Interim Report **2008**

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)

*for identification purpose only

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

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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 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 a turnover of approximately RMB62.23 million for the six months ended 30 June 2008, representing an decrease of approximately 2.1% when compared with that of the corresponding period in 2007.
- Net profit after taxation for the six months ended 30 June 2008 amounted to approximately RMB1.26 million, representing a basic earning per share of approximately RMB0.016.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

The board (the "Board") of directors (the "Directors") of Zhejiang Prospect Company Limited (the "Company") is pleased to announce the unaudited financial results of the Company for the three months and six months ended 30 June 2008, respectively, together with the comparative figures for the corresponding periods in 2007 as follows:

CONDENSED INCOME STATEMENT

		For the three months ended 30 June		For the six months ended 30 June	
		2008	2007	**2008**	2007
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*3*	**37,313**	38,857	**62,228**	63,563
Cost of sales		**(30,236)**	(32,303)	**(52,541)**	(53,594)
Gross profits		**7,077**	6,554	**9,687**	9,969
Other revenue	*4*	**796**	648	**996**	1,166
Distribution costs		**(913)**	(1,057)	**(1,532)**	(1,742)
Administrative expenses		**(3,204)**	(1,824)	**(4,837)**	(3,028)
Other operating expenses		**(69)**	(107)	**(104)**	(135)
Profit from operations	*6*	**3,687**	4,214	**4,210**	6,230
Finance costs	*7*	**(1,508)**	(1,188)	**(2,530)**	(1,909)
Profit from ordinary activities before taxation		**2,179**	3,026	**1,680**	4,321
Taxation	*8*	**(420)**	(1,064)	**(420)**	(1,628)
Profit after tax		**1,759**	1,962	**1,260**	2,693
Dividend	*9*	**–**	–	**–**	–
Earnings per share					
Basic (RMB per share)	*10*	**0.023**	0.025	**0.016**	0.035

CONDENSED BALANCE SHEET

	Note	**As at 30 June 2008 (Unaudited) *RMB'000***	As at 31 December 2007 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**54,604**	54,991
Land use rights		**6,300**	6,300
		60,904	61,291
Current assets			
Inventories		**39,336**	34,615
Trade receivables	*11*	**49,258**	59,215
Prepayments, deposits and other receivables	*12*	**36,859**	30,000
Cash and cash equivalents		**52,267**	35,521
		177,720	159,351
Current liabilities			
Trade and other payables	*13*	**33,874**	32,732
Amount due to a related company		**1,060**	1,060
Short-term bank loans – secured		**60,000**	45,000
Income tax payable	*8(b)*	**301**	548
		95,235	79,340
Net current assets		**82,485**	80,150
Total assets less current liabilities		**143,389**	141,302
Non-current liabilities			
Long term bank loan – secured		**(27,000)**	(27,000)
Net assets		**116,389**	114,302
Capital and reserves			
Share capital	*14*	**76,600**	76,600
Reserves	*15*	**39,789**	37,702
Total equity		**116,389**	114,302

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Revaluation reserve *RMB'000*	Retained profit *RMB'000*	Total *RMB'000*
At 1 January 2007	246	5,044	–	–	26,843	32,133
Net profit for the period	–	–	–	–	2,693	2,693
Transfer	–	365	–	–	(365)	–
At 30 June 2007	246	5,409	–	–	29,171	34,826
At 1 January 2008	246	5,564	–	–	31,892	37,702
Net profit for the period	–	–	–	–	1,260	1,260
Transfer	–	1,040	–	–	(520)	520
Prior year adjustment	–	–	–	–	307	307
At 30 June 2008	246	6,604	–	–	32,939	39,789

CONDENSED CASH FLOW STATEMENT

	For the six months ended 30 June 2008 (Unaudited) *RMB'000*	2007 (Unaudited) *RMB'000*
Net cash inflow (outflow) from operating activities	**(7,267)**	(4,218)
Net cash inflow (outflow) from investing activities	**(2,774)**	(5,103)
Net cash inflow (outflow) from financing activities	**15,000**	11,000
Increase in cash and cash equivalents	**4,959**	1,679
Cash and cash equivalent at beginning of period	**47,308**	45,629
Cash and cash equivalent at end of period	**52,267**	47,308
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks	**52,267**	47,308

NOTES TO FINANCIAL STATEMENTS

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 9 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 18 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 Company's financial statements have been prepared under the historical cost convention and in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies adopted in preparing the unaudited consolidated interim results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2007.

The unaudited condensed interim financial statements of the Company has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by HKICPA.

The condensed interim financial statements 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 the invoiced value of goods supplied to the customers, which excludes value-added tax and is stated after deducting all goods returns and trade discounts.

4. OTHER REVENUE

	For the three months ended 30 June		**For the six months ended 30 June**	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Sales of work-in-progress and scrap material	**452**	373	**547**	431
Bank interest income	**344**	275	**449**	735
	796	648	**996**	1,166

5. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Company's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Company's internal financial reporting.

Primary reporting format – business segments

The Company has been operating in one single business segment, i.e. manufacturing and sale of universal joints and automotive components for automobiles including cardan universal joints, wing bearing universal joints and differential spiders.

Secondary reporting format – geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from external customers		
– PRC		
Domestic sales	**15,618**	14,910
Import and export corporations	**19,518**	27,893
– Overseas	**27,092**	20,760
Total revenue from external customers	**62,228**	63,563

As at 30 June 2008 and 30 June 2007, all the Company's assets were located in the PRC.

6. PROFIT FROM OPERATIONS

Profit from ordinary activities before taxation is stated after (crediting)/charging the followings:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of inventories sold	**37,313**	32,303	**52,541**	53,594
Staff costs	**3,656**	3,321	**6,397**	6,648
Staff welfare costs	**38**	515	**155**	842
Directors' emoluments	**59**	59	**118**	115
Research and development	**33**	58	**80**	103
Depreciation of property, plant and equipment	**1,167**	1,147	**2,336**	2,241
Amortisation of land use rights	**27**	27	**54**	54
Auditors' remuneration	**–**	–	**–**	–
Loss on disposal of property, plant and equipment	**17**	67	**26**	68

7. FINANCE COSTS

	For the three months ended 30 June		**For the six months ended 30 June**	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest expense on bank loans, repayable within one year	**1,508**	1,188	**2,530**	1,909

8. TAXATION

(a) Taxation in the income statements represents:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Provision for PRC enterprise income tax	**420**	1,064	**420**	1,628

The provision for PRC enterprise income tax is calculated at a standard rate of 25% of the estimated assessable income for the period ended 30 June 2008 as determined in accordance with the relevant income tax rules and regulations of the PRC.

The taxation on the Company's profit before taxation differs from the theoretical amount is as follows:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit before taxation	**1,759**	3,026	**1,260**	4,321
Calculated at a taxation rate of 25% for the year 2008 and 33% for the year 2007	**420**	912	**420**	1,476
Under provision for prior year	**175**	152	**175**	152
Taxation charge	**595**	1,064	**595**	1,628

(b) Taxation in the balance sheet represents:

	30 June 2008	30 June 2007
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Provision for PRC enterprise income tax	**420**	1,476
Balance of PRC enterprise income tax provision relating to prior years	**565**	1,004
Payment of PRC enterprise income tax	**(985)**	(1,481)
Tax refund relating to prior year	**–**	–

(c) There was no material un-provided deferred taxation for the six months ended 30 June 2008.

9. DIVIDEND

The Board resolved not to declare an interim dividend in respect of the period ended 30 June 2008 (2007: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the periods ended 30 June 2008 and 30 June 2007 are based on the unaudited net profit attributable to shareholders for the periods ended 30 June 2008 and 30 June 2007 of approximately RMB1,260,000 and RMB2,693,000 respectively and the 76,600,000 shares and the weighted average number of 76,600,000 issued and outstanding during these periods respectively.

No diluted earnings per share has been disclosed as there were no diluting events existed during the periods ended 30 June 2008 and 30 June 2007.

11. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30 June 2008 (Unaudited) *RMB'000*	31 December 2007 (Audited) *RMB'000*
1-30 days	**14,535**	19,284
31-60 days	**10,262**	12,218
61-90 days	**3,589**	8,008
91-180 days	**5,735**	12,348
More than 180 days	**16,977**	12,798
	51,098	64,656
Less: Provision for bad and doubtful debts	**1,840**	5,441
	49,258	59,215

The Company has a policy of allowing credit period ranging from 30 days to 120 days to its trade customers. However, for certain customers with long established relationship and good past payment histories, a longer credit period may be granted.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2008 (Unaudited) *RMB'000*	31 December 2007 (Audited) *RMB'000*
Bill receivables	**2,690**	–
Prepayments and other receivables	**34,169**	30,000
Deposits paid to suppliers for machineries	**–**	–
	36,859	30,000

13. TRADE AND OTHER PAYABLES

	30 June 2008 (Unaudited) *RMB'000*	31 December 2007 (Audited) *RMB'000*
Trade payables	**19,342**	20,614
Bills payable	**–**	–
Other payables	**14,224**	10,396
Value added tax, business tax and other taxes payable	**137**	8
Dividend payable	**37**	37
Accruals	**134**	661
Trade deposits from customers	**–**	1,053
	33,874	32,732

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade payables with the following aging analysis:

	30 June 2008 (Unaudited) *RMB'000*	31 December 2007 (Audited) *RMB'000*
Due within 3 months	**16,807**	20,034
Due after 3 months but within 6 months	**1,374**	488
Due after 6 months but within 12 months	**1,161**	8
Due after 12 months	**–**	84
	19,342	20,614

14. PAID-IN/SHARE CAPITAL

	Number of shares	**Paid-in capital** *RMB'000*	**Share capital** *RMB'000*
At 30 June 2007	76,600,000	–	76,600
Addition for the period	–	–	–
At 30 June 2008	76,600,000	–	76,600

15. RESERVES

	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Revaluation reserve *RMB'000*	Retained profit *RMB'000*	Total *RMB'000*
At 31 December 2007	246	5,564	–	31,892	37,702
Net profit for the year	–	–	–	1,260	1,260
Transfer	–	1,040	–	(520)	520
Prior year adjustment	–	–	–	307	307
At 30 June 2008	246	6,604	–	32,939	39,789

(a) Statutory surplus reserve

According to the Company's articles of association, the Company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the Company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into the capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(b) Statutory public welfare fund

According to the Company's articles of association, the Company is required to transfer 5% to 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders. However, according to the report number 67 of the Ministry of Finance of the PRC on 15 March 2006, pursuant to the Company Law of PRC Sec 167, the reserves previously allocated to statutory public welfare fund will be transferred to the statutory surplus reserve on 1 January 2006. According to the report, no subsequent profit distribution to the statutory public welfare fund was needed.

(c) Distributable reserves

Pursuant to the Company's articles of association, the net profit after tax of the Company for the purpose of profit distribution to shareholders will deem to be lesser of (i) the net profit determined in accordance with the PRC accounting rules and regulations; and (ii) the net profit determined in accordance with the accounting principles generally accepted in Hong Kong.

Under the PRC Company Law and the Company's articles of association, net profit after tax can be distributed as dividends after allowance has been made for:

(i) making up cumulative prior years' losses, if any;

(ii) allocations of 10% of net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the company's statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the Company's registered capital, any further appropriation is optional;

(iii) allocations to the discretionary surplus reserve, if approved by the shareholders.

The distributable reserves of the Company as at 30 June 2007 and 30 June 2008 amounted to approximately RMB29,171,000 and approximately RMB39,789,000 respectively.

(d) Upon the transformation of the Company into a joint stock limited company on 9 August 2002, the Company transferred all the retaining profit, statutory surplus reserve and statutory public welfare fund as at 30 June 2002 of approximately RMB2,940,000 to capital in accordance with Article 99 of the PRC Company Law.

FINANCIAL REVIEW

For the half-year ended 30 June 2008, the Company recorded turnover of approximately RMB62,228,260 (2007: approximately RMB63,562,580) representing a decrease of approximately 2.1% as compared with the corresponding period in last year. Profit attributable to shareholders amounted to approximately RMB1,260,000 (2007: approximately RMB2,693,000) representing a decrease of approximately 53.2%.

As compared with the corresponding period in 2007, the decrease in the Company's turnover during the first half year of 2008 was mainly attributable to lower turnover derived from the import and export corporations. However, during the first half of 2008, the Company was able to broaden its overseas client base further and hence achieved an increase of 30% in turnover in direct overseas sales as compared to the corresponding period in 2007. The Company has been actively establishing its sales network in various overseas markets such as Japan, South Africa and Middle East in the first half of 2008. The Company also believed that the participation in international trade fairs as well as the goodwill and quality of the Company's products had increased the sales demand from both its overseas and local customers.

Gross profit margin of the Company is 15.6% in the first half of 2008 (15.7% in the first half of 2007) which is slightly lower than previous year.

Distribution expenses of the Company principally comprised transportation expenses and sales commission which decreased as a result of increase in export sales. Administrative expenses for the six months ended 30 June 2008 increased due to increase in staff welfare and exchange loss as a result of unfavorable exchange rate during the period. Finance expense increased due to increase in interest rate and loans during the period. Apart from the above, other expenses of the Company remained fairly stable as compared with the corresponding period in last year.

BUSINESS REVIEW AND PROSPECTS

The Company's business remained steady in first half of 2008. In order to develop new markets and new customers, new products were tailored for customers' needs and special efforts were made to develop new overseas markets. Eight new customers were acquired during the period including customers in the PRC, Korea, India, Italy, Thailand, South Africa and Middle East. The Company offered an additional twenty-eight products during the period upon customers' request and total production amounted to more than 5.30 million units of universal joints.

The PRC automotive industry continued to grow during the first half of 2008. The Directors believe that such an upward trend will continue in the near future. The Directors further believe that demand for universal joint products will rise steadily in the PRC as well as the rest of the world throughout 2008. With its planned enlarged-production facilities and high quality products, the Company is well positioned to capture additional market share in the PRC as well as overseas universal joint market.

On the other hand, in view of the implementation of macro economic adjustment policy, prices of raw materials such as steel has steadied in early 2008. The Directors believe that the prices of steel will stabilize and subsequently reduce in the third and fourth quarters of 2008. The Directors believe that the Company's gross profit margin may improve gradually towards the end of 2008.

The Company also intends to diversify its business, details of which are set out below.

LIQUIDITY AND FINANCIAL RESOURCES

The Company continues to be in a healthy financial position with shareholders equity amounted to approximately RMB116.39 million as at 30 June 2008 (30 June 2007: approximately RMB111.43 million). Current assets amounted to approximately RMB177.72 million as at 30 June 2008 (30 June 2007: approximately RMB152.17 million), of which approximately RMB52.27 million were cash and bank balances (30 June 2007: approximately RMB47.31 million). As at 30 June 2008, the Company had short-term bank loans of about RMB60 million (30 June 2007: approximately RMB45 million) which were repayable within one year.

GEARING RATIO

As at 30 June 2008, the gearing ratio of the Company on total liabilities over total assets of approximately 0.51 remained more or less the same as the same period last year (30 June 2007: approximately 0.48).

FOREIGN EXCHANGE EXPOSURE

For the first half of 2008, the Company's sales were principally denominated in Renminbi which comprised about 56% of the total sales for the first half of 2008. Fluctuation of the exchange rates of Renminbi against foreign currencies would not have a material effect to the operating results of the Company. However, as percentage of direct overseas sales denominated in U.S. dollars increases over the course of year, it is expected that the current revaluation in Renminbi may have a slightly negative impact on the turnover in the coming period.

CHARGES ON COMPANY ASSETS

As at 30 June 2008, the bank loans of RMB87.0 million were secured by the Company's land use rights and buildings at net book value of RMB23.30 million (30 June 2007: RMB23.30 million).

CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 30 June 2008 (30 June 2007: nil).

CAPITAL STRUCTURE

There were no changes in the capital structure of the Company during the six months ended 30 June 2008 and 2007.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any significant acquisitions, disposals and investment during the reporting period.

FUTURE PLANS FOR INVESTMENTS OR CAPITAL ASSETS AND SOURCES OF FUNDING

As disclosed in the announcement and circular of the Company dated 10 September 2007 and 15 October 2007 respectively, on 9 September 2007, the Company entered into a share transfer agreement with, inter alia, Creative Wave Holdings Limited ("Creative Wave") for the acquisition of 45% equity interest in Shaoxing Huasheng Environmental Protection Science And Technology Company Limited 紹興華盛環保科技有限公司 ("Huasheng") at a cash consideration of RMB180 million from Creative Wave. On the same day, the Company entered into another share transfer agreement with, inter alia, Zhejiang Tianhao Industrial Company Limited 浙江天昊實業有限公司 ("Tianhao") for the acquisition of 100% equity interest in Shaoxing Huaxin Environmental Technology Company Limited 紹興華鑫環保科技有限公司 ("Huaxin") from Tianhao at a cash consideration of RMB120 million (together, the "Acquisitions").

Huaxin is primarily engaged in the collection and treatment of medical wastes and dangerous industrial wastes. Huasheng is engaged in the treatment and recycling of industrial and chemical wastes. At the extraordinary general meeting of the Company held on 30 November 2007, the shareholders of the Company had approved the Acquisitions.

As at the date of this report, the aforesaid two agreements have not yet been completed.

Further to the Company's announcement dated 20 July 2007 and the circular dated 10 August 2007, the Company convened an extraordinary general meeting and respective class meetings of the holders of H shares and holders of domestic shares of the Company on 25 September 2007 for the grant of the proposed specific mandates (the "Existing Specific Mandates") by the independent shareholders 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.

On 25 September 2007, at the said extraordinary general meeting and the respective class meetings of the Company, the independent shareholders of the Company had approved the Existing Specific Mandates.

The Directors intend to use the net proceeds from the possible placing (if materialized) under the Existing Specific Mandates to fund the Acquisitions and as general working capital.

As at the date of this report, the Directors have not yet exercised the Existing Specific Mandates and the Existing Specific Mandates (if not exercised) will lapse on 24 September 2008.

Shareholders may refer to those announcements and circulars mentioned above for more details on the Acquisitions and the Existing Specific Mandates.

EMPLOYEE INFORMATION

As at 30 June 2008, the Company had 654 employees (as at 30 June 2007: 685). The Company will pay employees remuneration according to market practice, working experiences and performances. Other benefits available to eligible employees include retirement benefits.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not purchased, sold or redeemed any of its own listed shares during the reporting period.

DIRECTOR'S AND SUPERVISORS' INTEREST IN SHARES OF THE COMPANY

As at 30 June 2008, 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 Rule 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	4,466,667 domestic shares	8.33%	5.83%
Mr. Hong Guo Ding	Beneficial owner	3,216,000 domestic shares	6.00%	4.2%
Mr. Tang Cheng Fang	Beneficial owner	2,680,000 domestic shares	5.00%	3.5%
Mr. Fei Guo Yang	Beneficial owner	1,072,000 domestic shares	2.00%	1.4%
Mr. Feng Yun Lin	Beneficial owner	1,072,000 domestic shares	2.00%	1.4%

Note:

(1) As Mr. Tang Li Min is the father of Mr. Tang Liu Jun who is 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 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 30 June 2008, 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.

INTEREST OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES OF THE COMPANY

So far as was known to any Director or chief executive of the Company, as at 30 June 2008, 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 *(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 30 June 2008, 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.

COMPETING INTERESTS

None of the Directors, supervisors and management shareholders of the Company and their respective associates has any interest in any businesses which directly or indirectly compete with the business of the Company for the period ended 30 June 2008.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 14 January 2004 with written terms of reference in compliance with 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 half year report of 2008 of the Company and this report and has provided advice and comments thereon to the Board. The Committee is of the opinion that the half year report of 2008 of the Company and this report complied with applicable accounting standards, GEM Listing Rules, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Directors consider that the Company complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2008.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June 2008, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2008.

SUBSEQUENT EVENTS

Reference is made to the announcement of the Company dated 4 August 2008. As the Existing Specific Mandates will lapse on 24 September 2008, on 4 August 2008, the Board announced to convene an extraordinary general meeting and respective class meetings of the holders of H shares and holders of domestic shares of the Company (together, the "EGM and Class Meetings") for the grant of the proposed specific mandates (the "Specific Mandates") by the independent shareholders 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 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 the Specific Mandates ("Possible Placing").

As at the date of this report, the date for the EGM and Class Meetings has not been fixed.

Investors should be aware that the Specific Mandates may or may not be approved by the shareholders at the EGM and Class Meetings. Even if the 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 and therefore the Possible Placing may or may not proceed at all. Investors should therefore exercise caution when dealing in the H shares.

The Directors intend to use the net proceeds from the Possible Placing (if materialized) to fund the Acquisitions.

As at the date hereof, Mr. Tang Li Man, 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
13 August 2008

* *For identification purpose only*