



展望
ZHANWANG

浙江展望股份有限公司
Zhejiang Prospect Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)



2005
First Quarterly Report

** for identification purpose only*

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

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 GEM with neither track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks rising out of the emerging nature of companies listed on 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 GEM means that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on 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 in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Zhejiang Prospect Company Limited collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Zhejiang Prospect Company Limited. The directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

- 2 Highlights
- 3 Financial Result (Unaudited)
- 6 Management Discussion and Analysis
- 8 Other Information

Highlights

- Achieved a turnover of approximately RMB19.47 million for the three months ended 31st March, 2005, representing an approximately 30.5% increase as compared with that of the corresponding period in 2004.
- Accomplished a profit attributable to shareholders of approximately RMB2.81 million for the three months ended 31st March, 2005, representing an approximately 66.19% increase as compared with that of the corresponding period in 2004.
- The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2005.

Financial Result (Unaudited)

The board of directors (the "Board") of Zhejiang Prospect Company Limited (the "Company") is pleased to announce the unaudited results of the Company for the three months ended 31st March, 2005 together with the unaudited comparative figures for the corresponding period in 2004, as follows:

For the three months ended			
31st March,			
		2005	2004
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Turnover	3	19,465	14,916
Cost of sales		(14,422)	(10,566)
Gross profits		5,043	4,350
Other revenue		397	83
Distribution costs		(404)	(413)
Administrative expenses		(747)	(894)
Other operating expenses		(25)	(65)
Profits from operations		4,264	3,061
Finance costs		(223)	(540)
Profits from ordinary activities before taxation		4,041	2,521
Taxation	4	(1,234)	(832)
Profits after tax		2,807	1,689
Dividend	5	—	—
Earnings per share			
Basic (Rmb per share)	7	0.037	0.026

Financial Result (Unaudited)

Notes:

1. GENERAL

The Company was established in the People's Republic of China ("PRC") under the Company Law of the PRC as a joint stock limited company on 9th August, 2002. The H shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18th February, 2004. The Company is principally engaged in the manufacturing and sale of universal joints for automobiles.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited results have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The unaudited results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies have been consistently applied by the Company and are consistent with those used in the 2004 Annual Report. The unaudited results are prepared under the historical cost convention.

3. TURNOVER

Turnover represents the aggregate of invoiced value of goods supplied to customers, which excludes value-added tax and is stated after deduction of all goods returns and trade discounts.

4. TAXATION

The provision for PRC enterprise income tax is calculated at a standard rate of 33% of the estimated assessable income for the three months ended 31st March, 2005 as determined in accordance with the relevant income tax rules and regulations of the PRC.

There was no material unprovided deferred taxation for the quarter ended 31st March, 2005 (2004: Nil).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2005 (2004: Nil).

6. RESERVES

There has been no movement of reserves, other than retained earnings, transfer to statutory surplus reserves and statutory public welfare fund, during the three months ended 31st March, 2005. (2004: Excess of issue price of 23,000,000 new H shares at HK\$1.33 per share to nominal price of RMB1.00 per share after deduction of related expenses was credited to share premium account on 18th February, 2004, i.e. the date of listing of the H shares of the Company on GEM.)

7. EARNINGS PER SHARE

The calculations of basic earnings per share for the quarter ended 31st March, 2005 and 31st March, 2004 are based on the unaudited net profits attributable to shareholders for the quarter ended 31st March, 2005 and 31st March, 2004 of approximately RMB2,807,000 and RMB1,689,000 respectively over the 76,600,000 and the weighted average number of 64,333,333 shares issued and outstanding during these two periods respectively.

No diluted earnings per share has been disclosed as there were no diluting events existed during the quarter ended 31st March, 2005 and 31st March, 2004.

Management Discussion and Analysis

BUSINESS REVIEW AND FINANCIAL REVIEW

The Company's principal business objectives are to enhance "Zhanwang" as a leading brand name in the PRC automotive parts and components market and become a major player in the global market for the procurement and supply of universal joints. During the first three months of 2005, the Company followed the business strategies in expanding the production capacity of primary production, strengthening product research and development, expanding PRC and international markets and continually improving product quality.

Turnover for the first quarter of 2005 amounted to approximately RMB19.47 million (2004: RMB14.92 million) representing approximately 30.50% increase as compared to that of previous period in 2004. The increase in turnover was mainly attributable to the increase in direct export of universal joints.

The profit attributable to shareholders for the three months ended 31st March, 2005 amounted to approximately RMB2.81 million (2004: profit attributable to shareholders of approximately RMB1.69 million) representing 66.19% increase than that of the previous period in 2004. However, the gross profit margin for the period decreased by approximately 11.16% compared to that of the corresponding period in 2004. The drop in gross profit margin was primarily attributable to high steel price in the market. Substantial decrease in finance cost is mainly attributable to reimbursement of interest expenses in the amount of RMB390,000 by Ministry of Finance as an incentive to enterprises which invest in high technology equipment and machinery. Apart from the above, other expenses of the Company remain fairly stable.

PROSPECTS

In order to meet the increasing demand for universal joints, a new production plant, with an area of approximately 10,000 square meters, is being constructed next to the existing production facilities in the Company's premise. The new

Management Discussion and Analysis

production plant will be equipped with machineries and equipment which is similar to that of the existing production plants of the Company. Construction of the new production plant is expected to be completed by May 2005, the Directors anticipate that the overall production capacity of universal joints will increase from the existing 5.5 million units per annum to approximately 7.5 million units per annum upon the operation of the new production plant by the second half of 2005.

The Company is also actively developing new customers and markets and has successfully developed overseas markets in USA, Japan, Korea, India, South Africa and Middle East. The Company will continue to participate in overseas trade shows and promotion activities in order to increase direct exports. During the period, the Company had developed 38 new products according to customers' requests and had manufactured more than one million pieces of universal joints.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not purchased, sold or redeemed any of its listed securities during the three months ended 31st March, 2005.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 31st March, 2005, the interests and short positions of the Directors, chief executives and supervisors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long position in shares

The Company Director/ Supervisor	Capacity	No. and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Tang Li Min (Note)	Beneficial owner	36,626,666 domestic shares	68.33%	47.82%
	Interest of children under 18	8,933,334 domestic shares	16.66%	11.66%
Mr. Hong Guo Ding	Beneficial owner	3,216,000 domestic shares	6.00%	4.20%

Other Information

The Company Director/ Supervisor	Capacity	No. and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Tang Cheng Fang	Beneficial owner	2,680,000 domestic shares	5.00%	3.50%
Mr. Fei Guo Yang	Beneficial owner	1,072,000 domestic shares	2.00%	1.40%
Mr. Feng Yun Lin	Beneficial owner	1,072,000 domestic shares	2.00%	1.40%

Note: As Mr. Tang Li Min is the father of Mr. Tang Liu Jun and Ms. Tang Jing Jing, both of whom are under the age of 18, Mr. Tang Li Min shall, apart from the 36,626,666 Shares beneficially owned by him, be deemed under the provisions of the SFO to be interested in the 8,933,334 Shares in aggregate owned by Mr. Tang Liu Jun and Ms. Tang Jing Jing.

Saved as disclosed above, as at 31st March, 2005, none of the Directors, chief executives and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listings Rules.

Other Information

SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Chief Executive of the Company, as at 31st March, 2005, the following persons (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed "Directors' and Supervisors' interests in Shares of the Company" above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares

Names of Shareholders	Capacity	No. and class of securities	Approximate percentage of shareholding in the same class of securities	Approximate percentage of shareholding in the total registered share capital
Mr. Tang Liu Jun	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Ms. Tang Jing Jing	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Greater China 1 Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.77%

Saved as disclosed above, as at 31st March, 2005, the Directors were not aware of any other person (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed "Directors' and Supervisors' interests in Shares of the Company" above) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors (including the non-executive Directors) and supervisors of the Company has entered into a service contract with the Company. Each service contract is for an initial term of three years commencing on the respective date of appointment by the shareholder's meeting. Save as disclosed above, no Director and supervisor has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

COMPETING INTERESTS

None of the Directors, supervisors and management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in any businesses which directly or indirectly compete with the business of the Company for the three months period ended 31st March, 2005.

INTERESTS OF SPONSOR

Neither South China Capital Limited (the "Sponsor") nor its directors or employees or associates (as referred to Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 31st March, 2005. Pursuant to an agreement dated 9th February, 2004 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained Sponsor for the period from 18th February, 2004, the date on which the shares of the Company were listed on GEM, to 31st December, 2006. Save as disclosed above, the Sponsor has no other interest in the Company as at 31st March, 2005.

Other Information

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 14th January, 2004 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Committee are to review and provide supervision over the financial reporting process and internal control of the Company. The Committee comprises three independent non-executive directors, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming.

The Company's unaudited results for the three months ended 31st March, 2005 have been reviewed by the Committee, which was of the opinion that such statement complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that adequate disclosure has been made.

As at the date thereof, Mr. Tang Li Min, Mr. Hong Guo Ding, Mr. Fei Guo Yang and Mr. Hong Chun Qiang are executive Directors; Mr. Tang Cheng Fang and Mr. Li Zhang Rui are non-executive Directors; and Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming are independent non-executive Directors.

By Order of the Board
Zhejiang Prospect Company Limited*
Tang Li Min
Chairman

Zhejiang Province, the PRC
12th May, 2005

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