



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)
(Stock Code : 8273)

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This report, for which the directors of Zhejiang Prospect Company Limited collectively and individually accept full responsibility, includes 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 (the “GEM Listing Rules”) 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.

HIGHLIGHTS

- Achieved turnover of approximately RMB96.94 million for the nine months ended 30th September, 2007, representing an approximately 20% increase as compared with that of the corresponding period in 2006.
- Accomplished profit attributable to shareholders of approximately RMB4.18 million for the nine months ended 30th September, 2007.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2007.

The board (the “Board”) of directors (the “Directors”) of Zhejiang Prospect Company Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiary (together the “Group”) for the three months and the nine months ended 30th September, 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

QUARTERLY RESULTS (UNAUDITED)

	Note	For the		For the	
		three months ended		nine months ended	
		30th	30th	30th	30th
		September	September	September	September
		2007	2006	2007	2006
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	33,378	33,494	96,941	80,615
Cost of sales		(28,913)	(27,613)	(82,507)	(66,746)
Gross profit		4,465	5,881	14,434	13,869
Other revenue		828	–	1,994	574
Distribution costs		(859)	(638)	(2,601)	(2,015)
Administrative expenses		(1,476)	(1,501)	(4,504)	(3,219)
Other operating expenses		(62)	(233)	(197)	(424)
Profit from operations		2,896	3,509	9,126	8,785
Finance costs		(979)	(268)	(2,888)	(1,973)
Profit from ordinary activities before taxation		1,917	3,241	6,238	6,812
Taxation	4	(431)	(1,473)	(2,059)	(2,292)
Profit attributable to shareholders		1,486	1,768	4,179	4,520
Dividend	5	–	–	–	–
Earnings per share					
Basic (RMB per share)	7	0.019	0.023	0.055	0.059

Notes:

1. GENERAL

The Company was established in the People's Republic of China (the "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 GEM 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 GEM Listing Rules.

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 2006 Annual Report. The unaudited results are prepared under the historical cost convention. The quarterly results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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 nine months ended 30th September, 2007 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 30th September, 2007 (2006: Nil).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2007 (2006: Nil).

6. RESERVES

Same as the period during the nine months ended 30th September, 2006, there had been no movement of reserves, other than retained earnings, transfer to statutory surplus reserves and statutory public welfare fund, during the nine months ended 30th September, 2007.

7. EARNINGS PER SHARE

The calculations of basic earnings per share for the nine months ended 30th September, 2007 and 30th September, 2006 are based on the unaudited net profit attributable to shareholders for the nine months ended 30th September, 2007 and 30th September, 2006 of approximately RMB4,179,000 and RMB4,520,000 respectively over the 76,600,000 shares in issue during these two periods respectively.

No diluted earnings per share has been disclosed as there were no diluting events existed during the nine months ended 30th September, 2007 and 30th September, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group'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. The Group also intends to diversify into the business of trading of chemicals and collection and treatment of industrial and medical waste in the PRC.

During the third quarter of 2007, the Group 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, as well as the proposed acquisition of companies engaging in the collection and treatment of industrial and medical waste in the PRC.

Turnover for the nine months ended 30th September, 2007 amounted to approximately RMB96.94 million (2006: approximately RMB80.62 million) representing approximately 20% increase as compared to that of previous period in 2006. The increase in turnover was mainly attributable to the increase in direct export of universal joints.

The profit attributable to shareholders for the nine months ended 30th September, 2007 amounted to approximately RMB4.18 million (2006: approximately RMB4.52 million) representing approximately 7.7% decrease than that of the previous period in 2006. The drop was primarily attributable to increase in depreciation and electrical charge as the new production facility being fully operational during the period. Apart from the above, other expenses of the Group remain fairly stable.

Prospects

The Group is actively developing new customers and markets and has successfully secured 28 new customers including customers in Korea, India, Italy, Thailand, Poland and Middle East. During the period, the Group had developed 48 new products according to customers' requests and had manufactured more than 8.4 million pieces of universal joints.

The Company set up a wholly-owned subsidiary in the PRC for the purpose of engaging in the sales of chemicals (excluding dangerous and easy-made drugs), purified terephthalic acid, polyester chips, polyester films, light textile raw material, textile, ironware products, automobile parts, steel products and electronics products though no substantial operation has been commenced yet.

On 9th September, 2007, the Company, Creative Wave Holdings Limited and Mr. Yang Steven Songxin entered into a share transfer agreement (the “Huasheng Share Transfer Agreement”) in relation to the proposed acquisition of 45% equity interest in 紹興華盛環保科技有限公司 (Shaoxing Huasheng Environmental Protection Science and Technology Company Limited*) (“Huasheng”) at a consideration of RMB180 million. On the same day, the Company, 浙江天昊實業有限公司 (Zhejiang Tianhao Industrial Company Limited*), Mr. Zhao Mao Xiang and Mr. Wang Guo Li entered into a share transfer agreement (the “Huaxin Share Transfer Agreement”) in relation to the proposed acquisition of 100% equity interest in 紹興華鑫環保科技有限公司 (Shaoxing Huaxin Environmental Technology Company Limited*) (“Huaxin”), a company which owned 30% equity interests in Huasheng, at a consideration of RMB120 million.

Huaxin is primarily engaged in the collection and treatment of medical wastes and dangerous industrial wastes in the PRC. Huasheng is engaged in the treatment and recycling of industrial and chemical wastes in the PRC.

The Huasheng Share Transfer Agreement and the Huaxin Share Transfer Agreement are subject to shareholders’ approval at an extraordinary general meeting of the Company to be held on 30th November, 2007. For details of the transaction, please refer to the Company’s announcement dated 10th September, 2007 and the circular dated 15th October, 2007.

Future plans for investments or capital assets and sources of funding

As disclosed in the Company’s announcement dated 20th July, 2007, the circular dated 10th August, 2007, and the Company’s announcement dated 25th September, 2007, the Shareholders have granted the proposed specific mandates to the Board to issue not more than 100,000,000 new H shares and not more than 40,000,000 new domestic shares respectively. Upon the grant of the proposed specific mandates, the Directors may proceed to place not more than 100,000,000 new H shares and not more than 40,000,000 new domestic shares pursuant to such specific mandates (“Possible Placing”).

Investors should be aware that although the proposed specific mandates are granted to the Board, the Possible Placing may or may not be proceeded with. If the Possible Placing is proceeded with, it is subject to the satisfaction of a number of conditions. There is no assurance that any of the conditions to the Possible Placing will be fulfilled. Therefore, the Possible Placing may or may not proceed. Investors should therefore exercise caution when dealing in the shares of the Company.

For details, please refer to the Company’s announcement dated 20th July, 2007, the circular dated 10th August, 2007 and the announcement dated 25th September, 2007.

OTHER INFORMATION

Purchase, sale or redemption of listed securities

The Group has not purchased, sold or redeemed any of its listed securities during the nine months ended 30th September, 2007.

Directors' and supervisors' interests in shares of the Company

As at 30th September, 2007, 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 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 his child under 18	4,466,667 domestic shares	8.33%	5.83%
Mr. Hong Guo Ding	Beneficial owner	3,216,000 domestic shares	6%	4.2%
Mr. Tang Cheng Fang	Beneficial owner	2,680,000 domestic shares	5%	3.5%
Mr. Fei Guo Yang	Beneficial owner	1,072,000 domestic shares	2%	1.4%
Mr. Feng Yun Lin	Beneficial owner	1,072,000 domestic shares	2%	1.4%

Notes:

- (1) As Mr. Tang Li Min is the father of Mr. Tang Liu Jun, who is under the age of 18 as at 30th September, 2007, 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 4,466,667 shares owned by Mr. Tang Liu Jun.

- (2) The Board has been granted conditional specific mandates to, inter alia, issue up to a maximum of 40,000,000 additional Domestic Shares to Mr. Tang Li Min. Mr. Tang Li Min has undertaken to the Company that he will subscribe the number of new Domestic Shares that the Company may issue to him. Taking into account the maximum of the 40,000,000 additional Domestic Shares that may be issued to Mr. Tang Li Min, Mr. Tang Li Min may be deemed, or taken to be interested in an aggregate of 81,093,333 Domestic Shares, representing approximately 151.29% and 105.87% of the total issued Domestic Shares and total issued Shares of the Company, respectively.

Saved as disclosed above, as at 30th September, 2007, 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 Listing Rules.

INTEREST OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to any Director or Chief Executive of the Company, as at 30th September, 2007, 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:

Other Persons

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 (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Ms. Tang Jing Jing (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Greater China I Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.77%

Note: Mr. Tang Liu Jun is the son of Mr. Tang Li Min. Ms. Tang Jing Jing is the daughter of Mr. Tang Li Min.

Saved as disclosed above, as at 30th September, 2007, 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 nine months period ended 30th September, 2007.

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 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 Committee has reviewed the unaudited results for the nine months ended 30th September, 2007 of the Company and has provided advice and comments thereon to the Board. The Committee is of the opinion that such results comply with applicable accounting standards, GEM Listing Rules, and that adequate disclosures have been made.

Subsequent events

Continuing connected transaction

On 17th September, 2007, the Board announced that the Company has entered into an electricity agreement (the "Electricity Agreement") on 17th September, 2007 with Zhejiang Prospect New Synthetic Fibre Company Limited* (浙江展望新合纖有限公司), which is a connected person, for the provision of electricity to the Company for its production operation at an annual cap of RMB8,500,000, RMB10,000,000 and RMB11,500,000 for each of the three financial years ending 31st December, 2009 respectively. The Electricity Agreement is subject to independent shareholders' approval at an extraordinary general meeting of the Company to be held on 23rd November, 2007. For details of the transaction, please refer to the Company's announcement dated 17th September, 2007 and the circular dated 5th October, 2007.

As at the date of this report, the Board comprises Mr. Tang Li Min, Mr. Hong Guo Ding, Mr. Fei Guo Yang and Mr. Hong Chun Qiang as executive directors; Mr. Tang Cheng Fang and Mr. Li Zhang Rui as non-executive directors; and Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming as independent non-executive directors.

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

Zhejiang Province, the PRC
14th November, 2007

* *For identification purpose only*