sales
Management assistance fee	0.5% of net sales
A-S Jiangmen Fittings:	
Technical assistance fee	2% of net sales of AS products owned by ASI for year to 1 to 2 and 2% of net sales for subsequent years
Trademark licence fee	3% of net sales of AS products

ASI agreed to treat one-half of the technical assistance, trademark licence and management assistance fees receivable from the PRC subsidiaries to ASI as settlements by the Company for the purchase of the intellectual property rights (note 21(2)).

(iii) Operating lease commitments

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

	30 June 2003	**31 December 2002**
	US$'000	*US$'000*
Within one year	466	358
In the second to fifth years, inclusive	—	108
Total	466	466

20. BANKING FACILITIES AND PLEDGE OF ASSETS

At 30 June 2003, the Group had performance bonds of approximately US$1,971,000, which were secured by the Company's time deposits of the same amount.

On 21 May 2003, the Group obtained a bank credit facility of US$2,000,000, which is secured by the irrevocable and unconditional corporate guarantee of the Company. The credit facility is obtained for the issuance of performance bonds and has not been utilized as at 30 June 2003.

21. RELATED PARTY TRANSACTIONS

(1) The Group had the following material transactions with American Standard Group, during the Relevant Periods:

		Three months ended 30 June		Six months ended 30 June	
	Notes	**2003**	**2002**	**2003**	**2002**
		US$'000	*US$'000*	*US$'000*	*US$'000*
Sales of finished goods	(a)	6,611	3,394	14,751	6,300
Purchases of raw materials	(a)	(366)	(249)	(630)	(266)
Management fee expenses	(b)	(75)	(83)	(150)	(183)
Trademark licence, technical assistance and management assistance fees	(c)	(276)	(244)	(462)	(384)

Notes:

(a) The sales and purchases transactions were conducted on normal commercial terms determined between the Group and American Standard Group.

(b) The management fee was charged in accordance with the terms of the relevant agreement with ASI.

(c) The trademark licence, technical assistance and management assistance fees were related to the sales of AS Products by the Group's subsidiaries in the PRC, which were charged on the bases as stated in the respective joint venture agreements, net of amounts credited to the Group pursuant to the Intellectual Property Agreement made as at 1 January 1996 (the "Intellectual Property Agreement") with ASI.

During the Relevant Periods, in addition to the above continuing transactions, the Group and American Standard Group paid expenses on behalf of each other. Reimbursements of such payments on behalf were based on the actual amounts incurred. The Group reimbursed American Standard Group an aggregate amount of US$611,000, US$340,000, US$1,019,000 and US$1,087,000 for the three months ended 30 June 2003 and 2002 and six months ended 30 June 2003 and 2002, respectively. American Standard Group reimbursed the Group an aggregate amount of US$320,000, US$35,000, US$295,000 and US$92,000 for the three months ended 30 June 2003 and 2002 and six months ended 30 June 2003 and 2002, respectively.

The Group settled with ASI an amount of US$276,000, US$244,000, US$462,000 and US$384,000 for the three months ended 30 June 2003 and 2002 and six months ended 30 June 2003 and 2002, respectively, in respect of the consideration for the intellectual property rights.

On 23 May, 2002, the Group had been granted a credit facility of US$5,000,000 which was secured by either the joint and several corporate guarantees by ASI and American Standard International Inc. or the Company's time deposits in US$ to the amount of credit facility utilised. The credit facility was expired on 23 May 2003.

(2) Pursuant to the Intellectual Property Agreement, ASI agreed to grant the Company and its PRC subsidiaries, upon the fulfillment of certain conditions contained in the Shareholders' Agreement dated 20 April 1994, as amended on 24 December 1996, the exclusive territorial rights to use its present and future trademarks, and to have access to its present and future technology knowhow to manufacture, market, distribute and sell plumbing products of the Group in the PRC (the "intellectual property rights") for a consideration of US$10,000,000. In 1997, ASI purchased an aggregate of 3,000 "B" shares from certain "B" shareholders and increased its shareholding in the Company from 28.9% to 54.8%, and thereby fulfilled the conditions required for the granting of the intellectual property rights. Accordingly, the intellectual property rights were granted by ASI to the Company on 21 October 1997.

ASI agreed to treat one-half of the technical assistance, trademark licence and management assistance fees receivable from the PRC subsidiaries to ASI as settlement by the Company for the purchase of the intellectual property rights (note 16).

(3) The Group had the following material transactions with a minority shareholder of a PRC subsidiary during the Relevant Periods:

		Three months ended 30 June		**Six months ended 30 June**	
	Note	**2003**	**2002**	**2003**	**2002**
		US$'000	*US$'000*	*US$'000*	*US$'000*
Service fee paid	(a)	(17)	(15)	(32)	(29)

Note:

(a) The service fee was paid by Hua Mei to Qing Yuan Jianbei Enterprises Group Corporation, a minority shareholder of Hua Mei, for the provision of administrative services, and was charged based on 0.5% of net sales of Hua Mei during the Relevant Periods.

22. SUBSEQUENT EVENTS

On 19 June 2003, upon the delivery of the Listing Documents to the Exchange, the capital reorganisation of the Company as detailed in appendix IV of the Listing Document became unconditional. Subsequent to 30 June 2003, on 11 July 2003, the shares of the Company became listed on the GEM of the Exchange by way of introduction.

A-S (Jiangmen) Fittings is in the process of increasing its total investment and registered capital from US$7.85 million to US$10.85 million. After the increase in the total investment and registered capital, Ultrawide Engineering Limited's contribution to the total investment and registered capital will increase from US$7.85 million to US$10.6 million, representing an increase in shareholding percentage from 96.8% to 97.7%, and A-S (China)'s shareholding percentage will decrease from 3.2% to 2.3%. The said increase in the total investment and registered capital of A-S (Jiangmen) Fittings is anticipated to be completed by October 2003.

Apart from the foregoing, no other significant events took place subsequent to 30 June 2003.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

DISCLOSURE OF INTERESTS

Upon the delivery of the Listing Document to the Exchange on 19 June 2003, the capital reorganisation of the Company became unconditional. The information set out below is based on the capital reorganisation of the Company having become unconditional.

(a) Directors' and chief executive's interests in the Company and in associated corporations

So far as was known to any director of the Company, as at 30 June 2003, the interests and short positions of the directors and chief executive in the shares, underlying share or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by the directors of a listed issuer as referred to in rule 5.40, were as follows:

Interests in the Company

Name of director/ chief executive	Number of shares	Capacity	Type of interest	Approximate percentage of holding
Mr. Hui Koonhing	143,000 *(Note 1)*	Beneficial owner	Personal	0.099%

Note 1: Out of the 143,000 shares, Mr. Hui Koonhing, being one of the beneficiaries under A-S Executive Trust, is entitled to the transfer of 13,000 shares by A-S Executive Trust as and when the trustees decide. In addition, Mr. Hui Koonhing is entitled to the transfer of 130,000 shares by American Standard Foreign Trading Limited in 2004 pursuant to the Management Incentive Plan of the Company.

Interests in associated corporations

Name of director/ chief executive	Name of company	Number and description of equity derivatives	Capacity	Type of interest	Approximate percentage of holding
Mr. Hui Koonhing	American Standard	share options to subscribe for 5,500 shares in American Standard *(Note 2)*	Beneficial owner	Personal	0.0076%
Ms. Low Soong Ing	American Standard	share options to subscribe for 2,500 shares in American Standard *(Note 3)*	Beneficial owner	Personal	0.0034%
Mr. Richard M. Ward	American Standard	share options to subscribe for 10,000 shares in American Standard *(Note 4)*	Beneficial owner	Personal	0.014%

Note 2: On February 2001, 1 March 2001 and 7 February 2002, Mr. Hui Koonhing had been granted options to subscribe for 2,500, 1,500 and 1,500 shares, respectively, at the exercise price of US$52.07, US$56.57 and US$59.69 per share, respectively, in American Standard Companies Inc., being an associated corporation of the Company (within the meaning of Part XV of the SFO). The options were granted free of consideration. The exercise period is for 10 years from each relevant date of grant. Options to subscribe for 1/3 of the shares under each relevant grant may be exercised on or after the first anniversary of the relevant date of grant; options to subscribe for another 1/3 of the shares may be exercised on or after the second anniversary of the relevant date of grant; and options to subscribe for the remaining shares may be exercised on or after the third anniversary of the relevant date of grant.

Note 3: On 11 February 2002 and 6 February 2003, Ms. Low Soong Ing had been granted options to subscribe for 1,000 and 1,500 shares, respectively, at US$59.69 and US$68.06 per share, respectively, in American Standard Companies Inc., being an associated corporation of the Company (within the meaning of Part XV of the SFO). The options were granted free of consideration. The exercise period is for 10 years from each relevant date of grant. Options to subscribe for 1/3 of the shares under each relevant grant may be exercised on or after the first anniversary of the relevant date of grant; options to subscribe for another 1/3 of the shares may be exercised on or after the second anniversary of the relevant date of grant; and options to subscribe for the remaining shares may be exercised on or after the third anniversary of the relevant date of grant.

Note 4: Mr. Richard M. Ward has been granted options to subscribe for 10,000 shares at US$70.725 per share in American Standard, being an associated corporation of the Company (within the meaning of Part XV of the SFO). The options were granted free of consideration. The exercise period is 10 years from the date of grant on 28 April 2003. Options to subscribe for 3,333 shares may be exercised on or after 28 April 2004; options to subscribe for another 3,333 shares may be exercised on or after 28 April 2005; and options to subscribe for the remaining 3,334 shares may be exercised on or after 28 April 2006.

(b) Interests of substantial shareholders in the Company

So far as was known to any director of the Company, as at 30 June 2003, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and, or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name of shareholder	Number of shares held	Percentage of the Company's issued capital
American Standard *(Note 5)*	82,771,000	54.80%
American Standard International Inc. *(Note 5)*	82,706,000	54.76%
American Standard Foreign Sales Limited *(Note 5)*	82,706,000	54.76%
American Standard Foreign Trading Limited *(Note 5)*	82,706,000	54.76%

Note 5: American Standard owns a 54.80% shareholding interest in the Company through (i) a wholly-owned subsidiary, American Standard International Inc., being a corporation organized under the laws of the State of Delaware, USA, which in turn owns a 100% interest in American Standard Foreign Sales Limited, being a company incorporated in Bermuda with limited liability, which in turn holds a 100% interest in American Standard Foreign Trading Limited, also being a company incorporated in Bermuda with limited liability, which directly holds a 54.76% shareholding interest in the Company and (ii) another wholly-owned subsidiary of American Standard, ASI, that is one of the beneficiaries under the A-S Executive Trust and is entitled to the transfer of 65,000 shares by the trustees as and when the trustees decide. The 65,000 shares represent a 0.04% shareholding interest in the Company.

(c) Interests of other persons in the Company, which are discloseable under Division 2 and 3 of Part XV of the SFO

So far as was known to any director of the Company, as at 30 June 2003, the interests and short positions of the other persons (not being a director or chief executive of the Company) in the shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholders	Number of shares	Capacity	Type of interest	Approximate percentage of holding
Foundation Brunneria *(Note 6)*	13,000,000	Beneficial owner	Corporate	8.61%
General Oriental Investments Limited *(Note 6)*	13,000,000	Beneficial owner	Corporate	8.61%

Note 6: General Oriental Investments Limited is 100% indirectly owned by Foundation Brunneria, a private discretionary trust whose ultimate beneficiaries are independent from the other shareholders, directors and chief executives of the Company.

Save as disclosed under the section headed "Disclosure of Interests" above, as far as the directors are aware, none of the directors or chief executives of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise to be notified to the Company and the Exchange pursuant to the minimum standards of dealing by the directors of the Company as referred to in rule 5.40.

Save as disclosed under the section headed "Disclosure of Interests" above, as far as the directors are aware, none of the persons (not being a director or chief executive of the Company) has any interests or short positions in the shares or underlying shares of the Company which were notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and chief executive's interests in the Company and in associated corporations" above and "Share Option Schemes" below, at no time during the six months ended 30 June 2003 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Group granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or the Group, 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.

SHARE OPTION SCHEMES

As at 30 June 2003, the Company did not have any share option scheme in place.

SPONSOR'S INTERESTS

As at 30 June 2003, neither Anglo Chinese Corporate Finance, Limited (the "Sponsor") nor any of its respective directors, employees or associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or of any members of the Group, or had any right to subscribe for, or to nominate persons to subscribe for the share capital of the Company, or of any members of the Group.

Pursuant to the agreement dated 19 June 2003 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for professional services rendered as the Company's sponsor for the period from the date of listing and ending on 31 December 2003 and the Company shall pay an agreed advisory fee per financial quarter to the Sponsor for its provision of such services.

COMPETING INTERESTS

During the period under review, Ms. Low Soong Ing, a director of the Company, is also a director of American Standard Vietnam Inc. and Sanitary Wares Manufacturing Corp. These two companies are members of American Standard Group, which are engaged in the plumbing products business, and potentially compete with the Group in relation to its export sales to independent third parties.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2003.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules during the six months ended 30 June 2003.

AUDIT COMMITTEE

The Company established an audit committee on 16 June 2003 with written terms of reference in compliance with Rules 5.23 to 5.27 of the GEM Listing Rules. The audit committee has three members comprising two independent non-executive directors, Mr. Chang Sze-Ming, Sydney, and Mr. Ho Tse-Wah, Dean and one executive director, Mr. Hui Koonhing, with Mr. Chang Sze-Ming, Sydney serving as the chairman of the committee. The audit committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2003.

By order of the board of directors
A-S China Plumbing Products Limited
Richard Ward
Chairman

Hong Kong, 12 August 2003