

# **ASPPL**

## **A - S China Plumbing Products Limited**

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

**Stock Code : 8262**

### **First Quarterly Report**

**For the three months ended 31 March 2007**

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

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

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

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business and operations review**

Total turnover of the Group during the quarter ended 31 March 2007 amounted to approximately US\$20.6 million, representing an increase of approximately 22.5% compared to the same quarter last year. Export sales increased by approximately 35% and domestic sales increased by nearly 8%.

During the quarter the Group continued to roll out in China its new design for its showrooms and benefited from the new leading edge design bathroom suites launched over the last three years. In particular the 'Imagine' suite from the upcoming designer Ronen Joseph continues to be well received and demand outstrips forecast.

Gross profit margin improved by some 3 percentage points to approximately 33.3% principally due to the benefit from price increases taken during 2006. The Company continues to make good progress towards world-class levels of productivity in its plants and saw the benefits of the closing of its plant in Beijing last year.

Profit before tax for the period increased by 52.9% to approximately US\$1.9 million mainly due to the improved gross profit ratio as mentioned above.

### **Prospect**

The management expects that demand from overseas market will continue to be strong in the next few quarters.

The price of copper, one of the major raw materials in fittings, was relatively stable during the quarter. Management is still concerned about inflationary pressures later in the year.

## QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2007

The board of directors is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2007 together with the comparative unaudited consolidated results for the corresponding period in 2006 (the “Relevant Periods”) as follows:

### Condensed Consolidated Profit And Loss Account

		<b>Unaudited</b>	
		<b>three months ended</b>	
		<b>31 March</b>	
		<b>2007</b>	<b>2006</b>
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE	3	20,610	16,830
Cost of sales		<u>(13,751)</u>	<u>(11,728)</u>
Gross profit		6,859	5,102
Administrative and operating expenses		(4,132)	(3,581)
Distribution costs		(844)	(541)
Other revenue, net		<u>37</u>	<u>276</u>
PROFIT BEFORE TAX		1,920	1,256
Tax	4	<u>(734)</u>	<u>(435)</u>
PROFIT FOR THE PERIOD		<u><u>1,186</u></u>	<u><u>821</u></u>
Attributable to:			
Equity holders of the parent		820	414
Minority interests		<u>366</u>	<u>407</u>
		<u>1,186</u>	<u>821</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS			
OF THE PARENT (US cents)			
– Basic, for profit for the period	5	<u><u>0.54</u></u>	<u><u>0.27</u></u>

## Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to equity holders of the parent								
	Issued share capital	Share premium	Reserve fund	Expansion reserve	Exchange fluctuation reserve	Retained profits losses)	Total	Minority interest	Total equity
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000			
At 1 January 2006	1,510	85,305	3,957	1,306	(1,328)	14,606	105,356	15,237	120,593
Exchange realignment	-	-	-	-	2,548	-	2,548	425	2,973
Net loss not recognised in the profit and loss account	-	-	-	-	2,548	-	2,548	425	2,973
Net profit for the year	-	-	-	-	-	1,377	1,377	2,106	3,483
Liquidation of a subsidiary	-	-	-	-	-	-	-	(1,431)	(1,431)
Dividend declared or paid to Minority interest shareholders	-	-	-	-	-	-	-	(4,181)	(4,181)
Appropriation to reserve fund and expansion reserve	-	-	377	-	-	(377)	-	-	-
1 January 2007	<u>1,510</u>	<u>85,305</u>	<u>4,334</u>	<u>1,306</u>	<u>1,220</u>	<u>15,606</u>	<u>109,281</u>	<u>12,156</u>	<u>121,437</u>
Exchange realignment	-	-	-	-	911	-	911	148	1,059
Net gain not recognized in the profit and loss account	-	-	-	-	911	-	911	148	1,059
Dividend declared or paid to Minority interest shareholders	-	-	-	-	-	-	-	(1,007)	(1,007)
Net profit for the period	-	-	-	-	-	820	820	366	1,186
At 31 March 2007	<u><u>1,510</u></u>	<u><u>85,305</u></u>	<u><u>4,334</u></u>	<u><u>1,306</u></u>	<u><u>2,131</u></u>	<u><u>16,426</u></u>	<u><u>111,012</u></u>	<u><u>11,663</u></u>	<u><u>122,675</u></u>

Notes:

### 1. BASIS OF PRESENTATION

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

### 2. PRINCIPAL ACTIVITIES

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

### 3. TURNOVER

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.

	Three months ended 31 March	
	2007	2006
	US\$'000	US\$'000
Segment revenue		
China	8,491	7,886
European countries	5,671	5,364
North America	3,800	1,524
Others	2,648	2,056
Total	<u>20,610</u>	<u>16,830</u>

### 4. TAX

	Three months ended 31 March	
	2007	2006
	US\$'000	US\$'000
Current period provision in respect of:		
The PRC	<u>734</u>	<u>435</u>

**4. TAX (CONTINUED)**

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

Hong Kong profits tax has not been provided during the Relevant Periods as the Group had no assessable profits attributable to its operations in Hong Kong during the Relevant Periods.

A China subsidiary, A-S (Jiangmen) Fittings Co., Ltd (“A-S Jiangmen Fittings”), is subject to a CIT rate of 27%.

A China subsidiary, A-S (Shanghai) Pottery Co., Ltd., is subject to a CIT rate of 24%.

A China subsidiary, A-S (Tianjin) Pottery Co., Ltd., is subject to a CIT rate of 15% as it is located in Tianjin economic & development zone.

Another China subsidiary, Hua Mei Sanitary Ware Co., Ltd (“Hua Mei”) is subject to a CIT rate of 24% and is entitled to a preferential tax rate of 18% as it is qualified as a “Knowledge and Technical Concentration Enterprise”.

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

**5. EARNING PER SHARE**

The calculation of basic earnings per share for the Relevant Periods is based on the net profit for the period attributable to equity holders of the parent of US\$820,000 (2006: US\$ 414,000), and weighted average number of issued ordinary shares of 151,034,000 (2006:151,034,000) during the Relevant Periods.

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

## INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and chief executive's interests in the Company and in associated corporations" above and "Share Option Schemes" below, at no time during the three months ended 31 March 2007 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Group granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or the Group, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## DISCLOSURE OF INTERESTS

As at 31 March 2007, the interests of the Directors and the chief executive in the securities of the Company and its associated corporations as required to be recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

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

At 31 March 2007, 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
Mr. Richard M. Ward	American Standard	Share options to subscribe for 29,353 shares in American Standard	Beneficial owner	Personal	Less than 0.01%
Mr. Ye Zhi Mao, Jason	American Standard	Share options to subscribe for 1,814 shares in American Standard	Beneficial owner	Personal	Less than 0.01%
Mr. Gao Jin Min	American Standard	Share option to subscribe for 6,694 shares in American Standard	Beneficial owner	Personal	Less than 0.01%



## DISCLOSURE OF INTERESTS (CONTINUED)

### (a) Directors' and chief executive's interests and short positions in shares and underlying shares (Continued)

#### Movement in Directors' interests in options of ASCI during the period

Name of director	Date of grant	Exercise price US\$	Balance as at 1.1.2007	Granted during the period	Exercised during the period	Balance as at 31.3.2007
Mr. Richard	4.2.2004	35.03	7,002	-	-	7,002
M. Ward	2.2.2005	43.34	10,000	-	-	10,000
	1.2.2006	36.87	10,000	-	-	10,000
	5.2.2007	52.66	-	2,351	-	2,351
			<u>27,002</u>			<u>29,353</u>
Mr. Ye Zhi	2.2.2005	43.34	500	-	-	500
Mao, Jason	1.2.2006	36.87	1,000	-	-	1,000
	5.2.2007	52.66	-	314	-	314
			<u>1,500</u>			<u>1,814</u>
Mr. Gao Jin Min	3.1.2007	45.86	-	3,000	-	3,000
	5.2.2007	52.66	-	3,694	-	3,694
			<u>-</u>			<u>6,694</u>

The above listed directors were granted to subscribe for shares 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.

Save as disclosed above, none of the directors and chief executive has owned 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 the Model Code for Securities Transactions by Directors of Listed Issuers as refer to Rule 5.46 of the GEM Listing Rules.

## DISCLOSURE OF INTERESTS (CONTINUED)

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

At 31 March 2007, 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 Companies Inc ( <i>Note 1</i> )	93,253,000	Corporate beneficial owner	61.74%
American Standard Inc. ( <i>Note 1</i> )	65,000	Corporate beneficial owner	0.04%
American Standard International Inc. ( <i>Note 1</i> )	93,188,000	Corporate beneficial owner	61.70%
American Standard Bermuda Limited ( <i>Note 1</i> )	93,188,000	Corporate beneficial owner	61.70%
American Standard Foreign Trading Limited ( <i>Note 1</i> )	93,188,000	Corporate beneficial owner	61.70%
Foundation Brunneria ( <i>Note 2</i> )	16,900,000	Corporate beneficial owner	11.19%
General Oriental Investments Limited ( <i>Note 2</i> )	16,900,000	Corporate beneficial owner	11.19%

*Note 1:* American Standard Companies Inc. owns a 61.74% 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 Bermuda Limited, a company incorporated in Bermuda with limited liability, which in turn owns a 100% interest in American Standard Foreign Trading Limited, also a company incorporated in Bermuda with limited liability, which directly holds a 61.70% shareholding interest in the Company and (ii) another wholly-owned subsidiary of American Standard Companies Inc., American Standard Inc., holds 65,000 shares, which represent approximately a 0.04% shareholding interest in the Company.

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

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

*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.

Save as disclosed above, as at 31 March 2007, no other person (other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above) have registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation that was required to be kept under Section 336 of the SFO.

## **SHARE OPTION SCHEMES**

As at 31 March 2007, the Company did not have any share option scheme in place.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2007.

## **BOARD PRACTICES AND PROCEDURES**

The Company complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the three months ended 31 March 2007.

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

The Company complied with the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company had made specific enquiry of all directors whether its directors have complied with, or whether there have been any non-compliance with the required standard of dealings. 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 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. During the period ended 31 March 2007, the audit committee had three members, comprising of three independent non-executive directors, Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi with Mr. Ho Tse-Wah, Dean serving as the chairman of the committee. The audit committee has reviewed the Group's first quarterly report for the three months ended 31 March 2007.

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

*As at the date of this report, the Board of the Company comprises Mr. Richard M. Ward, Ms. Cindy Yang, Mr. Ye Zhi Mao, Jason, Mr. Wu Wei Lin, Patrick and Mr. Gao Jin Min as executive directors; Mr. Peter James O'Donnell as non-executive director and Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi as independent non-executive directors.*

Hong Kong, 8 May 2007