ANNUAL REPORT 2007

ASPPL

A-S CHINA PLUMBING PRODUCTS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8262

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 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

The Group manufactures and distributes in China a broad range of bathroom and kitchen fixtures and plumbing fittings under the brand names owned by Ideal Standard Global Ltd. ("ISG") (Note), including the "American Standard" and "Armitage Shanks" brands. The Group includes the ventures in China, which have established a manufacturing base for the production of bathroom and kitchen fixtures and plumbing fittings in Shanghai, Tianjin and Guangdong province using manufacturing equipment and manufacturing technologies developed by the former ultimate holding company, American Standard Group to ensure the quality of its products.

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

The Group also exports some of its products to North America and Europe.

Note: American Standard Companies Inc. ("ASCI"), ASD Acquisition Corp. ("ASD") and Ideal Standard International Holding Sarl ("Ideal Standard International") entered into to a certain Stock and Assets Purchase Agreement, pursuant to which ASD and Ideal Standard International agreed to acquire the worldwide Bath and Kitchen business of ASCI. As part of such acquisition, the Company was sold to Ideal Standard International on 31 October 2007. The Company, ISG, which is an indirect subsidiary of Ideal Standard International and American Standard Inc. ("ASI'), which is a wholly-owned subsidiary of ASCI, entered into an Instrument of Novation, Amendment, Joinder and Release in respect of The Intellectual Property Agreement on Oct 12, 2007, pursuant to which, ISG in place of ASI takes relevant rights, benefits, obligations, duties and entitlements under the Intellectual Property Agreement and Intellectual Property Novation Agreement.

Corporate Information

CHAIRMAN AND EXECUTIVE DIRECTOR

Ye Zhi Mao, Jason *(Acting)*

EXECUTIVE DIRECTORS

Chen Rong Fang
Gao Jin Min
Wang Gang

NON-EXECUTIVE DIRECTOR

Peter James O'Donnell

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chang Sze-Ming, Sydney
Ho Tse-Wah, Dean
Wong Kin Chi

COMPANY SECRETARY

Chen Rong Fang

QUALIFIED ACCOUNTANT

Chen Rong Fang

COMPLIANCE OFFICER

Ye Zhi Mao, Jason

AUDIT COMMITTEE

Chang Sze-Ming, Sydney
Ho Tse-Wah, Dean
Wong Kin Chi

AUTHORISED REPRESENTATIVES

Ye Zhi Mao, Jason

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

Suite 3703, Office Tower Langham Place
8 Argyle Street
Mongkok, Kowloon
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

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
Mainland China

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

	2007	2006	2005	2004	2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**106,674**	86,813	83,323	78,376	73,733
Profit before impairment of intellectual property rights	**9,187**	5,949	10,673	12,185	5,659
Impairment of intellectual property rights	**(6,998)**	–	–	–	–
Profit before tax	**2,189**	5,949	10,673	12,185	5,659
Taxation	**(3,069)**	(2,466)	(2,427)	(1,877)	(651)
Net (loss)/profit	**(880)**	3,483	8,246	10,308	5,008
Attributable to:					
Equity holders of the parent	**(2,850)**	1,377	5,951	8,146	4,482
Minority interests	**1,970**	2,106	2,295	2,162	526
Net (loss)/profit	**(880)**	3,483	8,246	10,308	5,008

Consolidated Assets and Liabilities

As at 31 December

	2007	2006	2005	2004	2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**129,256**	146,824	146,167	142,842	133,881
Total liabilities	**(30,700)**	(25,387)	(25,574)	(29,801)	(29,588)
	98,556	121,437	120,593	113,041	104,293
Attributable to:					
Equity holders of the parent	**87,381**	109,281	105,356	97,612	89,513
Minority interests	**11,175**	12,156	15,237	15,429	14,780
	98,556	121,437	120,593	113,041	104,293

Chairman's Statement

2007 was a year we in which we made great efforts on success development and achieved 18% domestic sales growth successfully. Here are some of the highlights:

– We obtained breakthrough in the partnership strategy with certain key real estate developers by building up distribution brands in core cities. In modern trade, we increased hugely the share with key accounts and successfully tested the decoration channel programs.

– We won the high profile Olympic projects and gained strong share of Olympic projects.

– Our manufacturing plants kept improving in productivities and efficiency whilst at the same time achieving world-class safety records.

– Sales to overseas markets increased by more than 28.0% reflecting the effectiveness and quality of our manufacturing operations.

For the year sales grew by over 22.9% to US$107M and Profit Before Tax and impairment of intellectual property rights increased by 56% from US$5.9M (including the impact of closing our operation in Beijing in 2006) to US$9.2M in 2007, but without taking into account the impact of a full provision for the value of the Company's Intangible Assets. I draw your attention to Note 16.2 of the accompanying audited financial statements of the Company for a full discussion of this provision.

With the inspiring momentum, we look forward to 2008 with confidence that we will develop the business with healthy profitability. The Company still has a strong balance sheet and will use its resources to fund operations and support the business growth.

I would like to close by thanking the board, management, and every member of staff for their ongoing dedication and hard work, and our shareholders for their continued confidence and support.

On 29 February 2008 Richard Ward resigned as our Chairman to pursue other career interests. We are indebted to Richard for his hard work on our behalf over the past 5 years and wish him very best in his new endeavors.

Ye Zhi Mao, Jason
Acting Chairman

Hong Kong, 15 May 2008

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal controls practices. Sets out below are the principles of corporate governance as adopted by the Company during the reporting year.

DISTINCTIVE ROLE OF CHAIRMAN AND GENERAL MANAGER

The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create values for shareholders.

The General Manager is responsible for managing the operation of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

During the year, Mr. Richard M. Ward, the Chairman of the Board, was acting as General Manager of the company.

THE BOARD

As of 31 December 2007, there were nine members on the Board, which are the Chairman, four other Executive Directors, a Non-Executive Director ("NED") and three Independent Non-Executive Directors ("INEDs").

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other directors and confirmed their independences to the Group pursuant to Rule 5.09 of the GEM Listing Rules.

The Board met regularly during the year and on ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance shareholders' value. Daily operational decisions are delegated to the Executive Directors. The Board met nine times during the year and the Directors' attendance is shown in the table on page 9. The NED and INEDs may take independent professional advice at the Company's expense in carrying out their functions. The Board has arranged for appropriate insurance coverage for the Directors.

The Company appointed each of the Non-Executive director and Independent Non-Executive Directors during the Annual General Meeting or by the Board for new appointment during the year. The term of each of these appointments shall be expired up to the forthcoming Annual General Meeting and can offer for re-election in the Annual General Meeting.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems for the Group to safeguard the Group's assets and Shareholders' interests, as well as for reviewing such systems' effectiveness. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The systems include a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

For the year ended 31 December 2007, the Board has, through its Audit Committee with the assistance of the internal auditors, conducted review of the Group's internal control systems, including without limitation financial control, operational control, compliance control and risk management functions. The Board is of the view that the internal control systems are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

The Board assesses the effectiveness of internal controls by considering the reviews performed by the Audit Committee, executive management and both internal and external auditors.

The internal auditors follow a risk-and-control-based approach. An audit plan would be formulated in a risk-weight manner so that priorities and appropriate audit frequency could be given to areas with higher risks. Internal auditors perform regular financial and operational reviewed on the Group. Summaries of major audit findings and control weakness, if any, are reviewed by Audit Committee. The internal auditors monitor the follow-up actions agreed upon in response to its recommendations.

AUDIT COMMITTEE

The Audit Committee ("Committee") comprises the three INEDs, Mr. Chang Sze-Ming, Sydney, Mr. Ho Tse-Wah, Dean and Mr. Wong Kin Chi with Mr. Ho Tse-Wah serving as the chairman of the Committee. Each member brings to the Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group. Mr. Wong 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. He possesses the appropriate professional qualification on accounting or related financial management expertise as required under Rule 5.05 (2) of the GEM Listing Rules. Member's attendance at the four meetings held during the year is set out in the table on page 9.

The Committee is required to assist the Board to fulfill its responsibilities related to external financial reporting, associated announcements and system of internal control. During the year, the Committee reviewed the announcements quarterly and annual reports. Additional meetings may also be held by the Committee from time to time to discuss special projects or other issues that the Committee considered necessary. The Committee has met with the external auditors during the year to discuss the 2007 audit plan.

The Committee is also responsible for the development, implementation and monitoring of the Groups' policy on external audit. The Committee recommended the appointment and reappointment of the Group's external auditors.

REMUNERATION COMMITTEE

The Company has not established a Remuneration Committee. The Company currently does not have any plan to set up a Remuneration Committee considering the small size of the Board.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each Board member for consideration. Each Board member will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

LOOKING FORWARD

The Group will continue to review its corporate governance standards on a timely basis and the Board will endeavor to take the necessary actions to ensure compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

MEETINGS ATTENDANCE

	Board	Audit Committee
Number of Meetings	(9)	(4)
Executive directors		
Richard, M. Ward	9	N/A
Yang Yu Qing, Cindy	4	N/A
Ye Zhi Mao, Jason	7	N/A
Chen Rong Fang	8	N/A
Gao Jin Min	7	N/A
Wu Wei Lin, Patrick	1	N/A
Non-executive director		
Peter James O'Donnell	9	N/A
Independent non-executive directors		
Chang Sze-Ming, Sydney	8	4
Ho Tse-Wah, Dean	9	4
Wong Kin Chi	9	4

CONFIRMATION OF INDEPENDENCE OF INEDs

The Company had received from each of the INEDs an annual confirmation of his independence. The Company determined all of the INEDs are independent.

CONFIRMATION OF COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific inquiry by the Company that they have complied with the required standard set out in the Model Code during the year under review.

Corporate Governance Report

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately US$175,000 to the external auditors for their services including audit and non-audit services.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 26.

Group Financial Summary

The following table summarizes the audited consolidated results of the Group for the years ended 31 December, 2007 and 2006 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.

	Notes	**2007 US$'000**	2006 US$'000
REVENUE	5	**106,674**	86,813
Cost of sales		**(72,016)**	(57,690)
Gross profit		**34,658**	29,123
Other expenses, net		**(196)**	(21)
Selling and distribution costs		**(3,582)**	(2,822)
Administrative and operating expenses		**(21,693)**	(16,900)
Provision on liquidation of a subsidiary	19	**–**	(3,431)
PROFIT BEFORE IMPAIRMENT OF INTELLECTUAL PROPERTY RIGHTS		**9,187**	5,949
Impairment of intellectual property rights	16	**(6,998)**	–
PROFIT BEFORE TAX	6	**2,189**	5,949
Tax	10	**(3,069)**	(2,466)
(LOSS)/PROFIT FOR THE YEAR		**(880)**	3,483
Attributable to:			
Equity holders of the parent		**(2,850)**	1,377
Minority interests		**1,970**	2,106
		(880)	3,483
Dividends	12	**24,689**	–
BASIC EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (US cents)			
– Before impairment of intellectual property rights	13	**2.75**	0.91
– After impairment of intellectual property rights	13	**(1.89)**	0.91

Note a: Revenue 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 loss attributable to ordinary equity holders of the parent for the year of US$2,850,000 (2006: net gain US$1,377,000), and weighted average number of issued ordinary shares of 151,034,000 (2006: 151,034,000) during the year.

Management's Discussion and Analysis

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.

During the year, the Group's overall sales increased 22.9% to US$106,674,000. Given the continuing macroeconomic measures, China sales for the year still recorded an increase of 18% over the year with the effort of the management. Export sales continued to improve due to the continuing improvement of product portfolios. The Group reported 28.0% growth in export sales for the year.

During the year, material costs such as the price of copper has significantly increased. The Group raised its selling price in the mid of the year and successfully transferred part of the increased costs to customers to maintain its reasonable profit margin. Nevertheless, gross profit percentage of the Group still recorded a decrease from 33.5% for 2006 to 32.5% for the year.

Due-to write-off of US$6,998,000 intellectual property rights, profit before tax decreased by 63% from US$5,949,000 including the impact of closing our operation in Beijing in 2006 to US$2,189,000 in 2007, while net profit attributable to shareholders decreased from US$1,377,000 in 2006 to loss of US$2,850,000 in 2007.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

At 31 December 2007, the net current assets of the Group amounted to US$38.6 million. The current assets comprised of cash and bank deposits of approximately US$31.0 million (Of this amount, approximately US$11.1 million is held by Company subsidiaries, some of which have minority ownership interests), and accounts receivable of approximately US$11.2 million, inventories of approximately US$10.4 million, prepayments, deposits, other receivables of approximately US$4.8 million and amounts due from companies within the Group of approximately US$11.8 million. The current liabilities comprised of accounts payable of approximately US$8.9 million, amounts due to companies within the Group of approximately US$2.2 million, corporate income tax payable of approximately US$0.8 million, other payables, deposits and accrued liabilities of approximately US$18.7 million. The outstanding dividend payable as at 31 December 2007 is US$0.16 million. There were no outstanding bank loans or finance lease obligations as at 31 December 2007.

Foreign currency risk

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

Prospects

The Group sees good long-term opportunities in the bathroom business in both the China market and in manufacture for export. In the short term it sees significant volatility and upward pressure on raw material costs, especially copper and energy. Whilst it is taking all steps to minimize the impact, these upward moves will affect the Group's profitability.

EMPLOYEE INFORMATION

As at 31 December 2007, the Group had 1,593 (2006: 1,640) full time employees. Employee costs amounted to US$14,527,000 (2006: US$12,789,000). The Group is an equal opportunity employer, with the selection and promotion of individual 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 with 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.

Directors' Profiles

EXECUTIVE DIRECTORS

Mr. Ye Zhi Mao, Jason, age 40, 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 from the Shanghai University of Finance and Economics with a bachelor's degree in Economics and holds an EMBA degree from China Europe International Business School.

Ms. Chen Rong Fang, age 32, joined the Company in May 2002 as the Finance Manager of the Company and is appointed as an Executive Director of the Company on 27 July 2007. Prior to this, she worked with an international accounting firm. Ms. Chen graduated from Shanghai International Studies University with a bachelor's degree in Economics. Ms. Chen is an associated member of China Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Gao Jin Min, age 47, joined the Company in December 2006 as General Manager of Bath and Kitchen China and is appointed as executive director of the Company on 4 May 2007. Prior to this, he worked at Meilin Group as MIS Manager; Wyan Electronic System Ltd. DVS (U.S), Hyundai (South Korea), AHTV (China) JV as Marketing Manager; Motorola – Panda JV Nanjing Power Computer Ltd as Marketing manager; Siemens Ltd. China (SLC) as Regional General Manager; and finally at Sunshine 100 Real Estate Group as Chief Operation Officer. Mr. Gao did not hold any directorships in listed public companies in the last three years. Mr. Gao graduated from the University of Science and Technology of China with a master degree in Modal Analysis and before that, he graduated from the National University of Defense Technology China with a Bachelor degree in Applied Mechanics.

Mr. Wang Gang, age 41, joined the Company as laboratory supervisor, production manager and Six Sigma leader of the company successively from 1993 and is appointed as executive director of the Company on 13 March 2008. Prior to this, he worked as a ceramic engineer in a tile factory in the mainland China. Wang Gang graduated from Shanghai University with a bachelor degree in engineering, majoring in inorganic non-metal materials, and holds a MBA degree from Maastricht School of Management, The Netherlands. Mr. Wang has over 18 years of experience in ceramic manufacturing, and has a strong background on operation management, cost control and staff training in the areas of management, leadership and team-building skills and career development.

NON-EXECUTIVE DIRECTOR

Mr. Peter James O'Donnell, age 45, was appointed as a non-executive director on 14 May 2005. He currently serves as the Managing Director of UCL Asia Limited. The private equity investments in Asia of General Oriental Investments Limited, an initial management shareholder of the Company, are managed by UCL Asia Management Services, L.P., an affiliate of UCL Asia Limited. Prior to joining UCL Asia Limited, Mr. O'Donnell served as a director of General Oriental Investments (HK) Ltd. Prior to this, he served as a Vice-President of Bankers Trust Company in both New York and Hong Kong. Mr. O'Donnell also serves as a non-executive director of Singer Sri Lanka Ltd., and Singer Pakistan Ltd. Mr. O'Donnell holds BA and MBA degrees from Harvard University in Cambridge, Massachusetts, in the United States of America.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Sze-Ming, Sydney, age 65, is the General Manager of South Sphere Consulting Company Ltd. (Shanghai), which he founded to provide business consultancy on investments in China. He also holds the positions of Chairman, International Business Forum (IBF) in Shanghai, and a senior consultant of the Shanghai Foreign Investment Development Board. Prior to his retirement from Armstrong World Industries Inc., a building materials company based in the United States of America in June 2001, he had worked for 28 years for that company on numerous assignments in Asia and the United States of America.

Mr. Ho Tse-Wah, Dean, age 70, is a partner in ALC Advisors, providing China based advisory services to private equity investors and their investees. He is also a director of Unison Pacific Corporation. Unison Pacific Corporation is based in San Bruno, California, United States of America, and has conducted investment and advisory activities in China since 1979. He 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 members of American Chamber of Commerce in Shanghai. He had served as the chairman of the Manufacturers Business Council, Chairman of the Board of Governors and secretary of the American Chamber of Commerce in Shanghai. Mr. Ho has been working in China since 1986. He graduated from the University of California (Berkley) (AB), Cornell University (BS) and the Advanced Management Program at Harvard Business School.

Mr. Wong Kin Chi, age 56, is currently running a company rendering professional services to clients with respect to financial and educational management in Hong Kong and Mainland China. He holds a MBA degree from 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.

Report of the Directors

The directors hereby present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

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 Mainland China. There were no changes in the nature of the Group's principle activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 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 90.

On 8 August 2007, the directors declared the first interim dividend of US$0.0948 (HK$0.7393 per share) per share, paid on 5 September 2007 to those persons registered as shareholders on 27 August 2007.

On 4 September 2007, the directors declared the second interim dividend of US$0.0684 (HK$0.5335 per share) per share, paid on 28 September 2007 to those persons registered as shareholders on 24 September 2007.

The directors do not recommend the payment of any final dividend in respect of the year.

The Company will use cash to fund operations and pursue opportunities to fuel future profitability. Any excess funds will be considered for distribution as dividend. The Company is currently considering opportunities, which may fully use its cash balances.

SUMMARY FINANCIAL INFORMATION

A summary of the published 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 4 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 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. At 31 December 2007, the Company did not have any share option plan 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 29(b) to the financial statements and in the consolidated statement of changes in equity on pages 80 and 30, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, 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$19,874,000 (2006: US$13,112,000). Under the Companies Laws of the Cayman Islands, the Company can distribute dividends out of the share premium account in the amount of US$59,228,000 (2006: 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 43% (2006: 47%) of the total sales for the year and sales to the largest customer included therein amounted to 22% (2006: 20%). Purchase from the Group's five largest suppliers accounted for less than 30% (2006: less than 30%) of the total purchases for the year.

Except for U.S.P.P. – Sourced Chinaware, Ideal Standard Europe and Korea Fittings which are related parties of the Company, 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.

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Richard M. Ward (resigned on 29 February 2008) *(Note)*
Yang Yu Qing, Cindy (resigned on 28 January 2008)
Ye Zhi Mao, Jason *(Note)*
Chen Rong Fang (appointed on 27 July 2007)
Gao Jin Min (appointed on 4 May 2007)
Wu Wei Lin, Patrick (resigned on 28 June 2007)
Wang Gang (appointed on 13 March 2008)

Non-executive director:

Peter James O'Donnell

Independent non-executive directors:

Chang Sze-Ming, Sydney
Ho Tse-Wah, Dean
Wong Kin Chi

Note: Mr. Richard M. Ward, resigned as an Executive Director, the Chairman of the Board of Directors, the General Manager, the Compliance Officer and an Authorised Representative of the Company with effect from 29 February 2008; following Mr. Ward's resignation, Mr. Ye Zhi Mao, Jason, an Executive Director of the Company, will take up the positions of Compliance Officer, Authorised Representative, Acting Chairman of the Board and Acting General Manager of the Company with effect from 29 February 2008.

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 up to the next annual general meeting.

The Company has received annual confirmations of independence from the independent non-executive directors pursuant to Rule 5.09 and still considers them to be independent.

DIRECTORS' BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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.

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.

MANAGEMENT CONTRACTS

Pursuant to an extension agreement dated 1 January 2006 between the Company and American Standard Inc. ("ASI"), and a novation agreement entered into on 12 October 2007 between the Company, ASI and Ideal Standard Global Ltd ("ISG"), ASI provides management service to the Company until 31 October 2007, and thereafter, ISG continues to provide management service to the Company. During the year, the Company paid management service fees of US$450,000 under this agreement.

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

At 31 December 2007, the interests and short positions of the directors in the share capital and underlying shares of the Company or 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 the Model Code for Securities Transactions by Directors of Listed Issuers as refer to Rule 5.46 of the GEM Listing Rules, except as disclosed below, were as follow:

Interest in associated corporations

Name of director/ chief executive	Name of associated corporation	Relationship with the Company	Share/ equity derivatives	Numbers of share/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Richard M.Ward	Ideal Standard International TopCo (BC) Luxco S.C.A. ("Ideal Standard")	Ultimate holding company	CPEC	2,385,965	Directly beneficially owned	Not applicable
			PEC	421,053	Directly beneficially owned	Not applicable
Mr. Ye Zhi Mao, Jason	Ideal Standard	Ultimate holding company	Ordinary shares	244,505	Directly beneficially owned	0.93%
			PEC	177,456	Directly beneficially owned	Not applicable
			CPEC	31,316	Directly beneficially owned	Not applicable
Mr. Gao Jin Min	Ideal Standard	Ultimate holding company	Ordinary shares	719,134	Directly beneficially owned	2.74%
			PEC	831,556	Directly beneficially owned	Not applicable
			CPEC	146,745	Directly beneficially owned	Not applicable

The directors and former director above being senior members of management are requested, by taking the form of co-investment with Bain Capital Ltd. in Ideal Standard, to subscribe for certain equity interests in preferred equity certificate ("PEC") and convertible preferred equity certificate ("CPEC"), and ordinary share of Ideal Standard. All the directors, at their own expenses, make the afore-said investment.

Interests in the options of American Standard Companies Inc.

Certain directors were granted options to subscribe for shares in American Standard Companies Inc. ("ASCI"), being an associated corporation of the Company (within the meaning of Part XV of the SFO) prior to 1 November 2007, under the 2002 Omnibus Incentive Plan. The options were granted free of consideration. The exercise period is 10 years from each relevant date of grant. Options to subscribe for 1/3 of the options under each relevant grant may be exercised on or after the first the second anniversary of the relevant date of grant; and options to subscribe for the remaining options may be exercised on or after the third anniversary of the relevant date of grant.

ASCI, ASD Acquisition Corp. ("ASD"), Ideal Standard International Holding Sarl ("Ideal Standard International") entered into certain stock and assets purchase agreements in October 2007, pursuant to which ASD and Ideal Standard International agreed to acquire the worldwide bath and kitchen products business of ASCI. The 2002 Omnibus Incentive Plan had ceased during the year. In accordance with the expiration guidelines, upon the completion of the sale of worldwide bath and kitchen products business by ASCI, the directors will have the lesser of 90 days from the sale date or the original expiration date (10 years from date of grant) to exercise all outstanding options, otherwise, ASCI will forfeit any options that fail to exercise. As at 31 December 2007, ASCI no longer an associated company to the Company.

Save as disclosed above, none of the directors nor the chief executive has a registered interest or short position in the share capital and underlying shares of the Company or 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 in the section "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 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**
Ideal Standard *(Note 1)*	112,332,150	Beneficial owner	Corporate	74.37%
Ideal Standard International *(Note 1)*	112,332,150	Beneficial owner	Corporate	74.37%
Ideal Standard Holdings (BC) France SAS *(Note 1)*	95,867,000	Beneficial owner	Corporate	63.47%
American Standard Foreign Trading Limited *(Note 1)*	95,867,000	Beneficial owner	Corporate	63.47%
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: Ideal Standard International, being a subsidiary of Ideal Standard, owns a 74.37% shareholding interest in the Company through (i) a wholly-owned subsidiary, Ideal Standard Holdings (BC) France SAS., being a corporation established under the laws of France , which in turn owns a 100% interest in American Standard Foreign Trading Limited, being a company incorporated in Bermuda with limited liability, which directly holds a 63.47% shareholding interest in the Company; and (ii) a direct shareholding of 16,465,150 shares, which represents approximately 10.90% 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.

As disclosed above, at 31 December 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 and underlying shares" above) had 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.

CONNECTED TRANSACTIONS

Continuing connected transactions

On 31 October 2007, ASCI completed the sale of its worldwide bath and kitchen products business to Ideal Standard International. Therefore, the connected transactions for the period from 1 January to 31 October 2007 were within the American Standard Group, and the connected transactions for the period from 1 November to 31 December 2007 were within the Ideal Standard Group.

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of chapter 20 of the GEM Listing Rules.

From 1 January to 31 October 2007 (Within the American Standard Group)

	Notes	US$'000
Sales of finished goods	(a)	40,473
Purchases of raw materials	(a)	(1,836)
Management fee expenses	(b)	(375)
Trademark license, technical assistance and management assistance fees	(c)	(1,866)

From 1 November to 31 December 2007 (Within the Ideal Standard Group)

	Notes	US$'000
Sales of finished goods	(a)	9,493
Purchases of raw materials	(a)	(1,224)
Management fee expenses	(b)	(75)
Trademark license, technical assistance and management assistance fees	(c)	(775)

Notes:

(a) The sale 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.

(c) The trademark license, technical assistance and management assistance fees were related to the sale of products bearing the brand names of the American Standard Group/the Ideal Standard Group by the Group's subsidiaries in China, which were charged on the basis as stated in the respective joint venture agreements.

During the year, in addition to the above connected transactions, the American Standard Group/the Ideal 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$613,000 (2006: US$504,000) from 1 January to 31 October 2007, and reimbursed the Ideal Standard Group an aggregate amount of US$90,000 (2006: Nil) from 1 November to 31 December 2007.

The Group also paid on behalf of the Ideal Standard Group an amount of US$7,000 (2006: Nil) based on the actual amounts incurred, and on behalf of the American Standard Group an amount of US$111,000 (2006: US$1,711,000).

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 approved by the shareholders during the extraordinary general meeting on 30 October 2007 and the annual general meeting on 22 June 2007.

The auditors of the Company have also confirmed that the Connected Transactions have (a) received the approval of the Company's board of directors; (b) been entered into in accordance with relevant agreements governing the transactions; and (c) not exceeded the relevant cap amounts as approved by the shareholders during the extraordinary general meeting on 30 October 2007 and the annual general meeting on 22 June 2007.

DIRECTOR'S INTERESTS IN A COMPETING BUSINESS

During the year, Mr. Richard M. Ward was the President of the American Standard Group/Ideal Standard Group Bath and Kitchen Business in the Asia Pacific Region which is engaged in the plumbing products business.

BOARD PRACTICE AND PROCEDURE

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 year ended 31 December 2007.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company has made specific inquiry of all directors whether its directors have complied with or whether there has 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 during the year.

AUDIT COMMITTEE

The Company established an Audit Committee (the "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 control. During the year ended 31 December 2007, the Committee had three members, comprising 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 Committee has reviewed the Group's audited financial statements for the year ended 31 December 2007.

AUDITORS

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

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 6 to 10 of the annual report.

ON BEHALF OF THE BOARD

Ye Zhi Mao, Jason
Acting Chairman

Hong Kong
15 May 2008

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of A-S China Plumbing Products Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of A-S China Plumbing Products Limited set out on pages 28 to 90, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

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 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, similar to our report dated 27 March 2007 on the Company's financial statements for the year ended 31 December 2006, we draw your attention to note 21 to the financial statements concerning the recoverability of an amount receivable from a company related to ASCI, amounting to approximately US$1,699,000. As further explained in note 21 to the financial statements, the recoverability of this receivable is dependent on the successful negotiation between the Company's ultimate holding company and ASCI to offset the receivable against the amount payable by the Group of US$3,659,000 to ASCI as at 31 December 2007. The negotiation is currently ongoing and the ultimate outcome of the negotiation cannot be presently determined, accordingly, the adjustment for the impairment of other receivables that may result should the negotiation be unsuccessful, has not been made in the financial statements.

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
15 May 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	**2007 US$'000**	2006 US$'000
REVENUE	5	**106,674**	86,813
Cost of sales		**(72,016)**	(57,690)
Gross profit		**34,658**	29,123
Other expenses, net		**(196)**	(21)
Selling and distribution costs		**(3,582)**	(2,822)
Administrative and operating expenses		**(21,693)**	(16,900)
Provision on liquidation of a subsidiary	19	**–**	(3,431)
PROFIT BEFORE IMPAIRMENT OF INTELLECTUAL PROPERTY RIGHTS		**9,187**	5,949
Impairment of intellectual property rights	16	**(6,998)**	–
PROFIT BEFORE TAX	6	**2,189**	5,949
Tax	10	**(3,069)**	(2,466)
(LOSS)/PROFIT FOR THE YEAR		**(880)**	3,483
Attributable to:			
Equity holders of the parent		**(2,850)**	1,377
Minority interests		**1,970**	2,106
		(880)	3,483
Dividends	12	**24,689**	–
BASIC EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (US cents)			
– Before impairment of intellectual property rights	13	**2.75**	0.91
– After impairment of intellectual property rights	13	**(1.89)**	0.91

Consolidated Balance Sheet

31 December 2007

	Notes	2007 US$'000	2006 US$'000
Non-current assets			
Property, plant and equipment	14	**49,767**	48,105
Goodwill	15	**2,105**	2,105
Intangible assets	16	**–**	6,998
Prepaid land lease payments	17	**8,121**	7,837
Total non-current assets		**59,993**	65,045
Current assets			
Due from group companies	20	**11,751**	9,344
Prepayments, deposits and other receivables	21	**4,819**	3,063
Inventories	23	**10,448**	7,727
Trade receivables	24	**11,249**	11,531
Cash and cash equivalents	25	**30,996**	50,114
Total current assets		**69,263**	81,779
Total assets		**129,256**	146,824
Current liabilities			
Due to group companies	26	**2,232**	4,208
Dividend payable		**164**	132
Dividend payable to a minority interest shareholder		**–**	1,995
Trade payables	27	**8,886**	6,030
Corporate income tax payable		**763**	670
Other payables, deposits and accrued liabilities		**18,655**	12,352
Total current liabilities		**30,700**	25,387
Net current assets		**38,563**	56,392
Net assets		**98,556**	121,437
Equity			
Equity attributable to equity holders of the parent			
Issued share capital	28	**1,510**	1,510
Reserves	29(a)	**85,871**	107,771
		87,381	109,281
Minority interests		**11,175**	12,156
Total Equity		**98,556**	121,437

Ye Zhi Mao, Jason
Director

Chen Rong Fang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to equity holders of the parent									
	Issued share capital	Share premium account	Reserve fund	Expansion reserve	Exchange fluctuation reserve	Capital contribution	Retained profits	Total	Minority interest	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'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 gain not recognised in the income statements	–	–	–	–	2,548	–	–	2,548	425	2,973
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 fund	–	–	377	–	–	–	(377)	–	–	–
At 31 December 2006 and at 1 January 2007	1,510	85,305*	4,334*	1,306*	1,220*	–	15,606*	109,281	12,156	121,437
Exchange realignment	–	–	–	–	5,035	–	–	5,035	770	5,805
Net gain not recognised in the income statements	–	–	–	–	5,035	–	–	5,035	770	5,805
Loss for the year	–	–	–	–	–	–	(2,850)	(2,850)	1,970	(880)
Dividend declared or paid to minority interest Shareholder	–	–	–	–	–	–	–	–	(3,721)	(3,721)
Equity-settled share option arrangements	–	–	–	–	–	604	–	604	–	604
Dividend declared or paid	–	(24,689)	–	–	–	–	–	(24,689)	–	(24,689)
Appropriation to reserve fund and expansion fund	–	–	2,674	275	–	–	(2,949)	–	–	–
At 31 December 2007	1,510	60,616*	7,008*	1,581*	6,255*	604*	9,807*	87,381	11,175	98,556

According to the Company Law of the People's Republic of China (the "PRC") and the Mainland China subsidiaries' articles of association, each of the Mainland China 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 the reserve fund. The expansion reserve and the 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 Mainland China 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$59,228,000 (2006: 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$85,871,000 (2006: US$107,771,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,189**	5,949
Adjustments for:			
Interest income	6	**(916)**	(749)
Depreciation	6	**4,222**	4,174
Impairment of intellectual property rights	6	**6,998**	–
Equity-settled share option expense	9	**604**	–
Recognition of prepaid land lease payments	6	**216**	219
Provision on liquidation of a subsidiary		**–**	3,431
Losses on disposal of property, plant and equipment	6	**138**	–
Operating profit before working capital changes		**13,451**	13,024
Increase in balances with group companies		**(4,383)**	(4,811)
(Increase)/decrease in prepayments, deposits and other receivables		**(1,756)**	1,396
(Increase)/decrease in inventories		**(2,721)**	1,398
Decrease/(increase) in trade receivables		**282**	(1,528)
Increase/(decrease) in trade payables		**2,856**	(817)
Increase in other payables, deposits and accrued liabilities		**6,303**	225
Cash generated from operations		**14,032**	8,887
Income taxes paid		**(2,976)**	(2,338)
Net cash inflow from operating activities		**11,056**	6,549

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	14	**(3,437)**	(2,200)
Proceeds from disposal of property, plant and equipment		**197**	12
Interest received		**916**	749
(Increase)/decrease in pledged time deposits		**(87)**	69
Net cash outflow from investing activities		**(2,411)**	(1,370)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to minority interest shareholders		**(5,716)**	(2,186)
Dividends paid		**(24,657)**	–
Net cash outflow from financing activities		**(30,373)**	(2,186)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(21,728)**	2,993
Cash and cash equivalents at beginning of year		**50,062**	45,733
Effect of foreign exchange rate changes, net		**2,523**	1,336
CASH AND CASH EQUIVALENTS AT END OF YEAR		**30,857**	50,062
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**30,157**	24,752
Non-pledged time deposits with original maturity of less than three months when acquired	25	**700**	25,310
		30,857	50,062

Balance Sheet

31 December 2007

	Notes	2007 US$'000	2006 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**228**	308
Intangible assets	16	**–**	6,998
Interests in subsidiaries	18	**78,882**	79,066
Total non-current assets		**79,110**	86,372
Current assets			
Due from group companies	20	**–**	2,121
Prepayments, deposits and other receivables	21	**1,805**	131
Cash and cash equivalents	25	**847**	10,115
Total current assets		**2,652**	12,367
Total assets		**81,762**	98,739
Current liabilities			
Due to group companies	26	**82**	–
Dividend payable		**164**	132
Other payables, deposits and accrued liabilities		**300**	68
Total current liabilities		**546**	200
Net current assets		**2,106**	12,167
Net assets		**81,216**	98,539
EQUITY			
Issued share capital	28	**1,510**	1,510
Reserves	29(b)	**79,706**	97,029
Total equity		**81,216**	98,539

Ye Zhi Mao, Jason
Director

Chen Rong Fang
Director

Notes to Financial Statements

31 December 2007

1. 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 Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 July 2003. The Company's registered office address is P.O. Box 309 Ugland House, South Church Street, Grand Cayman, the Cayman Islands. Subsequent to balance sheet date, on 29 February 2008 its principal place of business has been changed to Suite 3703, Office Tower Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong.

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

American Standard Companies Inc. ("ASCI"), ASD Acquisition Corp. ("ASD") and Ideal Standard International Holding Sarl ("Ideal Standard International") entered into certain stock and assets purchase agreements, pursuant to which ASD and Ideal Standard International agreed to acquire the worldwide bath and kitchen products business of ASCI. In October 2007, ASCI completed the sale of its worldwide bath and kitchen products business to Ideal Standard Internatonal. Ideal Standard International is a 100% owned subsidiary of Ideal Standard International Topco (BC) Luxco S.C.A. ("Ideal Standard").

As at 31 December 2007, in the opinion of the directors, the holding company of the Company is American Standard Foreign Trading Limited, the penultimate holding company of the Company is Ideal Standard International and the ultimate holding company of the Company is Ideal Standard.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Statements, Hong Kong Accounting Standards ("HKASs") 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. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosure are shown in note 33 in the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has no share option scheme granted to the Group's employees, the interpretation has had no effect on the financial statement.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 8	Operating Segments (1)
HKAS 23 (Revised)	Borrowing Costs (1)
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions (2)
HK(IFRIC) – Int 12	Service Concession Arrangements (4)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (3)
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (4)

(1) Effective for annual periods beginning on or after 1 January 2009
(2) Effective for annual periods beginning on or after 1 March 2007
(3) Effective for annual periods beginning on or after 1 July 2008
(4) Effective for annual periods beginning on or after 1 January 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 and 1 from January 2009.

HKAS 23 has been revised to require capitalization of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognize the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity 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 income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Goodwill

Goodwill arising on the acquisition of subsidiaries, represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortization), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value 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%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised 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 the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles assets are not amortized. The useful life of an intangible assets with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(a) *Trademark license fees*

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

(b) *Intellectual property rights*

Prior to the disposal of the Group by ASCI to the Ideal Standard Group, intellectual property rights represented present and future exclusive territorial rights to manufacture and distribute products under the plumbing product trademarks owned by American Standard Inc. in China and were stated at cost less any impairment losses. Subsequent to the disposal, the Ideal Standard International has stated that it reserves the rights to terminate or revoke the exclusive rights granted to the Company at will.

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 the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Trade and other receivables

Trade receivables, which generally have terms of 60 to 90 days, are recognised and carried at original invoice amounts less allowances for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Prepayments, deposits and other receivables are recognised and carried at cost less allowances for any uncollectible amounts.

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 that are readily convertible into known amounts of cash, 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 sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Trade and other payables

Liabilities for trade and other payables which are normally settled on 30-day terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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, carry forward of unused tax credits 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 carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- 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 ta xable profit will be available against which the temporary differences can be utilized.

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 utilized. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and 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 utilized.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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:

(a) 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;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

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

Research and development costs

All research and development costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Share-based payment transactions

(a) The 2002 Omnibus Incentive Plan

The Company's former ultimate holding company, ASCI, operated a stock option plan (the "2002 Omnibus Incentive Plan") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group received remuneration in the form of share-based payment transactions, whereby employees rendered services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair market value at the date at which they are granted. The fair market value is determined using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

(a) The 2002 Omnibus Incentive Plan (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005 and to those granted on or after 1 January 2005.

(b) The Co-investment Plan

During the year, Bain Capital Ltd. ("Bain Capital"), an investor in the ultimate holding company of the Company, launched the Co-investment Plan (the "Plan"), to certain directors of the Company, which described that the directors shall own certain equity interests in Ideal Standard and have participated in the co-investment in the bath and kitchen business with Bain Capital. Certain directors of the Company were granted, by Bain Capital, Preferred Equity Certificates ("PEC"), Convertible Preferred Equity Certificates ("CPEC") and ordinary shares of Ideal Standard ("equity-settled transactions") under the Co-investment Plan (the "Plan") in November 2007.

The directors' investment in Ideal Standard will take the form of co-investment with Bain Capital in the PEC and CPEC ("co-investment securities") and the right to acquire the allocated performance-based equity securities ("performance securities"), i.e. ordinary shares Class B, Class C and Class D. The directors will be entitled to receive distributions from Ideal Standard with respect to its co-investment securities and accreted performance securities.

The cost of equity-settled transactions is recognised at the fair value of these equity instruments at the time of grant. For market price not available as reference, the equity instrument should be measured using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. For fair value of the equity instruments is not feasible to be measured reliably on the measurement date, intrinsic value should be considered in the valuation.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension scheme

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. The Mainland China 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 income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

Interim dividends are proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in US$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of overseas subsidiaries is the Renminbi ("RMB"). As at the balance sheet date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Useful lives of intellectual property rights

Prior to the disposal of the Group by ASCI to the Ideal Standard Group, the Company's intellectual property rights were of indefinite useful lives as the Company considered that there was no foreseeable limit to the period over which these assets may be used to generate cash flows for the Group. Subsequent to the disposal, Ideal Standard International has stated that it reserves the rights to terminate or revoke the exclusive rights granted to the Company at will.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of goodwill and intellectual property rights

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intellectual property rights at 31 December 2007 were US$2,105,000 and Nil, respectively. More details on impairment assessment are given in note 16.1 and 16.2.

4. SEGMENT INFORMATION

The Group's revenue is principally derived from the manufacture, sale and distribution of plumbing products with focus in Mainland China. The products of the Group are subject to similar risks and returns and therefore, the Group has only one business segment.

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

	Segment revenue	
	2007	2006
	US$'000	US$'000
Mainland China	**54,892**	46,354
European countries	**24,965**	17,875
North America	**13,282**	10,367
Others	**13,535**	12,217
Total	**106,674**	86,813

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

5. REVENUE

Revenue, which is also the Group's 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.

6. PROFIT BEFORE TAX

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

	Group	
	2007	2006
	US$'000	US$'000
Cost of inventories sold	**67,822**	52,672
Recognition of prepaid land lease payments *(note 17)*	**216**	219
Auditors' remuneration	**175**	185
Depreciation *(note 14)*	**4,222**	4,174
Staff costs (including directors' remuneration) *(note 7)*):		
Wages and salaries	**13,636**	12,055
Pension scheme contributions	**891**	734
	14,527	12,789
Losses on disposal of property, plant and equipment	**138**	–
Provision on liquidation of a subsidiary	**–**	3,431
Operating lease rentals in respect of land and buildings	**792**	950
Impairment of intellectual property rights	**6,998**	–
Equity-settled share option expense	**604**	–
Impairment of receivables	**640**	72
Reversal of provision against slow-moving inventories	**(155)**	(243)
Research and development costs	**1,095**	771
Interest income	**(916)**	(749)
Foreign exchange losses, net	**675**	251

Notes to Financial Statements

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7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	US$'000	US$'000
Fees	**120**	60
Other emoluments:		
Salaries, allowances and benefits in kind	**350**	189
Bonuses	**46**	25
Pension scheme contributions	**9**	5
Employee share option benefits	**437**	–
	962	279

2007	**Fees**	**Salaries, allowances and benefits in kind**	**Bonuses**	**Pension scheme contributions**	**Employee share option benefits**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$000**
Directors						
Ye Zhi Mao, Jason	**–**	**80**	**13**	**5**	**31**	**129**
Gao Jin Min	**–**	**270**	**33**	**4**	**231**	**538**
Chang Sze-Ming, Sydney	**40**	**–**	**–**	**–**	**–**	**40**
Ho Tse-Wah, Dean	**40**	**–**	**–**	**–**	**–**	**40**
Wong Kin Chi	**40**	**–**	**–**	**–**	**–**	**40**
Richard M. Ward	**–**	**–**	**–**	**–**	**175**	**175**
Yang Yu Qing, Cindy	**–**	**–**	**–**	**–**	**–**	**–**
Chen Rong Fang	**–**	**–**	**–**	**–**	**–**	**–**
Peter James O'Donnell	**–**	**–**	**–**	**–**	**–**	**–**
	120	**350**	**46**	**9**	**437**	**962**

7. DIRECTORS' REMUNERATION *(Continued)*

2006	Fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Employee share option benefits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$000
Directors						
Ye Zhi Mao, Jason	–	106	20	3	–	129
Wu Wei Lin, Patrick	–	83	5	2	–	90
Chang Sze-Ming, Sydney	20	–	–	–	–	20
Ho Tse-Wah, Dean	20	–	–	–	–	20
Wong Kin Chi	20	–	–	–	–	20
Richard M. Ward	–	–	–	–	–	–
Yang Yu Qing, Cindy	–	–	–	–	–	–
Peter James O'Donnell	–	–	–	–	–	–
	60	189	25	5	–	279

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2007 and 2006.

During the year, certain directors were granted stock options of the former ultimate holding company and shares and equity instruments of the ultimate holding company in respect of their services to the Group under the stock option scheme of the former ultimate holding company and the Co-investment Plan of the ultimate holding company, respectively. For details, please refer to note 9.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: one) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2006: four) highest paid employees for the year are as follows:

	Group	
	2007	2006
	US$'000	US$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**439**	513
Bonuses	**39**	28
Employee share option benefits	**262**	–
Pension scheme contributions	**9**	11
	749	552

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

	Number of employees	
	2007	2006
Nil to US$128,205 (HK$1,000,000)	**2**	3
US$128,206 (HK$1,000,001) to US$192,308 (HK$1,500,000)	**1**	–
US$192,309 (HK$1,500,001) to US$256,410 (HK$2,000,000)	**–**	1
	3	4

During the year, no emoluments were paid by the Group to the directors or the other highest paid employees either as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

During the year, certain employees were granted stock options of the former ultimate holding company and shares and equity instruments of the ultimate holding company in respect of their services to the Group under the stock option scheme of the former ultimate holding company and the Co-investment Plan of the ultimate holding company, respectively. For details, please refer to note 9.

9. SHARE-BASED PAYMENT

9.1 Share option under the 2002 Omnibus Incentive Plan

During the year, certain directors and employees of the Group were granted options and restricted stock units under ASCI's 2002 Omnibus Incentive Plan, to subscribe shares in ASCI. ASCI is the former ultimate holding company of the Company.

The 2002 Omnibus Incentive Plan was approved on 2 May 2002 and unless otherwise cancelled or amended, will remain in force for five years from that date. Under the 2002 Omnibus Incentive Plan, awards may be granted to employees and non-employee directors in the form of stock options, restricted stock, restricted stock units ("RSU"), stock appreciation rights ("SARs") and certain other incentive awards. The maximum number of shares or units that may be issued under the 2002 Omnibus Incentive Plan is 16,500,000, of which no more than 2,475,000 shares may be used for awards other than stock options or SARs. The total of stock options and SARs that may be granted to any individual annually may not exceed 4,500,000 shares and the number of restricted stock and restricted unit awards to any individual annually may not exceed 450,000 shares or units.

The exercise period is generally 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; options to subscribe for the remaining shares may be exercised on or after the third anniversary of the relevant date of grant.

Certain directors and employees were granted stock options and restricted stock units in respect of their services to the Group under the 2002 Omnibus Incentive Plan. The related costs are not recharged to the Group. The Group has accounted for the costs of these stock options in accordance with HKFRS 2.

The fair market value of the stock options was estimated at the date of grant using the Black-Scholes option pricing model.

9. SHARE-BASED PAYMENT *(Continued)*

9.1 Share option under the 2002 Omnibus Incentive Plan *(Continued)*

The following stock options were outstanding under the 2002 Omnibus Incentive Plan during the year:

	2007		2006	
	Weighted average exercise price US$ per share	**Number of options**	Weighted average exercise price US$ per share	Number of options
At 1 January	**38.27**	**38,502**	34.39	47,752
Granted during the year	**45.86**	**3,000**	36.87	15,500
Adjustment for spinoff	**–**	**12,890**	–	–
Exercised during the year	**30.94**	**(51,892)**	29.91	(24,750)
At 31 December	**27.91**	**2,500**	38.27	38,502

In connection with the spinoff of ASCI's Vehicle Control System business in 2007, adjustments were made to outstanding options in accordance with original terms of the plans under which the options were granted. These plans require that, in the event of a change in capitalization, outstanding equity awards be proportionally adjusted to reflect the change in capitalization in an equitable manner. All options have been adjusted into two separate options based on the spinoff distribution ratio. The per share exercise price of the original option was proportionately allocated between the adjusted options based on the relative trading prices of the respective underlying stock immediately following the distribution.

The weighted average stock price at the date of exercise for stock options exercised during the year was US$45.66 (2006: US$44.18).

On 5 February 2007, certain directors and employees of the Group were granted RSU. A summary of RSU activity for the year ended 31 December 2007 is as follow:

	Number of RSU	**Weighted-average grant date fair value**
At 1 January 2007	–	–
Granted during the year	7,535	52.66
Exercised during the year	(3,606)	52.66
At 31 December 2007	3,929	52.66

9. SHARE-BASED PAYMENT *(Continued)*

9.1 Share option under the 2002 Omnibus Incentive Plan *(Continued)*

The exercise price and exercise periods of the stock options outstanding as at that balance sheet date are as follows:

2007

Number of options '000	**Exercise price* US$ per share**	**Exercise period**
1,000	30.66	2/2/2006 to 28/1/2008
1,500	26.08	1/2/2007 to 28/1/2008
2,500		

2006

Number of options '000	Exercise price* US$ per share	Exercise period
7,002	35.03	4/2/2006 to 4/2/2014
15,500	36.87	1/2/2007 to 1/2/2016
14,500	43.34	2/2/2006 to 2/2/2015
1,500	18.86	1/3/2002 to 1/3/2011
38,502		

* The exercise price of the stock options is subject to adjustment in case of rights or bonus issues, or other changes in the Company's share capital.

The fair value of the stock options granted during the year was US$665,703 (US$44.53 each) (2006: US$203,711, US$9.7 each) of which the Group recognized a stock option expense of US$604K (2006: Nil) during the year ended 31 December 2007.

9. SHARE-BASED PAYMENT *(Continued)*

9.1 Share option under the 2002 Omnibus Incentive Plan *(Continued)*

The fair value of equity-settled stock options granted during the year was estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007	2006
Dividend yield (%)	**1.360**	1.470
Expected volatility (%)	**1.209**	1.273
Historical volatility (%)	**1.209**	1.273
Risk-free interest rate (%)	**4.658**	4.555
Expected life of options (year)	**3.000**	3.000
Weighted average share price (US$)	**50.47**	37

The expected life of options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

ASCI, ASD, Ideal Standard International entered into certain stock and assets purchase agreements, pursuant to which ASD and Ideal Standard International agreed to acquire the worldwide bath and kitchen products business of ASCI. The 2002 Omnibus Incentive Plan had ceased during the year. In accordance with the expiration guidelines, upon the completion of the sale of the worldwide bath and kitchen products business by ASCI, the directors will have the lesser of 90 days from the sale date or original expiration date (10 years from date of grant), to exercise all outstanding options, otherwise, ASCI will forfeit any options that fail to exercise. Since the sale was completed on 31 October 2007, all stock options were vested in 2007.

9.2 Shares and equity instruments granted under the Co-investment Plan

During the year, Bain Capital Ltd. ("Bain Capital"), an investor in Ideal Standard, launched the Co-investment Plan (the "Plan"), to certain directors of the Company, which described that the directors shall own certain equity interests in Ideal Standard and have participated in the co-investment in the worldwide bath and kitchen products business with Bain Capital.

9. SHARE-BASED PAYMENT *(Continued)*

9.2 Shares and equity instruments granted under the Co-investment Plan *(Continued)*

Certain directors of the Company were granted, by Bain Capital, Preferred Equity Certificates ("PEC"), Convertible Preferred Equity Certificates ("CPEC") and ordinary shares of Ideal Standard under the Plan in November 2007. As at 31 December 2007, the shares and equity instruments granted and held by these directors are as follow:

Shares and equity instruments	**Number of shares and equity instruments**	**Unit subscription price** (Euro)
PEC	3,394,977	0.10
CPEC	599,114	0.10
Ordinary share	963,639	0.00239 to 0.04379

Bain Capital's offer of shares and equity instruments of Ideal Standard to the Company's directors is considered as share-based payments within the meaning of HKFRS 2 and should be accounted for as equity-settled share-based payment transaction.

According to HKFRS 2, the shares and equity instruments granted to the directors should be measured at fair value. For market price not available as reference, the shares and equity instrument should be measured using a valuation technique to estimate what the price of those shares and equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. For fair value of the shares and equity instruments is not feasible to be measured reliably on the measurement date, intrinsic value should be considered in the valuation.

Ideal Standard's shares and equity instruments are not quoted in an open market as it is an unlisted company, which holds the worldwide bath and kitchen products business. Management of the Company, considered the cash consideration paid by Ideal Standard for the acquisition of the worldwide B&K products business as fair value of Ideal Standard's shares and equity instruments. As the fair value of the shares and equity instruments of Ideal Standard approximates the subscription price paid by the directors for these shares and equity instruments, the share-based payment transactions have no significant impact to the Company's financial statements.

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10. TAX

	2007	2006
	US$'000	US$'000
Current year provision in respect of Mainland China tax	**3,069**	2,466

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 Mainland China subsidiaries were granted or have rights 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").

A Mainland China subsidiary, A-S (Jiangmen) Fittings Co., Ltd. ("A-S Jiangmen Fittings"), is subject to a CIT rate of 27% as it is located in a coastal economic development region.

A Mainland 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 Mainland China subsidiary, A-S (Tianjin) Pottery Co., Ltd., is subject to a CIT rate of 15% as it is located in the Tianjin economic and 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 Technology Concentration Enterprise".

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for Mainland China 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			
	2007	**2007**	2006	2006
	US$'000	**%**	US$'000	%
Profit before tax	**2,189**		5,949	
Tax at the statutory rate	**722**	**33.0**	1,964	33.0
Expenses not deductible for tax purposes	**131**	**6.0**	322	5.4
Tax losses not recognised	**5,048**	**230.6**	2,862	48.1
Tax exemptions/deductions	**(2,832)**	**(129.4)**	(2,682)	(45.1)
Tax charge at the Group's effective tax rate	**3,069**	**140.2**	2,466	41.4

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a profit of US$6,762,000 (2006: loss of US$289,000) which has been dealt with the financial statements of the Company (note 29(b)).

12. DIVIDENDS

	2007	2006
	US$'000	US$'000
Interim – US$16.3 cents (2006: Nil) per ordinary share	**24,689**	–

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the loss for the year attributable to equity holders of the parent of US$2,850,000 (2006: profit of US$1,377,000), and the weighted average number of issued ordinary shares of 151,034,000 (2006: 151,034,000) during the year.

Diluted (Loss)/earnings per share amounts for the years ended 31 December 2007 and 2006 have not been disclosed as no diluting events existed during the current or prior year.

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

	2007	2006
	US$'000	US$'000
(Loss)/Earnings:		
(Loss)/Profit attributable to equity holders of the Company used in the basic (loss)/earning per share calculation	(2,850)	1,377
Impairment of intellectual property rights	6,998	-
Profit before impairment of intellectual property rights	4,148	1,377

	2007	2006
	'000	'000
Share:		
Weighted average number of shares in issue during the year used in basic (loss)/earnings per share calculation	151,034	151,034

	2007	2006
	US cents	US cents
Basic (loss)/earnings per share attributable to equity holders of the parent:		
– Before impairment of intellectual property rights	2.75	0.91
– After impairment of intellectual property rights	(1.89)	0.91

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings US$'000	Plant and machinery US$'000	Furniture, equipment and motor vehicles US$'000	Construction in progress US$'000	Total US$'000
31 December 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	18,466	28,018	886	735	48,105
At 31 December 2006, and 1 January 2007, net of accumulated depreciation	18,466	28,018	886	735	48,105
Additions	–	272	475	2,690	3,437
Transfer	53	2,115	867	(3,035)	–
Disposals	(300)	(35)	–	–	(335)
Depreciation provided during the year	(569)	(2,747)	(906)	–	(4,222)
Exchange realignment	1,085	1,645	52	–	2,782
At 31 December 2007, net of accumulated depreciation and impairment	18,735	29,268	1,374	390	49,767
At 31 December 2007:					
Cost	27,299	57,971	13,421	390	99,081
Accumulated depreciation	(8,564)	(28,703)	(12,047)	–	(49,314)
Net carrying amount	18,735	29,268	1,374	390	49,767

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Buildings US$'000	Plant and machinery US$'000	Furniture, equipment and motor vehicles US$'000	Construction in progress US$'000	Total US$'000
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	20,521	31,046	924	671	53,162
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 (Note 19)	(2,197)	(2,125)	(60)	–	(4,382)
Depreciation provided during the year	(576)	(2,529)	(1,069)	–	(4,174)
Exchange realignment	548	763	–	–	1,311
At 31 December 2006, net of accumulated depreciation	18,466	28,018	886	735	48,105
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	18,466	28,018	886	735	48,105

The Group's buildings are all situated in Mainland China.

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

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Furniture, equipment and motor vehicles US$'000
31 December 2007	
At 31 December 2006 and 1 January 2007:	
Cost	**2,080**
Accumulated depreciation	**(1,772)**
Net carrying amount	**308**
At 1 January 2007, net of accumulated depreciation	**308**
Additions	**–**
Depreciation provided during the year	**(80)**
At 31 December 2007, net of accumulated depreciation	**228**
At 31 December 2007:	
Cost	**2,085**
Accumulated depreciation	**(1,857)**
Net carrying amount	**228**
31 December 2006	
At 31 December 2005 and 1 January 2006:	
Cost	2,080
Accumulated depreciation	(1,665)
Net carrying amount	415
At 1 January 2006, net of accumulated depreciation	415
Depreciation provided during the year	(107)
At 31 December 2006, net of accumulated depreciation	308
At 31 December 2006:	
Cost	2,080
Accumulated depreciation	(1,772)
Net carrying amount	308

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15. GOODWILL

	Group 2007 US$'000
At 31 December 2007 and 2006:	
Cost and net carrying amount	**2,105**

Details of the impairment testing of goodwill are disclosed in note 16.1.

16. INTANGIBLE ASSETS

Group

	Intellectual property rights US$'000	**Trademark license fees** US$'000	**Total** US$'000
31 December 2007			
Cost at 1 January 2007, net of accumulated amortisation	**6,998**	**–**	**6,998**
Impairment during the year	**(6,998)**	**–**	**(6,998)**
At 31 December 2007	–	–	–
At 31 December 2007:			
Cost	**10,000**	**1,650**	**11,650**
Accumulated amortisation and impairment	**(10,000)**	**(1,650)**	**(11,650)**
Net carrying amount	**–**	**–**	**–**
31 December 2006			
At 31 December 2006:			
Cost	10,000	1,650	11,650
Accumulated amortisation	(3,002)	(1,650)	(4,652)
Net carrying amount	6,998	–	6,998

16. INTANGIBLE ASSETS *(Continued)*

Company

	Intellectual property rights US$'000
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation	**6,998**
Impairment during the year	**(6,998)**
At 31 December 2007	**–**
At 31 December 2007:	
Cost	**10,000**
Accumulated amortisation and impairment	**(10,000)**
Net carrying amount	**–**
31 December 2006	
At 31 December 2006:	
Cost	10,000
Accumulated amortisation	(3,002)
Net carrying amount	6,998

16.1 Impairment testing of goodwill

Goodwill relates to the acquisition of shareholding interest in a subsidiary.

Goodwill has been tested for impairment at Group level as the Group's revenue is primarily derived from one segment, i.e. the manufacture, sale and distribution of plumbing products.

The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections according to financial budgets approved by management covering a five year period. The discount rate applied to the cash flow projections was determined after considering lending rates offered to enterprises by large financial institutions in Mainland China. The annual growth rate used is in line with the average growth rate of the industry.

16. INTANGIBLE ASSETS *(Continued)*

16.1 Impairment testing of goodwill *(Continued)*

Key assumptions were used in the value in use calculation for 31 December 2007 and 31 December 2006. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and raw material price inflation.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the industry.

16.2 Intangible assets are the exclusive territorial rights to use American Standard Inc.'s ("ASI's") present and future trademark, and to have access to its present and future technology, know-how on how to manufacture, market, distribute and sell ASI's plumbing products in Mainland China (the "Intellectual Property Rights").

Prior to acquisition by the Ideal Standard Group, the Company had in place with ASI an intellectual property agreement (the "Intellectual Property Agreement") which gave the Company the exclusive right to require ASI to grant to the companies, in which the Company holds directly or indirectly a majority interest, territorial licenses to manufacture and distribute plumbing products in the Mainland China under the plumbing product brand names of ASI. The Intellectual Property Agreement contained no specified termination date and the right provided thereunder to the Company cannot be terminated or revoked by notice even if the ASCI Group's interest in the Company falls below 51%. Under the terms of this agreement, ASI was not permitted to license any of its plumbing product trademarks and patents to any party within the Mainland China other than companies in which the Company holds directly or indirectly a majority interest. However, if ASCI's direct or indirect ownership interest in any of the Mainland China licensees falls below 51%, ASI had the right to terminate the territorial licenses granted to such licensees. The Company's Mainland China subsidiaries had entered into various trademark license agreements (the "Trademark License Agreements") with ASI. These licences were subject to certain termination events including the eventual expiry of the operating terms of the relevant Company's Mainland China subsidiaries or, as just noted, if the direct or indirect ownership interest in any such Company's Mainland China subsidiaries by the ASCI Group falls below 51%. In the event that ASCI's ownership interest in the Company falls below 51%, the Company was still entitled to require ASI to grant territorial licenses to the Company's new subsidiaries in the Mainland China established after 1 January, 1996, and such licenses will be granted under the standard terms of similar contracts granted by ASI from time to time.

16. INTANGIBLE ASSETS *(Continued)*

16.2 *(Continued)*

As disclosed in note 32 and note 15.1 to the financial statements for the year ended 31 December 2006 ("2006 financial statements"), ASCI, the then ultimate holding company of the Company in the United States made an announcement in February 2007, regarding its prospective separation of business encompassing the intention to sell its bath and kitchen products business (the "Intended Separation of Business") to which the Group belongs. As disclosed in note 15.1 to the Company's 2006 financial statements, the continuance of the Trademark License Agreements and the impairment amount, if any, of the Intellectual Property Rights of US$6,988,000, forming part of the intangible assets of the Group as at 31 December 2006, were dependent on the final structure of the bath and kitchen products business sale agreement with the purchaser and whether the Trademark License Agreements will continue with terms no less favourable to the Group by the purchaser. As further disclosed in note 32 to the 2006 financial statements, as at the date of the approval of the 2006 financial statements, the directors of the Company had not received further information regarding the final outcome of the Intended Separation of Business by ASCI and consequently, were not able to determine the impact and effect, if any, on the financial performance and financial position of the Group for the matters disclosed in note 15.1 to the 2006 financial statements.

In July 2007, ASCI, ASD and Ideal Standard International entered into certain stock and assets purchase agreements, pursuant to which ASD and Ideal Standard International agreed to acquire the worldwide bath and kitchen products business of ASCI. In October 2007, ASCI completed the sale of its worldwide bath and kitchen products business to Ideal Standard International, including its interest in the Company. Subsequent to the sale, Ideal Standard International became the penultimate holding company of the Company, and Ideal Standard became the ultimate holding company of the Company.

ASCI transferred all its rights and benefits under the Intellectual Property Agreement with the Company, dated on 1 January, 1996, to Ideal Standard Global Ltd. ("ISG") an indirectly wholly-owned subsidiary of Ideal Standard through an instrument titled Instrument of Novation, Amendment, Joinder and Release dated on 12 October 2007.

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16. INTANGIBLE ASSETS *(Continued)*

16.2 *(Continued)*

Following the acquisition of its interest in the Company in October 2007 and the transfer to it of the Intellectual Property Agreement with the Company on 12 October 2007, Ideal Standard International, as required by Rule 26.1 of the Takeovers Code of the Hong Kong Code on Takeovers and Mergers, made an offer on 7 November 2007 to acquire all of the outstanding shares in the Company that it did not already own. In the letter from Ideal Standard International's financial advisor to shareholders of the Company, the Financial Advisor wrote that Ideal Standard International had been advised that under New York law the Intellectual Property Agreement may be terminable at will after a reasonable time. The Financial Advisor does not elaborate as to what period "a reasonable time" equals. The financial advisor goes on to write that Ideal Standard International had not at that time made any decision as to whether it will terminate the Intellectual Property Agreement. As at 31 December 2007 the Company had not been notified by Ideal Standard International of any decision by it to seek to terminate nor change in any fashion the Intellectual Property Agreement.

In order for the Intellectual Property Rights conferred by the Intellectual Property Agreement to appear on the Company's balance sheet as an intangible asset they must have territorial exclusivity and an indefinite life, as defined by relevant accounting standards. As a result of the statements (as opposed to any actual notice or legal proceedings by Ideal Standard International seeking to terminate or change the Intellectual Property Agreement as at 31 December 2007) made about the Intellectual Property Agreement by Ideal Standard International's financial advisor as noted above, the directors of the Company have concluded that indefinite territorial exclusivity for the asset, according to relevant accounting standards, may no longer exist and that the Intellectual Property Rights classified as an intangible asset of the Company may thus be impaired. In view of this, the directors have decided to make a full provision for impairment of the value of the intangible asset as at 31 December 2007.

Until such Intellectual Property Agreement were to be successfully terminated, such agreement remains valid and effective.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	US$'000	US$'000
Carrying amount at 1 January	**8,053**	8,432
Recognised during the year	**(216)**	(219)
Liquidation of a subsidiary *(note 19)*	**–**	(316)
Disposal	**–**	(89)
Exchange realignment	**500**	245
Carrying amount at 31 December	**8,337**	8,053
Current portion included in prepayments, deposits and other receivables	**(216)**	(216)
Non-current portion	**8,121**	7,837

The leasehold lands are held under long term leases, and are situated in Mainland China.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	US$'000	US$'000
Unlisted shares, at cost	**64,357**	81,545
Impairment	**–**	(9,460)
	64,357	72,085
Due from subsidiaries	**14,525**	6,981
	78,882	79,066

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18. INTERESTS IN SUBSIDIARIES *(Continued)*

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying value of the amounts due from subsidiaries approximates to their fair value.

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 (China) Company, Ltd. ("ASCC")	Mainland China	US$30,000,000	100	–	Investment holding and marketing of the Group's products
A-S (Guangzhou) Enamelware Company Limited ("A-S Guangzhou Bathtubs")*	Mainland China	US$18,000,000	41.40	40.60	Manufacturing of enamelled steel bathtubs
A-S (Jiangmen) Fittings	Mainland China	US$10,850,000	–	100	Manufacturing of brass fittings
A-S (Shanghai) Pottery Co., Ltd. ("A-S Shanghai Pottery")*	Mainland China	US$24,725,000	57.73	24.27	Manufacturing of vitreous china sanitary ware
A-S (Tianjin) Pottery Co., Ltd. ("A-S Tianjin Pottery")	Mainland China	US$17,500,000	50.30	49.70	Manufacturing of vitreous china sanitary ware
Hua Mei*	Mainland China	US$12,000,000	67.58	–	Manufacturing of vitreous china sanitary ware

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

19. LIQUIDATION OF A SUBSIDIARY

For the year ended 31 December 2007

Ultrawide Engineering Limited ("Ultrawide HK") is a company incorporated in Hong Kong. The principal activity of Ultrawide HK is that of investment holding. Prior to the liquidation, the Company held 100% of the equity interest in Ultrawide HK. On 7 March 2007, Ultrawide HK was liquidated and no material liquidation costs related to the liquidation were incurred.

There is no significant cash flow impact arising from the liquidation of this subsidiary as it was an investment holding company. The subsidiary liquidated had no significant impact on the turnover and results of the Group during the year.

For the year ended 31 December 2006

According to the long term manufacturing optimization strategy, the approval of the Board of the Company and the agreement with the joint venture partner, the Group has liquidated an unprofitable bathtub plant in Beijing, the PRC, released all employees, reassessed the carrying values of the assets and liabilities of the subsidiary, and consolidated all of its bathtub manufacturing activities in another plant in Guangzhou to enhance the overall bathtubs operating efficiency. The Group charged all restructuring costs to the consolidated income statement during the year ended 31 December 2006. Such restructuring costs include assets impairment written off, termination severance and other expenses related to the restructuring.

	Notes	**2007** **US$'000**	2006 US$'000
Net assets written-off:			
Inventories		–	95
Property, plant and equipment	14	–	4,382
Prepaid land lease payments	17	–	316
Minority interests		–	(1,431)
Others		–	69
		–	3,431

There is no significant cash flow impact from the liquidation of this subsidiary as the losses are mainly due to the revaluation of its assets.

The subsidiary liquidated had no significant impact on the turnover and results of the Group during the year.

20. DUE FROM GROUP COMPANIES

The balances due from group companies are unsecured, interest-free and are repayable in accordance with trade terms. The carrying value of the balances due from group companies approximates to their fair value due to their relatively short term maturity.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balances is an overdue amount due from a company related to ASCI of US$1,699,000 (2006: US$2,121,000).

The recoverability of the above receivable is dependent on the successful negotiation between the Company's ultimate holding company and ASCI to offset the receivable against the amount payable by the Group of US$3,659,000 to ASCI as at 31 December 2007. The negotiation is currently on going and the ultimate outcome of the negotiation cannot be presently determined.

22. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007	2006
	US$'000	US$'000
Tax losses	**1,935**	2,033
Deductible temporary differences	**1,414**	1,002
	3,349	3,035

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. INVENTORIES

	Group	
	2007	2006
	US$'000	US$'000
Raw materials	**3,693**	2,832
Work in progress	**1,899**	1,722
Finished goods	**4,856**	3,173
	10,448	7,727

24. TRADE RECEIVABLES

	Group	
	2007	2006
	US$'000	US$'000
Trade receivables	**12,443**	12,095
Impairment	**(1,194)**	(564)
	11,249	11,531

The Group's trading terms with its customers are mainly on credit. The Group generally grants a credit term of 60 to 90 days to its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

24. TRADE RECEIVABLES *(Continued)*

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

	Group	
	2007	2006
	US$'000	US$'000
Within 30 days	**5,169**	7,699
Within 31-90 days	**2,138**	1,645
Within 91-180 days	**2,446**	1,218
Over 180 days	**1,496**	969
	11,249	11,531

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	US$'000	US$'000
At 1 January	**564**	747
Impairment losses recognised *(note 6)*	**640**	72
Amount written off as uncollectible	**(10)**	(255)
	1,194	564

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US$833,000 (2006: US$321,000) with a carrying amount of US$950,000 (2006: US$444,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

24. TRADE RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	US$'000	US$'000
Neither past due nor impaired	**6,784**	7,440
Less than 1 month past due	**309**	186
1 to 5 months past due	**1,534**	1,574
	8,627	9,200

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Cash and bank balances	**30,157**	24,752	**147**	615
Time deposits	**839**	25,362	**700**	9,500
	30,996	50,114	**847**	10,115

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to US$26,948,000 (2006: US$24,498,000). The RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, 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.

Bank balances earn interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

At 31 December 2007, the Group's cash and bank balances included an amount of US$139,000 (2006: US$52,000) which was pledged as security for a banker's guarantee issued by a bank on behalf of a subsidiary.

26. DUE TO GROUP COMPANIES

Amounts due at each balance sheet date arose from trading transactions.

The balances due to group companies are unsecured, interest-free and repayable in accordance with trade terms. The carrying value of the balances due to group companies approximates to their fair value due to their relatively short term maturity.

27. TRADE PAYABLES

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

	Group	
	2007	2006
	US$'000	US$'000
Within 30 days	**7,053**	5,523
Within 31-90 days	**431**	138
Within 91-180 days	**400**	5
Over 180 days	**1,002**	364
	8,886	6,030

The trade payables are non-interest-bearing and are normally settled on 30-days terms.

28. SHARE CAPITAL

	Group and Company	
	2007	2006
	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

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29. 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 the financial statements.

(b) Company

	Share premium account	**Capital contribution**	**Retained profits**	**Total**
	US$'000	US$'000	US$'000	US$'000
At 1 January 2006	83,917	–	13,401	97,318
Loss for the year	–	–	(289)	(289)
At 31 December 2006 and 1 January 2007	83,917	–	13,112	97,029
Profit for the year	–	–	6,762	6,762
Equity-settled share option arrangements	–	604	–	604
Dividend paid	(24,689)	–	–	(24,689)
At 31 December 2007	**59,228**	**604**	**19,874**	**79,706**

30. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

31. RELATED PARTY TRANSACTIONS

(1) ASCI, ASD and Ideal Standard International entered into certain stock and assets purchase agreements, pursuant to which ASD and Ideal Standard International agreed to acquire the worldwide bath and kitchen products business of ASCI. On 31 October 2007, ASCI completed the sale of its worldwide bath and kitchen products business to Ideal Standard International. Therefore, the connected transactions for the period from 1 January to 31 October 2007 were within the American Standard Group, and the connected transactions for the period from 1 November to 31 December 2007 were within the Ideal Standard Group.

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules.

From 1 January to 31 October 2007 (Within the American Standard Group)

	Notes	US$'000
Sales of finished goods	(a)	40,473
Purchases of raw materials	(a)	(1,836)
Management fee expenses	(b)	(375)
Trademark license, technical assistance and management assistance fees	(c)	(1,866)

From 1 November to 31 December 2007 (Within the Ideal Standard Group)

	Notes	US$'000
Sales of finished goods	(a)	9,493
Purchases of raw materials	(a)	(1,224)
Management fee expenses	(b)	(75)
Trademark license, technical assistance and management assistance fees	(c)	(775)

From 1 January 2006 to 31 December 2006 (Within the American Standard Group)

	Notes	US$'000
Sales of finished goods	(a)	39,162
Purchases of raw materials	(a)	(1,519)
Management fee expenses	(b)	(400)
Trademark license, technical assistance and management assistance fees	(c)	(2,076)

31. RELATED PARTY TRANSACTIONS *(Continued)*

(1) *(Continued)*

Notes:

(a) The sale 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 agreement.

(c) The trademark license, technical assistance and management assistance fees were related to the sale of products bearing the brand names of the American Standard Group/the Ideal Standard Group by the Group's subsidiaries in Mainland China, which were charged on the basis as stated in the respective joint venture agreements.

During the year, in addition to the above continuing transactions, the American Standard Group/ Ideal 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$613,000 (2006: US$504,000) from 1 January to 31 October 2007, and reimbursed the Ideal Standard Group an aggregate amount of US$90,000 (2006: Nil) from 1 November to 31 December 2007.

The Group also paid on behalf of the Ideal Standard Group an amount of US$7,000 (2006: Nil) based on the actual amounts incurred, and on behalf of the American Standard Group an amount of US$111,000 (2006: US$1,711,000).

(2) Details of the compensation of key management personnel of the Group are disclosed in note 7.

(3) The related party transactions in respect of note 31(1) above also constitute connected transactions or continuing connected transactions as defined under the GEM Listing Rules.

32. 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 Mainland China subsidiaries, ASI undertakes to provide the technical know-how and to allow trademarks under licenses from ASI and its affiliates used for the plumbing products manufactured and sold by the Company's Mainland China subsidiaries in return for the following fees:

A-S Guangzhou Bathtubs:	
Technical assistance fee	2.5% of net sales
Trademark license fee	2.5% of net sales of 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 license fee	3% of net sales of products
A-S Tianjin Pottery:	
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 products for year 1 to 2 and 2% of net sales for subsequent years
Trademark license fee	3% of net sales of products

32. COMMITMENTS *(Continued)*

(2) *(Continued)*

Pursuant to various novation agreements dated 12 October 2007 between the respective Mainland China subsidiaries, ASI and ISG, ASI transferred all its rights and benefits under the various technical assistance, trademark license and management assistance agreements to ISG.

(3) Operating lease 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 five years, respectively. The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	2006
	US$'000	US$'000
Within one year	**1,487**	425
In the second to fifth years, inclusive	**1,496**	132
	2,883	557

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

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007 **Group**

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial assets at fair value through profit or loss – held for trading US$'000	Loans and receivables US$'000	Available-for-sales financial assets US$'000	Total US$'000
Trade receivables	–	–	11,249	–	11,249
Financial assets included in prepayments, deposits and other receivables	–	–	4,819	–	4,819
Due from group companies	–	–	11,751	–	11,751
Pledged deposits	–	–	139	–	139
Cash and cash equivalents	–	–	30,857	–	30,857
	–	–	58,815	–	58,815

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial liabilities at fair value through profit or loss – held for trading US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Trade payables	–	–	8,886	8,886
Financial liabilities included in other payables and accrued liabilities	–	–	18,655	18,655
Due to group companies	–	–	2,232	2,232
	–	–	29,773	29,773

33. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(Continued)*

2006 Group

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial assets at fair value through profit or loss – held for trading US$'000	Loans and receivables US$'000	Available-for-sales financial assets US$'000	Total US$'000
Trade receivables	–	–	11,531	–	11,531
Financial assets included in prepayments, deposits and other receivables	–	–	3,063	–	3,063
Due from group companies	–	–	9,344	–	9,344
Pledged deposits	–	–	52	–	52
Cash and cash equivalents	–	–	50,062	–	50,062
	–	–	74,052	–	74,052

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial liabilities at fair value through profit or loss – held for trading US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Trade payables	–	–	6,030	6,030
Financial liabilities included in other payables and accrued liabilities	–	–	12,352	12,352
Due to group companies	–	–	4,208	4,208
	–	–	22,590	22,590

33. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(Continued)*

Financial assets

	Company					
	2007			2006		
	Loans and receivables US$'000	**Available-for-sales financial assets US$'000**	**Total US$'000**	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Financial assets included in prepayments, deposits and other receivables	**1,805**	**–**	**1,805**	131	–	131
Due from group companies	**–**	**–**	**–**	2,121	–	2,121
Cash and cash equivalents	**847**	**–**	**847**	10,115	–	10,115
	2,652	**–**	**2,652**	12,367	–	12,367

Financial liabilities

	Company	
	2007	2006
	Financial liabilities at amortised cost US$'000	Financial liabilities at amortised cost US$'000
Due to group companies	**82**	–
Financial liabilities included in other payables and accrued liabilities	**300**	68
	382	68

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group does not have any significant exposure to interest rate risk as the Group does not have any long term receivables or payables.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 51% (2006: 53%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 3.2% (2006: 3.2%) of costs are denominated in the unit's functional currency.

The operation units also have liabilities denominated in foreign currencies relating to technical assistance, trademark license and management assistance provided by the ultimate holding company. The Group considers that this will be able to hedge a substantial portion of the foreign currency risk.

The Group does not enter into any hedging instruments.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	Increase/ (decrease) in RMB Rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	US$'000	US$'000
2007			
If US$ weakens against RMB	**5**	**978**	**978**
If US$ strengthens against RMB	**(5)**	**(978)**	**(978)**
2006			
If US$ weakens against RMB	5	930	930
If US$ strengthens against RMB	(5)	(930)	(930)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the balance sheet date, the Group has certain concentrations of credit risk as 19.3% (2006: 11.2%) and 42.5% (2006: 35.4%) of the Group's total trade receivables, including amounts due from group companies, were due from the Group's largest customer and the five largest customers, respectively. However, most of these customers are related companies within the Ideal Standard Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group does not have any significant exposure to liquidity risk as the Group does not rely on external financing and the Group was in a net current asset position as at 31 December 2007.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

At 31 December 2007 and 2006, the Group's cash and cash equivalents are excess of its total debts.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 15 May 2008.