ASPPL

A-S China Plumbing Products Limited

(incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT
2004

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 of The Stock Exchange 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 Stock 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 at www.hkgem.com in order to obtain up-to-date information on The GEM-listed issuers.

The report, for which the directors of A-S China Plumbing Products Limited (the "Company" or "ASPPL") 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 ASPPL. The directors of ASPPL, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Profile

Turnover increased by 6.3% to US$78,376,000

Gross profit ratio increased by 4.9% to around 36.2%.

Profit before tax increased by 115% to US$12,185,000.

Net profit from ordinary activities attributable to shareholders increased by 81.8% to US$8,146,000.

The Group manufactures and distributes in the PRC a broad range of bathroom and kitchen fixtures and plumbing fittings under the plumbing product brand names of American Standard Inc., including the "American Standard" and "Armitage Shanks" brands. The Group includes the PRC Ventures, which have established a manufacturing base for the production of bathroom and kitchen fixtures and plumbing fittings in Beijing, Shanghai, Tianjin and Guangdong province using manufacturing equipment and manufacturing technologies developed by American Standard to ensure the quality of its products.

The Group's products are sold domestically through a network of authorised dealers and their sub-dealers via their sales outlets throughout the PRC.

Through a careful selection of qualified authorised dealers, the Group's distribution system in the PRC has grown over the years from 34 authorised dealers in July 1994 to more than 88 as at the 31 December 2004 with the distribution network covering around 320 sales outlets across some 108 cities in the PRC. The Group also exports some of its products to North America and Europe with American Standard Inc. serving as its export distributor.

Corporate Information

CHAIRMAN AND EXECUTIVE DIRECTOR

Richard M. Ward

EXECUTIVE DIRECTORS

Yang Yu Qing, Cindy	
Ng ChanChoy	(appointed on 10 September 2004)
Ye Zhi Mao, Jason	(appointed on 17 February 2005)
Wu Wei Lin, Patrick	(appointed on 17 February 2005)

NON-EXECUTIVE DIRECTORS

Tobias J. Brown	
Stephan R. Custer	(resigned on 17 January 2005)
Edena S. I. Low	(resigned on 19 January 2005)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chang Sze-Ming, Sydney	
Ho Tse-Wah, Dean	
Wong Kin Chi	(appointed on 30 September 2004)

COMPANY SECRETARY

Edena S. I. Low	(resigned on 21 January 2005)
Wu Wei Lin, Patrick	(appointed on 21 January 2005)

QUALIFIED ACCOUNTANT

Wu Wei Lin, Patrick

COMPLIANCE OFFICER

Richard M. Ward

AUDIT COMMITTEE

Chang Sze-Ming, Sydney	
Ho Tse-Wah, Dean	
Stephan R. Custer	(resigned on 17 January 2005)
Wong Kin Chi	(appointed on 30 September 2004)

AUTHORISED REPRESENTATIVES

Richard M. Ward	
Edena S. I. Low	(resigned on 21 January 2005)
Wu Wei Lin, Patrick	(appointed on 21 January 2005)

SPONSOR

Anglo Chinese Corporate Finance, Limited

AUDITORS

Ernst & Young

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
Grand Cayman
Cayman Islands, B.W.I.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1,3/F.
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F.
Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

PRINCIPAL BANKERS

Citibank N.A.
48/F., Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited – Shanghai Branch
35/F., HSBC Tower
101 Yin Cheng East Road
Pudong, Shanghai
PRC

COMPANY WEBSITE ADDRESSES

www.asppl.com
www.americanstandard.com.cn
www.armitageshanks.com.cn

STOCK CODE

8262

Financial Highlights

FIVE-YEAR FINANCIAL SUMMARY

Consolidated Results

For the years ended 31 December

	2004	2003	2002	2001	2000
	US$'000	US$'000	US$'000	US$'000	US$'000
Turnover	**78,376**	73,733	65,333	54,918	66,459
Profit before tax	**12,185**	5,659	2,841	1,213	8,283
Tax	**(1,877)**	(651)	(890)	(545)	(756)
Profit before minority interests	**10,308**	5,008	1,951	668	7,527
Minority interests	**(2,162)**	(526)	(1,362)	(518)	(1,452)
Net profit for the year	**8,146**	4,482	589	150	6,075

Consolidated Assets, Liabilities and Minority Interests

As at 31 December

	2004	2003	2002	2001	2000
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**142,842**	133,881	134,682	131,163	133,744
Total liabilities	**(29,801)**	(29,588)	(32,387)	(29,743)	(31,618)
Minority interests	**(15,429)**	(14,780)	(15,186)	(14,725)	(15,551)
Capital and reserves	**97,612**	89,513	87,109	86,695	86,575

Chairman's Statement

I am pleased to present to you the 2004 annual operating results of A-S China Plumbing Products Limited (the "Company") together with its subsidiaries (the "Group").

The Group's sales increased by 6.3% to US$78,376,000 in 2004. Profit before tax increased by 115% from US$5,659,000 in 2003 to US$12,185,000 in 2004, while net profit from ordinary activities attributable to shareholders increased by 81.8% from US$4,482,000 in 2003 to US$8,146,000 in 2004. The strong improvement during 2004 was mainly due to the continuing cost reduction initiatives.

During the year, the Group focused on upgrading our brand image by introducing the latest designs from Europe, continued to upgrade our retail networks, and improved our capability in selling to developers and project customers. Additionally, we strengthened our consumer promotion activities based on the findings from consumer research, which assisted us in respect of sales programme formulation and its execution in the field.

The long-term prospects for China's property market are very positive as more middle-income households are able to own their own homes. However, the market is volatile and this does impact the prospects of our business. In 2004, the China government also introduced certain austerity measures to slowdown the growth of the property sector. These have slowed the growth of our core market for bathroom products and we see no signs of this easing at the moment. Further, the uncertainty of the value of the Renminbi (RMB) and rapidly rising commodity prices, make the prospects for 2005 uncertain.

As a manufacturer and distributor of bathroom and kitchen fixtures and fittings in the PRC, the Group aims to maintain its market position in China in the manufacture and distribution of bath and kitchen products and to increase its market share in the longer run.

Finally, I would like to express my sincerest thanks to the directors, management and staff of the Group for their steady overwhelming commitment to the Group and gratitude to our shareholders, customers and suppliers for their ongoing support of the Group over the past year.

Richard M. Ward
Chairman

Hong Kong, 11 March 2005

Group Financial Summary

The following table summarises the audited consolidated results of the Group for the years ended 31 December 2004 and 2003 which are prepared based on the consolidated audited financial statements of the Group. This summary should be read in conjunction with the consolidated financial statements of the Group.

	2004	2003
	US$'000	US$'000
TURNOVER *(Note a)*	**78,376**	73,733
Cost of sales	**(49,994)**	(50,652)
Gross profit	**28,382**	23,081
Other revenue, net	**580**	88
Selling and distribution costs	**(2,309)**	(1,980)
Administrative and operating expenses	**(14,468)**	(15,530)
PROFIT FROM OPERATING ACTIVITIES BEFORE TAX	**12,185**	5,659
Tax	**(1,877)**	(651)
PROFIT BEFORE MINORITY INTERESTS	**10,308**	5,008
Minority interests	**(2,162)**	(526)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**8,146**	4,482
Earnings per share (US cents)		
Basic *(Note b)*	**5.39**	2.96

Note a: 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.

Note b: The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the year of US$8,146,000 (2003: US$4,482,000), and the weighted average number of issued ordinary shares of 151,034,000 (2003: 151,034,000) during the year.

Group Financial Summary

REVENUE

The following table shows the Group's sales by geographical region during the year:

	2004	2003
	US$'000	US$'000
Group's sales by geographical region		
PRC	**47,441**	46,295
North America	**13,482**	17,988
United Kingdom	**9,917**	4,483
Other European countries	**2,533**	1,220
Others	**5,003**	3,747
Total	**78,376**	73,733

OPERATING RESULTS

The following discussion and analysis of the Group's financial position and results of operations should be read in conjunction with the audited consolidated financial statements and the related notes.

Starting from April 2004, we saw a slowdown in domestic demand as a result of the macroeconomic measures of the government authorities to control overheated sectors, including the property sector. The tightened control on loans to real estate developers has resulted in some developers delaying projects.

The Group's overall sales increased by 6.3% to US$78,376,000 in 2004. Despite the challenging operating environment under macroeconomic measures as mentioned above, PRC sales for the year ended 31 December 2004 attained a growth of about 2.5% which is attributable to the improved product portfolio and distribution network. Export sales continued to improve due to the continuing recovery of the global economy. The Group reported a 12.7% growth in export sales for the year compared to that of last year.

Profit before tax increased by 115% from US$5,659,000 in 2003 to US$12,185,000 in 2004, while net profit from ordinary activities attributable to shareholders increased by 81.8% from US$4,482,000 in 2003 to US$8,146,000 in 2004. The impressive improvement during 2004 was mainly due to continuing cost reduction initiatives.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 31 December 2004 the net current assets of the Group amounted to US$36.7 million. The current assets comprised cash and cash equivalents of approximately US$36.4 million, and trade receivable of approximately US$8.1 million, inventories of approximately US$7.8 million, prepayments, deposits, other receivables of approximately US$4.1 million and amounts due from companies within the American Standard Group of approximately US$9.2 million. The current liabilities comprised trade payable of approximately US$6.9 million, amounts due to companies within the American Standard Group of approximately US$6.8 million, corporate income tax payable of approximately US$0.5 million, dividend payable of approximately US$0.1 million and other payables, deposits and accrued liabilities of approximately US$14.6 million. There were no outstanding bank loans or finance lease obligations as at 31 December 2004.

Banking facilities

As at 31 December 2004, the Group had unutilised banking facilities of US$2.0 million.

Foreign currency risk

The Group has foreign currency risk as certain of its receivables arising from PRC sales are denominated in RMB. The fluctuation of the exchange rates of US$ against RMB could affect the Group's results of operations.

ABSENCE OF LAND USE RIGHTS

The land use rights of the land on which the factory and ancillary facilities occupied by A-S Beijing Bathtubs and the building ownership certificates to the structures erected on such land are held by Beijing Time Stationery Company, the PRC investor in A-S Beijing Bathtubs. The land and the factory and ancillary facilities were contributed to A-S Beijing Bathtubs by way of capital contribution by the PRC investor under the joint venture contract. As advised by the Company's PRC legal advisers, A-S Beijing Bathtubs has a contractual right to occupy the land and the factory and ancillary facilities. In the event of disputes in relation to A-S Beijing Bathtubs' use of the property, A-S Beijing Bathtubs will be able to seek damages from the PRC investor. The Group may have to relocate its production facilities and the operations of the Group and its business operations and financial position may be adversely affected. Please refer to the sub-section headed "A-S Beijing Bathtubs" in the section headed "Properties" in the Company's listing document for further details.

The Company is in the process of negotiations with the PRC investor to obtain the land use rights certificate and building ownership certificates.

STRENGTHEN THE DOMESTIC SALES CHANNEL

Sales and marketing of the Group's products are centralised and co-coordinated through ASCC, which is headquartered in Shanghai and its main sales offices in Beijing, Chongqing, Chengdu, Shenyang and Qingdao.

Through a careful selection of qualified new dealers and periodic analyses of the existing authorised dealers performance, the Group has built up a strong domestic sales channel.

As at 31 December 2004, the Group has built 320 authorised outlets in the PRC which are operated either by the Group's authorised dealers or sub-dealers. Periodic meetings between the Group and its authorised dealers are held to promote the Group's new products and to communicate new programmes and product ideas.

UPGRADING BRAND IMAGE

During the year, the Group launched the Project Inspire campaign. Project Inspire included three new lifestyle bathroom suites (Tonic, Acacia and Newson), which are based on the latest fashion designs from Europe.

Advertising has been developed and launched to communicate the Project Inspire concept to customers. Major design and lifestyle magazines and newspapers have been carrying our new advertisements since May 2004. The concept of American Standard being the design leader has also gone to press in national magazines.

As part of the Project Inspire campaign, we have upgraded most of our leading showrooms across the PRC with these three new lifestyle bathroom suites.

GROWTH IN DOMESTIC SALES

Starting from April 2004, we saw a slowdown in domestic demand as a result of the macroeconomic measures of the government authorities to control overheated sectors, including the property sector. The tightened control on loans to real estate developers has resulted in some developers delaying projects.

The continued strengthening of the domestic sales channel and the upgraded brand image as mentioned in the previous section has helped domestic sales achieve a mild growth despite the challenging market environment.

GROWING UNITED KINGDOM AND OTHER EUROPEAN MARKET

Demand in United Kingdom and other European markets have grown significantly during the year. The strong demands from United Kingdom and other European countries are in line with the continued recovery of the economy in that region. After several years of growing in export sales to the United States, we saw a slowdown in current year.

The Group still maintains its position as a competitive, lower cost producer within the American Standard group.

IMPROVED PRODUCTIVITY

With technical and management support from the American Standard Group, the productivity of several factories of the Group had improved significantly during the year. As a result of the improved utilisation of its capacity, the Group has reduced its average production costs.

In spite of the keen domestic market competition and resulting pricing pressure, the cost savings from improved productivity enabled the Group to better increase its profit margin to approximately 36.2% during the year.

The Company is studying and comparing the cost structures of its plants and is considering how to optimise its manufacturing footprint. The management expects to have a clearer direction in 2005.

EMPLOYEE INFORMATION

As at 31 December 2004, the Group had 2,100 (2003: 2,428) full time employees. Employee costs amounted to US$12,094,000 (2003: US$14,503,000) for the year. The Group is an equal opportunity employer, with the selection and promotion of individuals based on suitability for the position offered. The salaries and benefit levels of the Group’s employees are kept in competitive level and employees are rewarded on a performance related basis according to the general framework of the Group’s salary and bonus system which is reviewed annually. A wide range of benefits, including medical coverage and retirement plans are also provided to employees.

The table below sets out the number of employees at the PRC Ventures and ASCC as at 31 December 2004:

Hua Mei	365
A-S Jiangmen Fittings	482
A-S Shanghai Pottery	477
A-S Guangzhou Bathtubs	162
A-S Shanghai Fittings	83
A-S Tianjin Pottery	290
A-S Beijing Bathtubs	93
ASCC	148
Total	2,100

SOPHISTICATED AND AFFLUENT PROPERTY MARKET

The directors expect continuing growth in the market for new construction of residential and commercial properties as a result of the rapidly expanding economy in the PRC. In addition, our customer survey shows that users of residential and commercial properties will continue to demand higher standards of bath and kitchen products in line with the growing sophistication and affluence of the PRC market.

However, based on the latest announcements, the measures adopted by the government have made major progress in controlling the property sector. There still remain uncertainties as to whether the measures will continue and to what extent they will hit the property development sector in the coming year.

Accordingly, the Group will closely monitor the new government policies and will formulate appropriate sales and marketing strategies to adapt to any changes in the mix of distribution channels.

DEVELOPING NEW PRODUCT DESIGNS

The Group will continue to benefit from the product development capability of the American Standard Group to develop new designs of products to meet a broad variety of consumer preferences and local plumbing standards in the PRC. Management expects the latest European designs of products to be well received by consumers.

Product or mould designs can be transferred, modified and utilised by virtue of American Standard's globally standardised design and computer platforms. This shortens the product development time and gives the Group the ability to draw on a wide range of products to meet a broad variety of consumer preferences.

IMPROVING EXPORT SALES

During the year, we already saw a strong growth in exports to United Kingdom and other European markets. The directors expect that the demand in these regions will continue to grow in the year 2005.

INFLATIONARY PRESSURE

The Group anticipates continued inflationary pressure on raw material prices, in particular copper prices.

Directors' Profiles

EXECUTIVE DIRECTORS

Mr. Richard M. Ward, aged 46, joined the American Standard Group in April 2003 as the Vice-President and General Manager of its Bath and Kitchen Business in the Asia Pacific Region. He was nominated by the American Standard Group as a director in May 2003. Prior to joining American Standard, Mr. Ward served as the Vice President and General Manager of Dell Computer's Home Small and Medium business unit in Mainland China and Hong Kong. Prior to this, he was the Vice President and Head of Asia Pacific of The Clorox Company. Mr. Ward holds a Bachelor of Arts (Honours) Degree in Economics from the University of Durham in the United Kingdom.

Ms. Yang Yu-Qing, Cindy, aged 32, joined the Group in March 1995. Ms. Yang was nominated by the American Standard Group as a director. She is an operations analysis for the Group's ceramic sanitaryware and vitreous china operations. Ms. Yang started her accounting career in 1995 with the Group and has progressed through the finance and accounting departments both at the Group's headquarters and at the PRC Ventures level. She holds a bachelor's degree in Accounting from Shanghai Architectural Material Industrial Institute.

Mr. Ng ChanChoy, aged 42, is the General Manager of the Group and is responsible for all of the Group's operations including production, sales and marketing. He joined the Group in July 2004 and was appointed as an executive director on 10 September 2004. Prior to this, he worked at Groupe Danone – Shanghai Amoy Foods Co., Ltd. as its General Manager. Mr. Ng holds an MBA from the University of Chicago, USA.

Mr. Ye Zhi Mao, Jason, aged 37, joined the Company in August 2004 as the Chief Financial Officer and was appointed as an executive director on 17 February 2005. Prior to this, he worked at Siemens Business Communication Systems Ltd., AlliedSignal (China) Ltd. as a finance manager and finally at Wall's (China) Ltd. as a finance director. Mr. Ye graduated form Shanghai University of Finance and Economics with a bachelor's degree in Economics and holds an EMBA degree from China Europe International Business School.

Mr. Wu Wei Lin, Patrick aged 36, joined the Company in September 2003 as a Qualified Accountant and was appointed as an executive director of the Company on 17 February 2005. Prior to this, Mr. Wu worked as a financial controller of Beijing Tolihi Electrical Co., Ltd. Mr. Wu graduated from the University of Regina, Canada with a bachelor's degree in Business Administration. Mr. Wu is an associate member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

NON-EXECUTIVE DIRECTORS

Mr. Stephan R. Custer, aged 40, is the Chief Financial Officer of the Bath & Kitchen Business in the Asia Pacific Region. He joined American Standard group in 2001 as a Director of Strategic Planning and Analysis for the Global Bath & Kitchen Business. Prior to joining American Standard, Mr. Custer served as the Planning Manager of Dell Computer's Enterprise Group in Austin, Texas. Prior to this, he held multiple financial management positions during his eight years at Procter and Gamble, in Cincinnati, OH. Mr. Custer holds a Masters of Business Administration Degree in Finance from Columbia Business School in New York, and a bachelor of Arts Degree in English literature from Brown University in Providence, RI. Mr. Custer resigned as a non-executive director on 17 January 2005.

Ms. Edena S.l. Low, aged 34, joined the American Standard Group in 2001 as the senior legal counsel for the Asia Pacific region. She was nominated by the American Standard Group as a director in February 2002. Ms. Low began her legal career in 1994 as a practising litigation lawyer before joining Allen & Glendhill in Singapore to practise corporate law. She has been a regional counsel with Iomega Corp. and Ingram Micro. Inc. for the last three years covering the Asia Pacific region. Ms. Low holds a bachelor's degree in law from the University of London. Ms. Low resigned as a non-executive director on 19 January 2005.

Mr. Tobias J. Brown, aged 40, was nominated by General Oriental Investments Limited as a director in April 1994. He currently serves as Managing Director of UCL Asia Limited. Mr. Brown also serves on the Investment Committee of General Oriental Investments Limited, an initial management shareholder of the Company. Prior to joining UCL Asia Limited, Mr. Brown served as the Managing Director of General Oriental Investments (HK) Limited. Prior to this, he served as the Senior Vice President of Asia Securities Inc. headquartered in Taiwan. Mr. Brown is also a director of a number of other corporations in Asia including Compass Technology and Noble Group Limited. He is also an independent non-executive director of Hsin Chong Construction Group, Limited, whose shares are listed on the Hong Kong Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Sze-Ming, Sydney, aged 61, is the General Manager of South Sphere International Ltd. (Hong Kong) and South Sphere Consulting Company Ltd. (Shanghai), which he founded to provide business consultancy on investments in China. He also holds the positions of a director of Government Relationship at the American Chamber of Commerce in Shanghai, a senior consultant of Shanghai Foreign Investment Development Board. Prior to his retirement from Armstrong World Industries Inc., a building materials company based in the United States in June, 2001, he had worked for 28 years for that company on numerous assignments in Asia and the United States.

Mr. Ho Tse-Wah, Dean, aged 66, is a director of Unison Pacific Corporation. Unison Pacific Corporation is based in San Bruno, California, United States and has conducted investment and advisory activities in China since 1979. It has been the principal advisor to the formation of 39 equity joint ventures, principally in manufacturing. Mr. Ho is a member of the board of ex-officio of the American Chamber of Commerce in Shanghai. He had served as the Chairman of Manufacturers Business Council, Chairman of Board of Governors and Secretary of American Chamber of Commerce in Shanghai. Mr. Ho has been working in China since 1986. He attended the Advanced Management Programme at Harvard Business School.

Mr. Wong Kin Chi, aged 53, was appointed as an independent non-executive directors of the Company on 30 September 2004. Mr. Wong also serves as a member of the audit committee of the Company. Mr. Wong holds an MBA degree by the University of Durham, the United Kingdom. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants of the United Kingdom, and the Society of Management Accountants of Canada for well over 10 years. Mr. Wong is also an independent non-executive director of Omnicorp Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the actual business progress for the year ended 31 December 2004 and the business objectives as set out on pages 123 to 124 of the Company's 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	
1 January to 30 June 2004	
Marketing efforts will continue to be made to help the Group improve its brand positioning and remain in the top tier.	During the period, the Group focused on upgrading brand image by the launch of three new lifestyle Europe designs suites.
1 July to 31 December 2004	
The Group plans to expand its presence in the new construction market in China as this market is expected to see more housing units with fitted bathroom and kitchen fixtures and plumbing fittings either designed by the builders or by the growing number of interior decorators. Demand for the Group's products is expected to increase as wealth across Mainland China is expected to improve continuously with the underlying growth of the economy.	During the period, the Group was actively involved in certain nationwide conferences and meetings held by property developers and decoration and design experts. During these meetings, the Group kept abreast of the market trends and strengthened its relationship with these key customers.
Sales and Marketing and Product Development	
1 January to 30 June 2004	
The directors expect the number of sales outlets to increase to 320 with city coverage in the PRC extended to 125.	The number of retail outlets and city coverage stood slightly less than planned.
The business-to-business internet platform for the Group's authorised dealers previously initiated will expand to include most of the Group's dealers during this period. New distribution centres will be added to cover all major market areas of the Group. Product development will continue as the need to be innovative and creative becomes more intense as competition increases. Emphasis will be placed on marketing the Group's leading product and ability to satisfy a wide range of customers.	The Group continued to develop the business-to-business internet platform during the review period. Based on detailed analyses, the Group considered that the existing distribution centers are capable of providing the necessary services to the existing sales outlets and the cities covered. More innovative and creative products continued to roll out with the utilisation of the American Standard's globally standardized design and computer platforms.

Comparison of Business Objectives with Actual Business Progress

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	
1 July to 31 December 2004	
Geographic expansion of the Group's distribution network will continue and the directors expect the Group to be present in 130 cities through a total of 350 sales outlets by 31 December 2004. Programmes targeting the interior decorator channel will be added and improved. With consumer expectations expected by the directors to rise, product development will continue at the same pace.	The number of retail outlets and city coverage stood slightly less than planned. Through various conferences and meetings with decorators, we explore potential corporation opportunities on a case-by-case basis.
The business-to-business internet platform for the Group's authorised dealers will be extended to most sales outlets for better understanding of market needs. Image building along with advertising campaigns and the introduction of additional high-end imported products will continue.	The Group continued to develop the business-to-business internet platform during the review period.
Human Resources	
1 July to 31 December 2004	
The Group plans to place more efforts on human resources training and development opportunities for its senior staff members. Incentive plans to help motivate key senior staff members to improve performance will also be implemented.	A leadership workshop was conducted by a well-respected external consultant in June 2004 which was attended by 50 managers of the Group from all over Mainland China.

The directors hereby present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture, sale and distribution of plumbing products in the People's Republic of China. There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the attached audited financial statements on pages 28 to 60.

No dividend was declared for the year ended 31 December 2004. The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 5 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS, GOODWILL AND INTANGIBLE ASSETS

Details of movements in the fixed assets, goodwill and intangible assets of the Company and the Group during the year are set out in notes 11, 12 and 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

There were no movements in either the Company's authorised or issued share capital during the year. As at 31 December 2004, the Company did not have any share option scheme in place.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity on page 30, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to US$15,538,000 (2003: US$14,042,000). Under the Companies Laws of the Cayman Islands, the Company can distribute dividend out of the share premium account in the amount of US$83,917,000 (2003: US$83,917,000) provided that the Company will be able to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 45% (2003: 43%) of the total sales for the year and sales to the largest customer included therein amounted to 15% (2003: 14%). Purchases from the Group's five largest suppliers accounted for less than 30% (2003: less than 30%) of the total purchases for the year.

Except for U.S.P.P. – Sourced Chinaware and American Standard Europe which are related parties of the Company (details of which are disclosed in note 15 to the financial statements), none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Richard M. Ward	
Yang Yu Qing, Cindy	
Ng ChanChoy	(appointed on 10 September 2004)
Ye Zhi Mao, Jason	(appointed on 17 February 2005)
Wu Wei Lin, Patrick	(appointed on 17 February 2005)

Non-executive directors:

Stephan R. Custer	(resigned on 17 January 2005)
Tobias J. Brown	
Edena S. I. Low	(resigned on 19 January 2005)

DIRECTORS *(Continued)*

Independent non-executive directors:

Chang Sze-Ming, Sydney	
Ho Tse-Wah, Dean	
Wong Kin Chi	(appointed on 30 September 2004)

In accordance with the Company's articles of association, the directors will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. The non-executive directors and independent non-executive directors are appointed for up to the next annual general meeting.

The Company has received annual confirmation of independence from the independent non-executive directors and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 14 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The Group has entered into a service contract with Ms. Yang Yu Qing, Cindy, with effect from 1 May 2001 to 30 November 2006 terminable by mutual consent. The service contract is exempt from the shareholders' approval requirements under Rule 13.68 of the Listing Rules.

The Group has entered into a service contract with Mr. Ye Zhi Mao, Jason with effect from 23 August 2004 to 23 August 2006 terminable by mutual consent. The service contract is exempt from the shareholders' approval requirements under Rule 13.68 of the Listing Rules as this was entered into before Mr. Ye became a director of the Company.

The Group has entered into a service contract with Mr. Wu Wei Lin, Patrick with effect from 26 September 2003 to 25 September 2006 terminable by mutual consent. The service contract is exempt from the shareholders' approval requirements under Rule 13.68 of the Listing Rules as this was entered into before Mr. Wu became a director of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

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
Ms. Edena S. I. Low	American Standard	Share options to subscribe for 10,401 shares in American Standard *(Note 1)*	Beneficial owner	Personal	0.0048%
Mr. Richard M. Ward	American Standard	Share options to subscribe for 51,000 shares in American Standard *(Note 2)*	Beneficial owner	Personal	0.0238%
Mr. Stephan R. Custer	American Standard	Share options to subscribe for 11,700 shares in American Standard *(Note 3)*	Beneficial owner	Personal	0.0055%
Mr. Ng ChanChoy	American Standard	Share options to subscribe for 6,000 shares in American Standard *(Note 4)*	Beneficial owner	Personal	0.0028%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Note 1: On 11 February 2002, 6 February 2003 and 4 February 2004, Ms. Low Soong Ing was granted options to subscribe for 1,000, 1,500 and 1,300 shares, respectively, at prices of US$59.69, US$68.06 and US$105.08 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. During the year ended 31 December 2003, 333 share options were exercised. On 4 May 2004, the shareholders of American Standard Companies Inc. approved a three-for-one stock split entitling all shareholders of record as at 18 May 2004, to receive two additional shares for each share held on that date. The stock split applies to all common stock and stock options. Therefore, following the stock split, Ms. Low has options to subscribe for 2,001, 4,500 and 3,900 shares respectively at prices of US$19.90, US$22.69 and US$35.03 per share.

Note 2: On 28 April 2003 and 4 February 2004, Mr. Richard M. Ward was granted options to subscribe for 10,000 and 7,000 shares, respectively, at prices of US$70.725 and US$105.08 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. On 4 May 2004, the shareholders of American Standard Companies Inc. approved a three-for-one stock split entitling all shareholders of record as at 18 May 2004, to receive two additional shares for each share held on that date. The stock split applies to all common stock and stock options. Therefore, following the stock split, Mr. Ward has options to subscribe for 30,000 and 21,000 shares respectively at prices of US$23.58 and US$35.03 per share.

Note 3: On 11 February 2002, 6 February 2003 and 4 February 2004, Mr. Stephan R. Custer was granted options to subscribe for 1,000, 1,400 and 1,500 shares, respectively, at prices of US$59.69, US$68.06 and US$105.08 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. On 4 May 2004, the shareholders of American Standard Companies Inc. approved a three-for-one stock split entitling all shareholders of record as at 18 May 2004, to receive two additional shares for each share held on that date. The stock split applies to all common stock and stock options. Therefore, following the stock split, Mr. Custer has options to subscribe for 3,000, 4,200 and 4,500 shares respectively at prices of US$19.90, US$22.69 and US$35.03 per share.

Note 4: On 2 August 2004, Mr. Ng Chan Choy was granted options to subscribe for 6,000 shares at price of US$37.78 per share 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 the date of grant. Options to subscribe for 1/3 of the shares granted may be exercised on or after the first anniversary of the date of grant; options to subscribe for another 1/3 of the shares may be exercised on or after the second anniversary of the date of grant; and options to subscribe for the remaining shares may be exercised on or after the third anniversary of the date of grant.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the share capital and underlying shares of the Company and its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above, at no time during the year 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests 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**	**Percentage of the Company's issued share capital**
American Standard *(Note 1)*	82,771,000	Corporate beneficial owner	54.80%
American Standard International Inc. *(Note 1)*	82,706,000	Corporate beneficial owner	54.76%
American Standard Foreign Sales Limited *(Note 1)*	82,706,000	Corporate beneficial owner	54.76%
American Standard Foreign Trading Limited *(Note 1)*	82,706,000	Corporate beneficial owner	54.76%
Foundation Brunneria *(Note 2)*	16,900,000	Corporate beneficial owner	11.19%
General Oriental Investments Limited *(Note 2)*	16,900,000	Corporate beneficial owner	11.19%

Note 1: American Standard owns a 54.80% shareholding interest in the Company through (i) a wholly-owned subsidiary, American Standard International Inc., being a corporation established 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 owns 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, which 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 approximately 0.04% shareholding interest in the Company.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed, as at 31 December 2004, no 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 or underlying shares of the Company or any of its associated corporation that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Save as disclosed under the heading "Continuing connected transactions" of the section headed "Business" of the Company's listing document, the Group had entered into the following continuing connected transactions (the "Connected Transactons") as defined under the GEM Listing Rules and waiver was granted by the Stock Exchange on 19 June 2003 from strict compliance with the requirements of Rules 20.30, 20.34, 20.35 and 20.36 of the GEM Listing Rules:

	Notes	US$'000
Sales of finished goods	(a)	29,236
Purchases of raw materials	(a)	(2,341)
Management fees expenses	(b)	(300)
Trademark licence, technical assistance and management assistance fees	(c)	(1,825)

Notes:

(a) The sales and purchases transactions were conducted with reference to the standard price lists and will continue in the future on the same basis.

(b) The management fees were charged in accordance with the terms of the relevant agreement with American Standard Inc.

(c) The trademark licence, technical assistance and management assistance fees were related to the sales of products bearing American Standard brands by the Group's subsidiaries in the PRC, which were charged on the basis as stated in the respective joint venture agreements, net of amounts credited to the Group pursuant to the Intellectual Property Agreement (as defined in note 25(2) to the financial statements) with American Standard Inc.

During the year, in addition to the above Connected Transactions, the American Standard Group paid expenses on behalf of the Group. Reimbursements of such payments on behalf were based on the actual amounts incurred. The Group reimbursed the American Standard Group an aggregate amount of US$1,544,000 for the year ended 31 December 2004.

CONNECTED TRANSACTIONS *(Continued)*

Pursuant to the waiver granted by the Stock Exchange, the Connected Transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors have confirmed that the Connected Transactions have been entered into (a) in the ordinary and usual course of the Group's business; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant cap amounts as described in the paragraph headed "Non-exempted continuing connected transactions" of the subsection headed "Continuing connected transactions" of the section headed "Business" in the Company's listing document.

The auditors of the Company have also confirmed that the Connected Transactions (a) have received the approval of the Company's board of directors; (b) have been entered into in accordance with the relevant agreements governing the transactions; and (c) have not exceeded the relevant cap amounts as described in the paragraph headed "Non-exempted continuing connected transactions" of the sub-section headed "Continuing connected transactions" of the Section headed "Business" of the Company's listing document.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to 19 January 2005, Ms. Edena S. I. Low, a director of the Company, is also a director of American Standard Vietnam Inc. and Sanitary Wares Manufacturing Corp (resigned on 16 March 2004). These two companies are members of the 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.

SPONSOR'S INTERESTS

At 31 December 2004, neither Anglo Chinese Corporate Finance, Limited (the "Sponsor"), nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the shares of the Company or of any member of the Group, or had any right to subscribe for, or to nominate persons to subscribe for the shares of the Company, or of any member 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 2005 and the Company shall pay an agreed advisory fee per financial quarter to the Sponsor for its provision of such services.

BOARD PRACTICES AND PROCEDURES

The Company had complied with the requirements of the Repealed GEM Listing Rules 5.34 to 5.45 (where applicable) concerning board practices and procedures throughout the year ended 31 December 2004.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2004, the Company adopted a 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. The Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

The Company established an audit committee on 16 June 2003 with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee has four members, comprising the three independent non-executive directors, Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi (appointed on 30 September 2004) and a non-executive director, Mr. Stephan R. Custer (resigned on 17 January 2005), with Mr. Ho Tse-Wah, Dean serving as the chairman of the committee. The audit committee has reviewed the Group's audited consolidated results for the year ended 31 December 2004.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the BOARD

Richard M. Ward
Chairman

Hong Kong
11 March 2005

ERNST & YOUNG
安永會計師事務所

To the members
A-S China Plumbing Products Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Hong Kong
11 March 2005

Consolidated Profit and Loss Account

Year ended 31 December 2004

	Notes	2004 US$'000	2003 US$'000
TURNOVER	4	**78,376**	73,733
Cost of sales		**(49,994)**	(50,652)
Gross profit		**28,382**	23,081
Other revenue, net		**580**	88
Selling and distribution costs		**(2,309)**	(1,980)
Administrative and operating expenses		**(14,468)**	(15,530)
PROFIT FROM OPERATING ACTIVITIES BEFORE TAX	5	**12,185**	5,659
Tax	8	**(1,877)**	(651)
PROFIT BEFORE MINORITY INTERESTS		**10,308**	5,008
Minority interests		**(2,162)**	(526)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	**8,146**	4,482
EARNINGS PER SHARE (US cents) – Basic	10	**5.39**	2.96

Consolidated Balance Sheet

31 December 2004

	Notes	2004 US$'000	2003 US$'000
NON-CURRENT ASSETS			
Fixed assets	11	**59,179**	62,482
Goodwill	12	**2,105**	2,286
Intangible assets	13	**15,959**	16,839
		77,243	81,607
CURRENT ASSETS			
Due from group companies	15	**9,185**	6,266
Prepayments, deposits and other receivables		**4,066**	3,796
Inventories	16	**7,809**	7,806
Trade receivables	17	**8,097**	8,899
Cash and cash equivalents	18	**36,442**	25,507
		65,599	52,274
CURRENT LIABILITIES			
Due to group companies	19	**6,827**	7,776
Dividend payable		**132**	132
Trade payables	20	**6,926**	4,516
Corporate income tax payable		**452**	48
Other payables, deposits and accrued liabilities		**14,585**	15,331
		28,922	27,803
NET CURRENT ASSETS		**36,677**	24,471
TOTAL ASSETS LESS CURRENT LIABILITIES		**113,920**	106,078
NON-CURRENT LIABILITY			
Due to American Standard Inc.	21	**(879)**	(1,785)
		113,041	104,293
MINORITY INTERESTS		**(15,429)**	(14,780)
		97,612	89,513
CAPITAL AND RESERVES			
Issued capital	22	**1,510**	1,510
Reserves	23(a)	**96,102**	88,003
		97,612	89,513

Richard M. Ward
Director

Ng ChanChoy
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	Issued share capital	Share premium account	Reserve fund	Expansion reserve	Exchange fluctuation reserve	(Accumu-lated losses)/ retained profits	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
Capitalisation of share premium	1,499	(1,499)	–	–	–	–	–
Expenses arising from the listing of the Company's shares	–	(2,010)	–	–	–	–	(2,010)
Exchange realignment	–	–	–	–	(68)	–	(68)
Net gains and losses not recognised in the profit and loss account	1,499	(3,509)	–	–	(68)	–	(2,078)
Net profit for the year	–	–	–	–	–	4,482	4,482
Appropriation to reserve fund and expansion reserve	–	–	245	81	–	(326)	–
At 31 December 2003 and 1 January 2004	1,510	85,305	3,088	989	(3,074)	1,695	89,513
Exchange realignment	–	–	–	–	(47)	–	(47)
Net gains and losses not recognised in the profit and loss account	–	–	–	–	(47)	–	(47)
Net profit for the year	–	–	–	–	–	8,146	8,146
Appropriation to reserve fund and expansion reserve	–	–	465	317	–	(782)	–
At 31 December 2004	1,510	85,305*	3,553*	1,306*	(3,121)*	9,059*	97,612

According to the Company Law of the People's Republic of China (the "PRC") and the PRC subsidiaries' articles of association, each of the PRC subsidiaries is required to set aside a certain percentage of its net profit, decided by the board of directors with due consideration to the business performance of the company from time to time, to the expansion reserve and reserve fund. The expansion reserve and reserve fund are non-distributable reserves and, subject to certain restrictions set out in the Company Law of the PRC and the articles of association of the PRC subsidiaries, part of the expansion reserve and reserve fund may be converted to increase share capital.

Pursuant to Section 34(2) in Chapter 22 of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Company can distribute dividends out of the share premium account in the amount of US$83,917,000 (2003: US$83,917,000) provided that the Company will be able to pay off its debts as and when they fall due in the ordinary course of business.

* These reserve accounts comprise the consolidated reserves of US$96,102,000 (2003: US$88,003,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2004

	Notes	2004 US$'000	2003 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**12,185**	5,659
Adjustments for:			
Interest income	5	**(168)**	(110)
Depreciation	5	**4,682**	4,706
Amortisation of goodwill	5	**181**	181
Amortisation of intangible assets	5	**880**	887
Gain/(loss) on disposal of fixed assets	5	**(110)**	365
Operating profit before working capital changes		**17,650**	11,688
Decrease in balances with group companies		**(4,774)**	(603)
(Increase)/decrease in prepayments, deposits and other receivables		**(270)**	549
Increase in inventories		**(3)**	(315)
(Increase)/decrease in trade receivables		**802**	(1,492)
Increase/(decrease) in trade payables		**2,410**	(1,552)
(Decrease)/ increase in other payables, deposits and accrued liabilities		**(746)**	2,151
Cash generated from operations		**15,069**	10,426
Income taxes paid		**(1,473)**	(1,002)
Net cash inflow from operating activities		**13,596**	9,424
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to fixed assets and intangible assets	11, 13	**(1,422)**	(4,080)
Proceeds from disposal of fixed assets		**153**	7
Interest received		**168**	110
Net cash outflow from investing activities		**(1,101)**	(3,963)

Consolidated Cash Flow Statement

Year ended 31 December 2004

	Notes	**2004**	2003
		US$'000	US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Expenses arising from the listing of the Company's shares		**–**	(2,010)
Decrease in pledged time deposits		**–**	834
Dividends declared to minority shareholders		**(557)**	–
Dividends paid to minority shareholders		**(956)**	(932)
Net cash outflow from financing activities		**(1,513)**	(2,108)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10,982**	3,353
Cash and cash equivalents at beginning of year		**25,507**	22,222
Effect of foreign exchange rate changes, net		**(47)**	(68)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**36,442**	25,507
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**25,942**	19,007
Non-pledged time deposits with original maturity of less than three months when acquired	18	**10,500**	6,500
		36,442	25,507

Balance Sheet

31 December 2004

	Notes	**2004**	2003
		US$'000	US$'000
NON-CURRENT ASSETS			
Fixed assets	11	**524**	648
Intangible assets	13	**6,998**	7,561
Interests in subsidiaries	14	**92,686**	93,529
		100,208	101,738
CURRENT ASSETS			
Prepayments, deposits and other receivables		**162**	342
Cash and cash equivalents	18	**4,211**	3,911
		4,373	4,253
CURRENT LIABILITIES			
Due to group companies	19	**1,948**	3,857
Dividend payable		**132**	132
Other payables, deposits and accrued liabilities		**657**	748
		2,737	4,737
NET CURRENT ASSETS/(LIABILITIES)		**1,636**	(484)
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,844**	101,254
NON-CURRENT LIABILITY			
Due to American Standard Inc.	21	**(879)**	(1,785)
		100,965	99,469
CAPITAL AND RESERVES			
Issued capital	22	**1,510**	1,510
Reserves	23(b)	**99,455**	97,959
		100,965	99,469

Richard M. Ward
Director

Ng ChanChoy
Director

1(a). CORPORATE 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 is located at P.O. Box 309 Ugland House, South Church Street, Grand Cayman, the Cayman Islands and its principal place of business is located at 22nd floor, Lansheng Building, 8 Huai Hai Zhong Lu, Shanghai, the PRC.

During the year, the Company remained as an investment holding company and its subsidiaries were principally engaged in the manufacture, sale and distribution of plumbing products in the PRC.

In the opinion of the directors, the Company's ultimate holding company is American Standard Companies Inc., a company incorporated in Delaware, United States of America and listed on the New York Stock Exchange.

1(b). IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The new HKFRS may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of the acquisition.

Goodwill arising on consolidation is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% – 3.3%
Plant and machinery	5%
Furniture, equipment and motor vehicles	14.3% – 20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents factory buildings, plant and machinery and other fixed assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Intangible assets

(i) Intellectual property rights

Intellectual property rights represent present and future exclusive territorial rights to manufacture and distribute products under the plumbing product trademarks owned by American Standard Inc. in the PRC and are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over its estimated useful life of 20 years.

(ii) Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis to write off the costs of the land use rights over the respective period of land use rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

(iii) Trademark licence fees

Trademark licence fees, other than intellectual property rights, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis to write off the cost of the trademark licence fees over the period of the respective licences. Amortisation starts on the commencement of the respective subsidiaries' operations.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

(i) except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

(i) except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

(iii) Dividend income, when the shareholders' right to receive payment has been established.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Research and development costs

All research and development costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed as incurred.

Pension scheme

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 PRC subsidiaries are required to contribute 19.0% to 22.5% of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

The books and records of the Company are maintained in United States dollars ("US$"). The books and records of the Company's subsidiaries in the PRC and Hong Kong are maintained and their statutory financial statements are stated in Renminbi ("RMB") and Hong Kong dollars ("HK$"), respectively.

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries are translated into US$ using the net investment method. The profit and loss accounts of subsidiaries are translated into US$ at the weighted average exchange rates for the year, and their balance sheets are translated into US$ at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flow of subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. SEGMENT INFORMATION

The Group's revenue is principally derived from the manufacture, sale and distribution of plumbing products with focus in the PRC.

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

	Segment revenue	
	2004	2003
	US$'000	US$'000
PRC	**47,441**	46,295
North America	**13,482**	17,988
United Kingdom	**9,917**	4,483
Other European countries	**2,533**	1,220
Others	**5,003**	3,747
Total	**78,376**	73,733

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

4. 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.

5. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2004	2003
	US$'000	US$'000
Cost of inventories sold	**47,523**	48,896
Amortisation:		
Goodwill* *(note 12)*	**181**	181
Intangible assets** *(note 13)*	**880**	887
Auditors' remuneration	**174**	209
Depreciation *(note 11)*	**4,682**	4,706
Staff costs (including directors' remuneration) *(note 6)*		
Wages and salaries	**11,195**	13,534
Pension scheme contributions	**899**	969
	12,094	14,503
(Gain)/Loss on disposal of fixed assets	**(110)**	365
Operating lease rentals in respect of land and buildings	**611**	556
(Reversal of)/Provision for doubtful debts	**(69)**	230
Provision for slow-moving inventories	**94**	745
Research and development costs	**289**	305
Interest income	**(168)**	(110)
Foreign exchange losses, net	**4**	68

* The amortisation of goodwill for the year is included in "Administrative and operating expenses" on the face of the consolidated profit and loss account.

** The amortisation of intangible assets for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

6. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM listing rules of the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004	2003
	US$'000	US$'000
Fees	**38**	13
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**237**	351
Bonuses	**22**	102
Pension scheme contributions	**9**	15
	306	481

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to US$128,205 (HK$1,000,000)	**8**	8
US$128,206 (HK$1,000,001) to US$320,512 (HK$2,500,000)	**1**	–
US$320,513 (HK$2,500,001) to US$448,718 (HK$3,500,000)	**–**	1
	9	9

The remuneration paid by the Group to two (2003: three) executive directors of the Company for the year ended 31 December 2004 analysed on an individual basis was approximately US$267,000 (2003: US$468,000). The remuneration paid by the Group to three (2003: two) independent non-executive directors of the Company for the year ended 31 December 2004 analysed on an individual basis was approximately US$38,000 (2003: US$13,000). There were no remuneration paid by the Group to the four (2003: four) remaining directors of the Company for the year ended 31 December 2004 (2003: nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, certain directors were granted share options in respect of their services to the Group under the share option scheme of the ultimate holding company.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2003: one) director, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining four (2003: four) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	US$'000	US$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**260**	571
Bonuses	**86**	93
Pension scheme contributions	**5**	39
	351	703

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2004	2003
Nil to US$128,205 (HK$1,000,000)	**4**	1
US$128,206 (HK$1,000,001) to US$192,308 (HK$1,500,000)	**–**	2
US$192,309 (HK$1,500,001) to US$256,410 (HK$2,000,000)	**–**	1
	4	4

During the year, no emoluments were paid by the Group to the directors or the non-director, other highest paid employees either as an inducement to join or upon joining the Group, or as compensation for loss of office (2003: Nil).

During the year, no share options (2003: Nil) were granted to the above non-director, highest paid employees in respect of their services to the Group.

8. TAX

	Group	
	2004	2003
	US$'000	US$'000
Current year provision in respect of:		
The PRC	**1,877**	651

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

Hong Kong profits tax has not been provided during the current and prior years as the Group had no assessable profits attributable to its operations in Hong Kong.

The PRC subsidiaries were granted or have a right to apply for the 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").

For a PRC subsidiary, A-S (Jiangmen) Fittings Co., Ltd ("A-S Jiangmen Fittings"), is subject to a CIT rate of 24% as it is located in a coastal economic development region and is qualified to the 50% exemption from CIT as it qualifies as a "technologically advanced enterprise" pursuant to the PRC tax regulations. As at 31 December 2004, A-S Jiangmen Fittings has not obtained the written approvals from the local tax bureau for the current year CIT exemption.

A PRC subsidiary, A-S (Shanghai) Pottery Co., Ltd., is subject to a CIT rate of 24% as it is located in Shanghai region and is qualified to the 50% exemption from CIT as it is in its third profitable year.

A PRC subsidiary, A-S (Tianjin) Pottery Co., Ltd., is subject to a CIT rate of 15% as it is located in the Tianjin economic & development zone and is qualified to the 50% exemption from CIT as it is in its fourth profitable year.

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% for the year ended 31 December 2004 from the local tax bureau as it qualifies as a "high and new technology enterprise".

No provision for deferred tax has been provided as the taxable and deductible temporary differences are immaterial for the current and prior years.

8. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the PRC in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory rate to the effective rate, are as follows:

	Group			
	2004	**2004**	2003	2003
	US$'000	**%**	US$'000	%
Profit before tax	**12,185**		5,659	
Tax at the statutory rate	**4,021**	**33.0**	1,867	33.0
Expenses not deductible for tax purpose	**132**	**1.0**	936	16.5
Tax losses of subsidiaries	**848**	**7.0**	(253)	(4.5)
Tax exemptions/deductions	**(3,124)**	**(25.6)**	(1,899)	(33.5)
Tax expense at the Group's effective tax rate	**1,877**	**15.4**	651	11.5

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was US$1,496,000 (2003: US$1,908,000) (note 23(b)).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of US$8,146,000 (2003: US$4,482,000), and the weighted average number of issued ordinary shares of 151,034,000 (2003: 151,034,000) during the year.

A diluted earnings per share amount for the years ended 31 December 2004 and 2003 has not been disclosed as no diluting events existed during the current or prior year.

11. FIXED ASSETS

Group

	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 beginning of year	29,446	60,168	12,036	252	101,902
Additions	21	848	304	249	1,422
Transfer	–	–	283	(283)	–
Disposals	–	(27)	(624)	–	(651)
At 31 December 2004	**29,467**	**60,989**	**11,999**	**218**	**102,673**
Accumulated depreciation:					
At beginning of year	6,402	23,037	9,981	–	39,420
Charged during the year	793	2,668	1,221	–	4,682
Disposals	–	(8)	(600)	–	(608)
At 31 December 2004	**7,195**	**25,697**	**10,602**	**–**	**43,494**
Net book value:					
At 31 December 2004	**22,272**	**35,292**	**1,397**	**218**	**59,179**
At 31 December 2003	23,044	37,131	2,055	252	62,482

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

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

11. FIXED ASSETS *(continued)*

Company

	Furniture, equipment and motor vehicles
	US$'000
Cost:	
At beginning of year	2,288
Disposals	(203)
At 31 December 2004	**2,085**
Accumulated depreciation:	
At beginning of year	1,640
Charged during the year	124
Write off on disposals	(203)
At 31 December 2004	**1,561**
Net book value:	
At 31 December 2004	**524**
At 31 December 2003	648

12. GOODWILL

	Group
	US$'000
Cost:	
At beginning of year and at 31 December 2004	**3,361**
Accumulated amortisation:	
At beginning of year	1,075
Charged during the year	181
At 31 December 2004	**1,256**
Net book value:	
At 31 December 2004	**2,105**
At 31 December 2003	2,286

13. INTANGIBLE ASSETS

Group

	Intellectual property rights	Land use rights	Trademark licence fees	Total
	US$'000	US$'000	US$'000	US$'000
Cost:				
At beginning of year and at 31 December 2004	**10,000**	**11,506**	**1,650**	**23,156**
Accumulated amortisation:				
At beginning of year	2,439	2,301	1,577	6,317
Charged during the year	563	244	73	880
At 31 December 2004	**3,002**	**2,545**	**1,650**	**7,197**
Net book value:				
At 31 December 2004	**6,998**	**8,961**	**–**	**15,959**
At 31 December 2003	7,561	9,205	73	16,839

13. INTANGIBLE ASSETS *(continued)*

Company

	Intellectual property rights US$'000
Cost:	
At beginning of year and at 31 December 2004	**10,000**
Accumulated amortisation:	
At beginning of year	2,439
Charged during the year	563
At 31 December 2004	**3,002**
Net book value:	
At 31 December 2004	**6,998**
At 31 December 2003	7,561

Included in the value for land use rights is a net book value of approximately US$317,000 (2003: US$325,000) relating to a land use right of a PRC subsidiary, for which the official land use right certificate is still pending from the relevant PRC bureau. The directors are of the opinion that they would continue to take necessary actions to obtain the official certificate.

All land use rights are for plots of land located in the PRC. Apart from a land use right with a net book value of US$89,000 as at 31 December 2004 (2003: US$90,000) which is held on a long term lease, the remaining land use rights are held on medium term leases.

The trademark licence fees solely represented the values of two brands contributed by the PRC joint venture partners at the formation of the respective PRC subsidiaries.

14. INTERESTS IN SUBSIDIARIES

	Company 2004 US$'000	Company 2003 US$'000
Unlisted shares, at cost	**85,549**	85,549
Due from subsidiaries	**11,437**	10,880
Due to a subsidiary	**(4,300)**	(2,900)
	92,686	93,529

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid in capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
A-S (Beijing) Enamel Steel Sanitaryware Co., Ltd. ("A-S Beijing Bathtubs")*, **	PRC	US$9,920,000	50.00	18.50	Manufacturing of enamelled steel bathtubs
A-S (China) Company, Ltd. ("ASCC")	PRC	US$30,000,000	–	100	Investment holding and marketing of the Group's products
A-S (Guangzhou) Enamelware Company Limited ("A-S Guangzhou Bathtubs")*	PRC	US$18,000,000	41.40	40.60	Manufacturing of enamelled steel bathtubs
A-S (Jiangmen) Fittings Co., Ltd.	PRC	US$10,850,000	–	100	Manufacturing of brass fittings

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
A-S (Shanghai) Fittings Co., Ltd. ("A-S Shanghai Fittings")*, **	PRC	US$11,000,000	36.40	27.60	Manufacturing of brass fittings
A-S (Shanghai) Pottery Co., Ltd. ("A-S Shanghai Pottery")*	PRC	US$24,725,000	57.73	24.27	Manufacturing of vitreous china sanitary ware
A-S (Tianjin) Pottery Co., Ltd. ("A-S Tianjin Pottery")	PRC	US$17,500,000	50.30	49.70	Manufacturing of vitreous china sanitary ware
Central Hope (China) Limited	Hong Kong	HK$100	100	–	Investment holding
Hua Mei Sanitary Ware Co., Ltd. ("HuiMei")*	PRC	US$12,000,000	67.58	–	Manufacturing of vitreous china sanitary ware
Ultrawide Engineering Limited ("Ultrawide HK")	Hong Kong	HK$54,600,000	100	–	Investment holding

* These subsidiaries are registrated as contractual joint ventures under the PRC law.

** Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

15. DUE FROM GROUP COMPANIES

	Group	
	2004	2003
	US$'000	US$'000
American Standard – Canada	**41**	14
American Standard Europe	**4,062**	609
American Standard Inc. – Paintsville Fittings Factory	**16**	287
American Standard Inc. – USPPL	**–**	56
American Standard Korea Inc.	**563**	13
American Standard Plumbing (UK) Ltd.	**–**	1,367
American Standard Vietnam Inc.	**111**	72
American Standard – Japan	**65**	51
Bath & Kitchen-Global Group	**72**	137
Corporate Units-Corporate St	**2**	2
Ideal Standard (Thailand) Limited	**35**	22
Ideal Standard S.A De C.V.	**433**	714
Ideal Standard S.A.	**17**	122
Ideal Standard S.L.	**–**	16
Ideal Standard Wittlich GmbH	**–**	2
International-Maxico Traditi	**27**	–
Far East – Thailand	**8**	–
Bulgaria Fittings CM	**7**	–
LaCrosse Business Svcs.	**35**	5
PT American Standard Indonesia	**8**	28
Salem metal based plant	**551**	67
Sanitaryware Manufacturing Corporation – Philippines	**181**	73
U.S.P.P.-Sourced Chinaware	**2,951**	2,609
	9,185	6,266

All the amounts due at each balance sheet date arose from trading transactions.

The balances due from group companies are unsecured, interest-free and are repayable in accordance with trade terms.

16. INVENTORIES

	Group	
	2004	2003
	US$'000	US$'000
Raw materials	**2,323**	3,740
Work in progress	**992**	952
Finished goods	**4,494**	3,114
	7,809	7,806

None of the inventories is carried at net realisable value in both years.

17. TRADE RECEIVABLES

The Group generally grants a credit term of 45 days to its customers. An aged analysis of the net trade receivables at the balance sheet dates, based on invoice date, is as follows:

	Group	
	2004	2003
	US$'000	US$'000
Within 30 days	**6,253**	6,892
Within 31-90 days	**1,478**	1,818
Within 91-180 days	**366**	189
	8,097	8,899

18. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Cash and bank balances	**25,942**	19,007	**211**	411
Time deposits	**10,500**	6,500	**4,000**	3,500
	36,442	25,507	**4,211**	3,911

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$15,380,000 (2003: US$9,909,000). The RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. DUE TO GROUP COMPANIES

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
American Standard Europe	**748**	658	**–**	–
American Standard Inc.	**5,579**	6,816	**1,948**	3,857
American Standard Korea Inc.	**254**	126	**–**	–
American Standard Plumbing (UK) Ltd.	**12**	39	**–**	–
American Standard Sanitaryware (ThaiLand)	**64**	–	**–**	–
PT Anerican Standard (Indonesia)	**62**	–	**–**	–
Sanitary Wares Manufacturing Corp. (Philppines)	**9**	–	**–**	–
Edwards of Hull	**14**	2	**–**	–
Ideal Standard Fittings – Mexico	**1**	22	**–**	–
Ideal Standard S.R.L.	**–**	5	**–**	–
Ideal Standard Wittlich GmbH	**6**	68	**–**	–
Ideal Standard Bulgaria CM	**29**	–	**–**	–
Meloh Armaturen GmbH	**–**	4	**–**	–
UK Fittings LRD	**23**	–	**–**	–
The US Plumbing Products division – Paintsville	**3**	3	**–**	–
The US Plumbing Products division – Staff	**23**	14	**–**	–
Trane Thailand Manufacturing	**–**	3	**–**	–
VIDIMA AD	**–**	16	**–**	–
	6,827	7,776	**1,948**	3,857

19. DUE TO GROUP COMPANIES *(continued)*

Apart from the amounts due to American Standard Inc., which arose from transactions as detailed in note 25(1)(b) and (c) of continuing transactions, all the remaining amounts due at each balance sheet date arose from trading transactions.

The balances due to group companies are unsecured, interest-free and are repayable in accordance with trade terms.

20. TRADE PAYABLES

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

	Group	
	2004	2003
	US$'000	US$'000
Within 30 days	**4,449**	3,381
Within 31-90 days	**1,848**	479
Within 91-180 days	**419**	179
Over 180 days	**210**	477
	6,926	4,516

21. DUE TO AMERICAN STANDARD INC.

The balance represents the remaining consideration for the intellectual property rights granted by American Standard Inc. (see notes 25(1)(c) and 25(2)).

22. SHARE CAPITAL

	Group and Company	
	2004	2003
	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

23. RESERVES

(a) Group

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 30 of this report.

(b) Company

	Share premium account	**Retained profits**	**Total**
	US$'000	US$'000	US$'000
At 1 January 2003	87,426	12,134	99,560
Capitalisation of share premium	(1,499)	–	(1,499)
Expenses arising from the listing of the Company's shares	(2,010)	–	(2,010)
Net profit for the year	–	1,908	1,908
At 31 December 2003 and 1 January 2004	83,917	14,042	97,959
Net profit for the year	–	1,496	1,496
At 31 December 2004	83,917	15,538	99,455

24. CONTINGENT LIABILITIES

	Group		**Company**	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
In respect of performance bonds issued by banks to the Group's customers	**–**	1,397	**–**	1,397

During the two years ended 31 December 2004 and 2003, the Group had a credit facility of US$2,000,000 which was secured by an irrevocable and unconditional corporate guarantee provided by the Company up to the amount of the credit facility utilised. At 31 December 2004, there was no credit facility utilised by way of performance bonds (2003: US$1,397,000).

25. RELATED PARTY TRANSACTIONS

(1) The Group had the following material continuing transactions with group companies of the Company's ultimate holding company, American Standard Companies Inc., during the year:

		Group	
		2004	2003
	Notes	**US$'000**	US$'000
Sales of finished goods	(a)	**29,236**	25,298
Purchases of raw materials	(a)	**(2,341)**	(2,085)
Management fee expenses	(b)	**(300)**	(300)
Trademark licence, technical assistance and management assistance fees	(c)	**(1,825)**	(1,874)

Notes:

(a) The sales and purchase transactions were conducted with reference to the standard price lists and will continue in the future on the same basis.

(b) The management fees were charged in accordance with the terms of the relevant agreements with American Standard Inc.

(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 basis as stated in the respective joint venture agreements, net of amounts credited to the Group pursuant to the Intellectual Property Agreement (as defined in note 25(2) below) with American Standard Inc.

During the year, in addition to the above continuing transactions, the American Standard Group paid expenses on behalf of the Group. Reimbursements of such payments on behalf were based on the actual amounts incurred. The Group reimbursed the American Standard Group an aggregate amount of US$1,544,000 (2003: US$2,327,000) for the year ended 31 December 2004.

For the year ended 31 December 2004, the Company settled with American Standard Inc. an amount of US$906,000 (2003: US$867,000) in respect of the consideration for the intellectual property rights.

25. RELATED PARTY TRANSACTIONS *(continued)*

(2) Pursuant to the Intellectual Property Agreement entered into as at 1 January 1996 (the "Intellectual Property Agreement"), American Standard Inc. agreed to grant the Company and its PRC subsidiaries, upon the fulfilment of certain conditions contained in the Shareholders' Agreement dated 20 April 1994, and as amended on 24 December 1996, the exclusive territorial rights to use its present and future trademark, and to have access to its present and future technology knowhow to manufacture, market, distribute and sell AS plumbing products in the PRC (the "intellectual property rights") for a consideration of US$10,000,000. In 1997, American Standard Inc. purchased an aggregate of 3,000 B shares from certain B shareholders and increased its shareholding in the Company from 28.94% to 54.8%, and this fulfilled the conditions required for the granting of the intellectual property rights. Accordingly, the intellectual property rights were granted by American Standard Inc. to the Company on 21 October 1997 (note 25(1)(c)).

(3) During the year, a service fee that amounted to US$74,000 (2003: US$64,000) was paid to Qing Yuan, a minority shareholder of a PRC subsidiary, by a PRC subsidiary for the provision of administrative services, and was charged based on 0.5% (2003: 0.5%) of net sales of that PRC subsidiary.

(4) The related party transactions in respect of 25(1) above also constitute connected transactions or continuing connected transactions as defined under the GEM Listing Rules.

26. COMMITMENTS

(1) The Company and the Group had no capital commitments at the balance sheet date.

(2) Upon entering into the joint venture agreements of the Company's PRC subsidiaries, American Standard Inc. undertakes to provide the technical knowhow and to allow trademarks under licence from American Standard Inc. and its affiliates to be used for the plumbing products manufactured and sold by the Company's PRC subsidiaries in return for the following fees:

A-S Beijing Bathtubs:	
Technical assistance fee	2% of net sales lump sum start up fee of US$100,000
Trademark licence fee	3% of net sales of AS products
Management assistance fee	1.5% of net sales
A-S Guangzhou Bathtubs:	
Technical assistance fee	2.5% of net sales
Trademark licence fee	2.5% of net sales of AS products
A-S Shanghai Fittings:	
Technical assistance fee	1.5% of net sales
Trademark licence fee	3.5% of net sales of AS products
A-S Shanghai Pottery:	
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:	
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 for years 1 to 2 and 2% of net sales for subsequent years
Trademark licence fee	3% of net sales of AS products

26. COMMITMENTS *(continued)*

(2) *(continued)*

American Standard Inc. agreed to treat one-half of the technical assistance, trademark licence and management assistance fees receivable from the PRC subsidiaries to American Standard Inc. as settlements by the Company for the purchase of the intellectual property rights (note 25(2)).

(3) **Operating leases commitments**

The Group leases certain of its land and buildings and motor vehicles under operating lease arrangements. Leases for properties and motor vehicles are negotiated for terms ranging from one to three years and half to six years, respectively. The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2004	2003
	US$'000	US$'000
Within one year	**844**	250
In the second to fifth years, inclusive	**521**	94
	1,365	344

The Company did not have any operating lease commitments at the balance sheet date.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2005.