

ASPPL

A - S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8262

Interim Report

For the six months ended 30 June 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 Operations Review

- Total turnover of the Group for the three months ended 30 June 2007 amounted to approximately US\$27.31 million (2006: US\$22.03 million) and turnover for the six months ended 30 June 2007 amounted to US\$47.92 million (2006: US\$38.86 million).
- The Group showed encouraging growth in Q2. Total turnover for the three months ended 30 June 2007 grew 24.0%. Domestic sales grew by 13.5% and export sales grew by 37.8% compared to the same period last year.
- The pick up in domestic sales growth comes on the back of continuing the successful implementation of the American Standard ‘Design Solutions’ programs. During the quarter the Group won a number of significant contracts to supply major sites for the Olympic games taking place in Beijing in 2008.
- The gross profit margin of the Group was maintained at 34%, with increased pricing and manufacturing savings offsetting higher raw material costs, especially copper. The Group is showing the benefits of the plant closure made last year.
- The Group recorded a net profit after minority interests of approximately US\$2.6 million during the six months ended 30 June 2007 compared to a net loss after minority interests of approximately US\$2.1 million in the same period last year. The net loss during the same period of last year was mainly due to a provision of restructuring costs of approximately US\$3.4 million for the liquidation of a subsidiary. By excluding the restructuring costs, the Group recorded a net profit after minority interests of approximately US\$1.3 million for the first six months of last year.
- The Group continues to maintain a healthy financial position. As of 30 June 2007, the net current assets of the Group amounted to US\$60.4 million, which comprise cash and bank deposits of approximately US\$55.1 million. The Group has no bank loan as of the period end date and the reporting date.
- In light of the healthy cash position, management believes the Group has more than sufficient plans to support its development plans for the business. In line with the dividend policy, the Group expects to remit the excess funds in the form of interim dividends totalling approximately US\$0.1632 per share (Hong Kong Dollar 1.2728 per share). The first dividend of US\$0.0948 per share (Hong Kong Dollar 0.7393 per share) has been approved by the Board. A second dividend of approximately US\$0.0684 per share (Hong Kong Dollar 0.5335 per share) is expected by the Board, subject to receipt of dividends from the subsidiaries of the Group and confirmation of the exact amount, and subject to the approval of the Board of Directors at a further meeting.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Business Operations Review *(continued)*

Prospect

- The Group anticipates continued inflationary pressure on raw material prices, in particular copper.
- Management is confident that the export sales will continue to be strong in the second half of the year given the continuing improvement of product portfolios.

FOREIGN CURRENCY EXPOSURE

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

QUARTERLY RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 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

	<i>Notes</i>	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
		2007 <i>US\$'000</i>	2006 <i>US\$'000</i>	2007 <i>US\$'000</i>	2006 <i>US\$'000</i>
TURNOVER	3	27,313	22,026	47,923	38,856
Cost of sales		<u>(17,884)</u>	<u>(14,393)</u>	<u>(31,635)</u>	<u>(26,121)</u>
Gross profit		9,429	7,633	16,288	12,735
Other revenues(expenses), net		(41)	32	(4)	308
Distribution costs		(958)	(712)	(1,802)	(1,253)
Administrative and other operating expenses		(5,153)	(4,699)	(9,285)	(8,280)
Restructuring costs		<u>-</u>	<u>(3,431)</u>	<u>-</u>	<u>(3,431)</u>
PROFIT/(LOSS) BEFORE TAX	4	3,277	(1,177)	5,197	79
Tax	5	<u>(934)</u>	<u>(818)</u>	<u>(1,668)</u>	<u>(1,253)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>2,343</u>	<u>(1,995)</u>	<u>3,529</u>	<u>(1,174)</u>
Attributable to:					
Equity holders of the parent		1,786	(2,550)	2,606	(2,136)
Minority interests		<u>557</u>	<u>555</u>	<u>923</u>	<u>962</u>
		<u>2,343</u>	<u>(1,995)</u>	<u>3,529</u>	<u>(1,174)</u>
EARNING/(LOSS)PER SHARE ATTRIBUTE TO ORDINARY EQUITY HOLDERS OF THE PARENT (US cents) – Basic, for profit/(loss) for the period	6	<u>1.18</u>	<u>(1.69)</u>	<u>1.73</u>	<u>(1.41)</u>

Condensed Consolidated Balance Sheet

		Unaudited 30 Jun 2007	Audited 31 Dec 2006
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets			
Property, plant and equipment	7	49,020	48,105
Goodwill	8	2,105	2,105
Intangible assets	9	6,998	6,998
Prepaid land lease payments	10	7,924	7,837
		<hr/>	<hr/>
Total non-current assets		66,047	65,045
Current assets			
Due from group companies	11	9,178	9,344
Prepayments, deposits and other receivables		3,371	3,063
Inventories	12	9,275	7,727
Trade receivables	13	10,896	11,531
Cash and cash equivalents	14	55,064	50,114
		<hr/>	<hr/>
Total current assets		87,784	81,779
Current liabilities			
Due to group companies	15	4,349	4,208
Dividend payable		132	132
Dividend payable to a minority interest shareholder		926	1,995
Trade payables	16	8,141	6,030
Corporate income tax payable		890	670
Other payables, deposits and accrued liabilities		12,969	12,352
		<hr/>	<hr/>
Total current liabilities		27,407	25,387
Net current assets		<hr/>	<hr/>
		60,377	56,392
Total assets less current liabilities/ Net Assets		<hr/>	<hr/>
		126,424	121,437
Equity			
Equity attributable to equity holders of the parent			
Issued share capital		1,510	1,510
Reserves		98,161	107,771
Proposed dividend		14,316	-
		<hr/>	<hr/>
		113,987	109,281
Minority interests		12,437	12,156
		<hr/>	<hr/>
Total Equity		126,424	121,437
		<hr/>	<hr/>

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		Retained profits	Proposed dividend	Total	Minority interest	Total equity
		account			reserve	reserve					
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	
At 1 January 2007	1,510	85,305	4,334	1,306	1,220	15,606	-	109,281	12,156	121,437	
Exchange realignment	-	-	-	-	2,100	-	-	2,100	284	2,384	
Net gain not recognized in the profit and loss account	-	-	-	-	2,100	-	-	2,100	284	2,384	
Net profit/loss for the period	-	-	-	-	-	2,606	-	2,606	923	3,529	
Dividend declared or paid to Minority interest shareholders	-	-	-	-	-	-	-	-	(926)	(926)	
Dividend proposed	-	-	-	-	-	(14,316)	14,316	-	-	-	
At 30 June 2007	<u>1,510</u>	<u>85,305</u>	<u>4,334</u>	<u>1,306</u>	<u>3,320</u>	<u>3,896</u>	<u>14,316</u>	<u>113,987</u>	<u>12,437</u>	<u>126,424</u>	
At 1 January 2006	1,510	85,305	3,957	1,306	(1,328)	14,606	-	105,356	15,237	120,593	
Exchange realignment	-	-	-	-	697	-	-	697	120	817	
Net loss not recognized in the Profit and loss account	-	-	-	-	697	-	-	697	120	817	
Net profit for the period	-	-	-	-	-	(2,136)	-	(2,136)	962	(1,174)	
Dividend declared or paid to Minority interest shareholders	-	-	-	-	-	-	-	-	(1,297)	(1,297)	
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	(1,431)	(1,431)	
At 30 June 2006	<u>1,510</u>	<u>85,305</u>	<u>3,957</u>	<u>1,306</u>	<u>(631)</u>	<u>12,470</u>	<u>-</u>	<u>103,917</u>	<u>13,591</u>	<u>117,508</u>	

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June	
	2007 US\$'000	2006 US\$'000
Net cash inflow from operating activities	<u>7,342</u>	<u>2,352</u>
Net cash inflow/(used) in investing activities	<u>(1,545)</u>	<u>(242)</u>
Net cash used in financing activities	<u>(1,995)</u>	<u>(1,297)</u>
Increase in cash and cash equivalents	3,802	813
Cash and cash equivalents at 1 January	50,114	45,854
Effect of foreign exchange rate changes	<u>1,148</u>	<u>(66)</u>
Cash and cash equivalents at 30 June	<u><u>55,064</u></u>	<u><u>46,601</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	54,933	46,434
Pledged deposits	<u>131</u>	<u>167</u>
	<u><u>55,064</u></u>	<u><u>46,601</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 a manufacturing base 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		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Segment revenue				
Mainland China	14,167	12,484	22,658	20,370
North America	3,810	2,139	7,610	3,663
United Kingdom	3,550	2,194	7,802	4,814
Other European countries	2,117	2,306	3,536	5,050
Others	3,669	2,903	6,317	4,959
	<u>27,313</u>	<u>22,026</u>	<u>47,923</u>	<u>38,856</u>
Total	<u>27,313</u>	<u>22,026</u>	<u>47,923</u>	<u>38,856</u>

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost of inventories sold	17,666	13,308	30,971	23,817
Recognition of prepaid				
Land lease payment	54	56	108	111
Auditors' remuneration	109	37	195	74
Depreciation	1,073	1,070	2,110	2,139
Impairment write off	–	3,934	–	3,934
Termination severance	–	568	–	568
Staff costs (including directors' remuneration):				
Wages and salaries	3,559	3,083	5,983	5,995
Pension scheme contributions	184	202	395	404
	<u>3,743</u>	<u>3,285</u>	<u>6,378</u>	<u>6,399</u>
(Gains)/Losses on disposal of fixed assets	–	60	6	106
Operating lease rentals in respect of land and buildings	212	198	398	396
Provision for doubtful debts	–	80	–	65
Provision for slow-moving inventories	(10)	22	148	131
Research and development costs	348	292	515	393
And after crediting:				
Interest income	(225)	(100)	(439)	(299)
Foreign exchange (gains)/losses, net	<u>139</u>	<u>(8)</u>	<u>339</u>	<u>45</u>

5. TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Current period provision in respect of:				
The PRC	<u>934</u>	<u>818</u>	<u>1,668</u>	<u>1,253</u>

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

Hong Kong profits tax has not been provided 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% and is entitled to a preferential tax rate of 13.5% as it is qualified as a “Technological Advanced Enterprise”, for the year ended 31 December 2007.

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 and is entitled to a preferential tax rate of 10% as it is qualified as a “Technological Advanced Enterprise”, for the year ended 31 December 2007.

Another China subsidiary, Hua Mei Sanitary Ware Co., Ltd (“Hua Mei”) is subject to a CIT rate of 24% and has obtained a written approval from the local tax bureau for a preferential tax rate of 18% for the year ended 31 December 2007 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.

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

The calculation of basic earning/(loss) per share amount is based on the net profit for the period attributable to equity holders of the parent of US\$2,606,000 (2006: net loss US\$2,136,000), and weighted average number of issued ordinary shares of 151,034,000 (2006: 151,034,000) during the period.

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

7. FIXED ASSETS

	Buildings <i>US\$'000</i>	Plant and machinery <i>US\$'000</i>	Furniture, equipment and motor vehicles <i>US\$'000</i>	Construction in progress <i>US\$'000</i>	Total <i>US\$'000</i>
30 June 2007					
At 31 December 2006 and 1 January 2007:					
Cost	25,855	52,223	12,604	735	91,417
Accumulated depreciation	(7,389)	(24,205)	(11,718)	–	(43,312)
Net carrying amount	<u>18,466</u>	<u>28,018</u>	<u>886</u>	<u>735</u>	<u>48,105</u>
At 31 December 2006, and 1 January 2007, net of accumulated depreciation					
	18,466	28,018	886	735	48,105
Additions	–	516	473	995	1,984
Disposals	–	(2)	(5)	–	(7)
Depreciation provided for the year	(268)	(1,368)	(474)	–	(2,110)
Exchange realignment	441	606	1	–	1,048
At 30 June 2007, net of accumulated depreciation	<u>18,639</u>	<u>27,770</u>	<u>881</u>	<u>1,730</u>	<u>49,020</u>
At 30 June 2007:					
Cost	26,509	53,992	13,104	1,730	95,335
Accumulated depreciation	(7,870)	(26,222)	(12,223)	–	(46,315)
Net carrying amount	<u>18,639</u>	<u>27,770</u>	<u>881</u>	<u>1,730</u>	<u>49,020</u>

7. FIXED ASSETS (CONTINUED)

	Buildings <i>US\$'000</i>	Plant and machinery <i>US\$'000</i>	Furniture, equipment and motor vehicles <i>US\$'000</i>	Construction in progress <i>US\$'000</i>	Total <i>US\$'000</i>
31 December 2006					
At 31 December 2005 and 1 January 2006:					
Cost	27,888	56,007	12,398	671	96,964
Accumulated depreciation	(7,367)	(24,385)	(11,474)	–	(43,226)
Impairment	–	(576)	–	–	(576)
Net carrying amount	<u>20,521</u>	<u>31,046</u>	<u>924</u>	<u>671</u>	<u>53,162</u>
At 31 December 2005, and 1 January 2006, net of accumulated depreciation					
	20,521	31,046	924	671	53,162
Additions	170	872	994	164	2,200
Transfer	–	–	100	(100)	–
Disposals	–	(9)	(3)	–	(12)
Liquidation of a Subsidiary	(2,197)	(2,125)	(60)	–	(4,382)
Depreciation provided for the year	(576)	(2,529)	(1,069)	–	(4,174)
Exchange realignment	548	763	–	–	1,311
At 31 December 2006, net of accumulated depreciation	<u>18,466</u>	<u>28,018</u>	<u>886</u>	<u>735</u>	<u>48,105</u>
At 31 December 2006:					
Cost	25,855	52,223	12,604	735	91,417
Accumulated depreciation	(7,389)	(24,205)	(11,718)	–	(43,312)
Net carrying amount	<u>18,466</u>	<u>28,018</u>	<u>886</u>	<u>735</u>	<u>48,105</u>

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.

8. GOODWILL

	2007 <i>US\$'000</i>	2006 <i>US\$'000</i>
Cost and carrying amount at 30 June 2007 and 31 December 2006	<u>2,105</u>	<u>2,105</u>

9. INTANGIBLE ASSETS

	Intellectual property rights <i>US\$'000</i>	Trademark license fees <i>US\$'000</i>	Total <i>US\$'000</i>
30 June 2007			
At 1 January 2007 and 30 June 2007			
Cost	10,000	1,650	11,650
Accumulated amortization	<u>(3,002)</u>	<u>(1,650)</u>	<u>(4,652)</u>
Net carrying amount	<u>6,998</u>	<u>–</u>	<u>6,998</u>

10. PREPAID LAND LEASE PAYMENTS

	30 June 2007 <i>US\$'000</i>	31 December 2006 <i>US\$'000</i>
Carrying amount at 1 January As previously reported	<u>8,053</u>	<u>8,432</u>
As restated	8,053	8,432
Recognized during the period	(108)	(219)
Reduced by liquidation of a subsidiary	–	(316)
Disposal	–	(89)
Exchange realignment	<u>195</u>	<u>245</u>
Carrying amount	8,140	8,053
Current portion included in prepayments, deposits and other receivables	<u>216</u>	<u>216</u>
Non-current portion	<u>7,924</u>	<u>7,837</u>

The leasehold lands are held under long-term leases, and are situated in PRC.

11. DUE FROM GROUP COMPANIES

All amounts arose from trading transactions.

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

12. INVENTORIES

	30 June 2007	31 December 2006
	<i>US\$'000</i>	<i>US\$'000</i>
Raw materials	3,093	2,832
Work in progress	2,075	1,722
Finished goods	4,107	3,173
	<u>9,275</u>	<u>7,727</u>

None of the inventories is carried at net realizable value in both balance sheet dates.

13. 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 in invoice date, is as follows:

	30 June 2007	31 December 2006
	<i>US\$'000</i>	<i>US\$'000</i>
Within 30 days	6,639	7,699
Within 31 to 90 days	1,552	1,645
Within 91 to 180 days	753	1,218
Over 180 days	1,952	969
	<u>10,896</u>	<u>11,531</u>

14. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2007	31 December 2006
	<i>US\$'000</i>	<i>US\$'000</i>
Cash and bank balances	20,595	24,752
Time deposits	34,469	25,362
	<u>55,064</u>	<u>50,114</u>

At the balance sheet date, the cash and cash equivalents balances of the Group denominated in Renminbi (“RMB”) amounted to US\$32,449,000 (2006: US\$24,498,000). The RMB is not freely convertible into other currencies. However, under PRC 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 authorized to conduct exchange business

As at 30 June 2007, the Group’s cash and bank deposits included an amount of US\$131,000 (2006: US\$52,000), which was pledged as security for a banker’s guarantee issued by a bank on behalf of a subsidiary.

15. DUE TO GROUP COMPANIES

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

16. TRADE PAYABLES

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

	30 June 2007	31 December 2006
	<i>US\$'000</i>	<i>US\$'000</i>
Within 30 days	6,490	5,523
Within 31-90 days	535	138
Within 91-180 days	428	5
Over 180 days	688	364
	<u>8,141</u>	<u>6,030</u>

17. RESERVES

The amounts of the Group's reserves and the movements therein for the six months ended 30 June 2007 with the last corresponding period are presented in the consolidated statement of changes in equity.

18. COMMITMENTS

- (i) The Group had not capital commitments at the balance sheet dates.
- (ii) On entering into the joint venture agreements of the Company's PRC subsidiaries, ASI undertook to provide the technical know-how and to allow trademarks under license from ASI and its affiliates used for the plumbing products manufactured and sold by the Company's PRC subsidiaries in return for the following fees:

A-S (Guangzhou) Enamelware
Company Limited:

Technical assistance fee	2.5% of net sales
Trademark license fee	2.5% of net sales of AS products

A-S (Shanghai) Pottery Co., Ltd.:

Technical assistance fee	2.5% of net sales for years 1 to 5 and 2.0% of net sales for years 6 to 10
Trademark license fee	3.0% of net sales of AS products

A-S (Tianjin) Pottery Co., Ltd.:

Technical assistance fee	2% of net sales
Trademark license fee	3% of net sales
Management assistance fee	2% of net sales

Hua Mei:

Technical assistance fee	1.5% of net sales
Trademark license fee	1.8% of net sales
Management assistance fee	0.5% of net sales

A-S Jiangmen Fittings:

Technical assistance fee	2% of net sales of AS products owned by ASI for year 1 to 2 and 2% of net sales for subsequent years
Trademark license fee	3% of net sales of AS products

18. COMMITMENTS (CONTINUED)

(iii) Operating lease commitments

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

	30 June 2007	31 December 2006
	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	395	425
In the second to fifth years, inclusive	<u>707</u>	<u>132</u>
Total	<u><u>1,102</u></u>	<u><u>557</u></u>

19. RELATED PARTY TRANSACTIONS

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

		Three months ended		Six months ended	
		30 June		30 June	
		2007	2006	2007	2006
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Sales of finished goods	(a)	12,711	10,041	24,727	18,747
Purchases of raw materials	(a)	(325)	(672)	(505)	(1,040)
Management fee expenses	(b)	(112)	(100)	(225)	(200)
Trademark license, technical assistance and management assistance fees	(c)	(591)	(494)	(936)	(811)

Notes:

- (a) The sales and purchases transactions were conducted on normal commercial terms determined between the Group and American Standard Group.
- (b) The management fee was charged in accordance with the terms of the relevant agreement with ASI.

19. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

During the Relevant Periods, in addition to the above continuing transactions, 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 American Standard Group an aggregate amount of US\$320,000 US\$204,000, US\$454,000 and US\$338,000 for the three months ended 30 June 2007 and 2006 and six months ended 30 June 2007 and 2006, respectively.

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

20. POST BALANCE SHEET EVENT

American Standard Companies Inc. ("ASCI"), the Company's ultimate parent company, announced on 23 July 2007 that it has signed a conditional agreement to sell ASCI's worldwide Bath and Kitchen products business to funds advised by Bain Capital Partners, LLC, a leading global private investment firm.

INTERIM DIVIDEND

The directors declared an interim dividend of US\$0.0948 per share (Hong Kong Dollar 0.7393 per share) (2006: Nil), payable on 5 September 2007 to those persons registered as shareholders on 27 August 2007. The interim dividend will be paid in Hong Kong Dollars and the value of the Hong Kong Dollar shall be calculated at the exchange rate of US\$1: Hong Kong Dollar 7.8. The Register of Members of the Company will be closed, for the purpose of determining shareholders entitlement to the interim dividend, from 23 August 2007 to 27 August 2007 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 22 August 2007.

DISCLOSURE OF INTERESTS

As at 30 June 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 30 June 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 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	0.0144%
Mr. Ye Zhi Mao, Jason	American Standard	Share options to subscribe for 1,149 shares in American Standard	Beneficial owner	Personal	0.0006%
Mr. Gao Jin Min	American Standard	Share options to subscribe for 6,694 shares in American Standard	Beneficial owner	Personal	0.0033%

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 year

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 30.6.2007
Mr. Richard M. Ward	4.2.2004	35.03	7,002	-	-	7,002
	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
			27,002			29,353
Mr. Ye Zhi Mao, Jason	2.2.2005	43.34	500	-	332	168
	1.2.2006	36.87	1,000	-	333	667
	5.2.2007	52.66	-	314	-	314
			1,500			1,149
Mr. Gao Jin Min	3.1.2007	45.86	-	3,000	-	3,000
	5.2.2007	52.66	-	3,694	-	3,694
			-			6,694

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 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 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 30 June 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 interest required to be kept by the company pursuant to section 336 of the SFO:

Name of shareholders	Number of shares held	Capacity Company's issued Capital	Type of interest	Approximate percentage of holding
American Standard Companies Inc. (Note 1)	93,253,000	Beneficial owner	Corporate	61.74%
American Standard Inc. (Note 1)	65,000	Beneficial owner	Corporate	0.04%
American Standard International Inc. (Note 1)	93,188,000	Beneficial owner	Corporate	61.70%
American Standard Bermuda Limited (Note 1)	93,188,000	Beneficial owner	Corporate	61.70%
American Standard Foreign Trading Limited (Note 1)	93,188,000	Beneficial owner	Corporate	61.70%
Foundation Brunneria (Note 2)	16,900,000	Beneficial owner	Corporate	11.19%
General Oriental Investments Limited (Note 2)	16,900,000	Beneficial owner	Corporate	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.

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.

DISCLOSURE OF INTERESTS *(CONTINUED)*

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

Save as disclosed above, as at 30 June 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 30 June 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 six months ended 30 June 2007.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules during the six months ended 30 June 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 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 30 Jun 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 interim report for the period ended 30 June 2007.

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

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

Mr. Richard M. Ward	<i>(Executive Director)</i>
Ms. Yang Yu Qing, Cindy	<i>(Executive Director)</i>
Mr. Ye Zhi Mao, Jason	<i>(Executive Director)</i>
Ms. Chen Rong Fang	<i>(Executive Director)</i>
Mr. Gao Jin Min	<i>(Executive Director)</i>
Mr. Peter James O'Donnell	<i>(Non-executive Director)</i>
Mr. Chang Sze-Wah, Sydney	<i>(Independent Non-executive Director)</i>
Mr. Ho Tse-Wah, Dean	<i>(Independent Non-executive Director)</i>
Mr. Wong Kin Chi	<i>(Independent Non-executive Director)</i>

Hong Kong, 8 August 2007