

Interim Report 2009



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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)

*for identification purpose only

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 mean 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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, confirm 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 RMB38.24 million for the six months ended 30 June 2009, representing an decrease of approximately 38.56% when compared with that of the corresponding period in 2008.
- Net loss after taxation for the six months ended 30 June 2009 amounted to approximately RMB0.55 million, representing a basic earning per share of approximately RMB (0.007).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009.

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 2009, respectively, together with the comparative figures for the corresponding periods in 2008 as follows:

CONDENSED INCOME STATEMENT

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Turnover	3	19,975	37,313	38,236	62,228
Cost of sales		(17,025)	(30,236)	(31,651)	(52,541)
Gross profits		2,950	7,077	6,585	9,687
Other revenue	4	186	796	286	996
Distribution costs		(429)	(913)	(1,257)	(1,532)
Administrative expenses		(1,738)	(3,204)	(3,252)	(4,837)
Other operating expenses		(30)	(69)	(59)	(104)
Profit from operations	6	939	3,687	2,303	4,210
Finance costs	7	(1,506)	(1,508)	(2,850)	(2,530)
Profit from ordinary activities before taxation		(567)	2,179	(547)	1,680
Taxation	8	–	(420)	–	(420)
Profit after tax		(567)	1,759	(547)	1,260
Dividend	9	–	–	–	–
Earnings per share					
Basic (RMB per share)	10	(0.007)	0.023	(0.007)	0.016

CONDENSED BALANCE SHEET

		As at 30 June 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
	Note		
Non-current assets			
Property, plant and equipment		56,684	53,001
Land use rights		6,161	6,022
		<u>62,845</u>	<u>59,023</u>
Current assets			
Inventories		38,985	33,497
Trade receivables	11	62,860	64,465
Prepayments, deposits and other receivables	12	896	32,969
Cash and cash equivalents		58,085	40,848
		<u>160,826</u>	<u>171,779</u>
Current liabilities			
Trade and other payables	13	16,634	23,198
Short-term bank loans – secured		77,000	77,000
		<u>93,634</u>	<u>100,198</u>
Net current assets		<u>67,192</u>	<u>71,581</u>
Total assets less current liabilities		<u>130,037</u>	<u>130,604</u>
Non-current liabilities			
Long term bank loan – secured		(15,000)	(15,000)
Net assets		<u>115,037</u>	<u>115,604</u>
Capital and reserves			
Share capital	14	76,600	76,600
Reserves	15	38,437	39,004
Total equity		<u>115,037</u>	<u>115,604</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	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 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
At 1 January 2009	246	5,709	–	–	33,049	39,004
Net profit for the period	–	–	–	–	(547)	(547)
At 30 June 2009	246	5,709	–	–	32,502	38,457

CONDENSED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2009	2008
	(Unaudited) RMB'000	(Unaudited) RMB'000
Net cash inflow (outflow) from operating activities	1,719	(7,267)
Net cash inflow (outflow) from investing activities	(901)	(2,774)
Net cash inflow (outflow) from financing activities	5,000	15,000
Increase in cash and cash equivalents	5,818	4,959
Cash and cash equivalent at beginning of period	52,267	47,308
Cash and cash equivalent at end of period	58,085	52,267
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks	58,085	52,267

NOTES TO FINANCIAL STATEMENTS

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 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 2008.

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 returned goods and trade discounts.

4. OTHER REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Sales of work-in-progress and scrap material	157	452	218	547
Bank interest income	29	344	68	449
	186	796	286	996

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	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from external customers		
– PRC		
Domestic sales	13,072	15,618
Import and export corporations	9,343	19,518
– Overseas	15,821	27,092
	<hr/>	<hr/>
Total revenue from external customers	38,236	62,228
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As at 30 June 2009 and 30 June 2008, 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 2009		For the six months ended 30 June 2009	
	(Unaudited) RMB'000	(Unaudited) 2008 RMB'000	(Unaudited) RMB'000	(Unaudited) 2008 RMB'000
Cost of inventories sold	17,025	37,313	31,651	52,541
Staff costs	1,536	3,656	2,808	6,397
Staff welfare costs	–	38	–	155
Directors' emoluments	58	59	116	118
Research and development	42	33	83	80
Depreciation of property, plant and equipment	1,062	1,167	2,266	2,336
Amortisation of land use rights	27	27	54	54
Loss on disposal of property, plant and equipment	–	17	–	26

7. FINANCE COSTS

	For the three months ended 30 June 2009		For the six months ended 30 June 2009	
	(Unaudited) RMB'000	(Unaudited) 2008 RMB'000	(Unaudited) RMB'000	(Unaudited) 2008 RMB'000
Interest expense on bank loans, repayable within one year	1,506	1,508	2,850	2,530

8. TAXATION

(a) Taxation in the income statements represents:

	For the three months ended 30 June 2009		For the six months ended 30 June 2009	
	(Unaudited) RMB'000	(Unaudited) 2008 RMB'000	(Unaudited) RMB'000	(Unaudited) 2008 RMB'000
Provision for PRC enterprise income tax	–	420	–	420

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 2009 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	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Profit before taxation	(567)	1,759	(547)	1,260
Calculated at a taxation rate of 25% for the year 2009 and 25% for the year 2008	0	420	0	420
Under provision for prior year	56	175	56	175
Taxation charge	56	595	56	595

(b) Taxation in the balance sheet represents:

	30 June 2009 (Unaudited) RMB'000	30 June 2008 (Unaudited) RMB'000
Provision for PRC enterprise income tax	0	420
Balance of PRC enterprise income tax provision relating to prior years	56	565
Payment of PRC enterprise income tax	(56)	(985)
Tax refund relating to prior year	—	—

(c) There was no material un-provided deferred taxation for the six months ended 30 June 2009.

9. DIVIDEND

The Board resolved not to declare an interim dividend in respect of the period ended 30 June 2009 (2008: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings/(loss) per share for the periods ended 30 June 2009 and 30 June 2008 are based on the unaudited net profit attributable to shareholders for the periods ended 30 June 2009 and 30 June 2008 of approximately RMB(547,250) and RMB1,260,000 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 2009 and 30 June 2008.

II. TRADE AND OTHER RECEIVABLES

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Trade receivables	53,969	54,355
Bills receivables	-	147
	53,969	54,502
Prepayments, deposits and other receivables	681	551
Trade deposits paid to suppliers	8,210	9,412
	62,860	64,465

The aging analysis of trade receivables is as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
1-30 days	13,346	10,116
31-60 days	3,920	9,011
61-90 days	3,403	8,831
91-180 days	8,468	16,048
More than 180 days	30,412	16,153
	59,549	60,159
Less: Provision for bad and doubtful debts	(5,580)	(5,657)
	53,969	54,502

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 AND DEPOSITS

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Prepaid lease payments	66	139
Amount due from related company	830	830
Deposits paid to suppliers for machineries	–	32,000
	896	32,969

13. TRADE AND OTHER PAYABLES

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Trade payables	10,214	12,713
Other payables	5,520	9,281
Value added tax, business tax and other taxes payable	270	337
Dividend payable	630	636
Trade deposits from customers	–	231
	16,634	23,198

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 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Due within 3 months	8,210	9,516
Due after 3 months but within 6 months	1,320	2,628
Due after 6 months but within 12 months	684	531
Due after 12 months	–	38
	10,214	12,713

14. PAID-IN/SHARE CAPITAL

	Number of shares	Paid-in capital RMB'000	Share capital RMB'000
At 30 June 2008	76,600,000	–	76,600
Addition for the period	–	–	–
At 30 June 2009	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 2008	246	5,709	–	33,049	39,004
Net profit for the year	–	–	–	(547)	(547)
At 30 June 2009	246	5,709	–	32,482	38,437

(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 2008 and 30 June 2009 amounted to approximately RMB39,789,000 and approximately RMB38,457,000 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 2009, the Company recorded turnover of approximately RMB38,235,810 (2008: approximately RMB62,228,260), representing a decrease of approximately 38.56% as compared with the corresponding period in last year. Loss attributable to shareholders amounted to approximately RMB(547,250) (2008: profit of approximately RMB1,260,000), representing a decrease of approximately 143.43% as compared with the corresponding period in 2008. The decrease in the Company's turnover during the first half year of 2009 was mainly attributable to lower turnover due to global financial downturn and crisis.

Gross profit margin of the Company is 17.22% in the first half of 2009 (15.6% in the first half of 2008) which has improved this year.

As compared with the corresponding period in last year, distribution expenses of the Company during the period which principally comprised transportation expenses and sales commission decreased as a result of decrease in sales. Administrative expenses for the six months ended 30 June 2009 decreased due to decrease in salaries and turnover 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 decreased as a result of global financial downturn which caused decrease of overseas sales and import and export corporation sales in the first half of 2009. 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, Italy, Thailand and Middle East. The Company offered an additional eighteen products during the period upon customers' request and total production amounted to more than 4.20 million units of universal joints.

The PRC automotive industry continued to grow during the first half of 2009. 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 2009 as the global economy gradually recovers from the financial crisis. 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, due to the implementation of macro economic adjustment policy, prices of raw materials such as steel have decreased in early 2009. The Directors believe that the prices of steel will stabilize and subsequently reduce in the third and fourth quarters of 2009. The Directors believe that the Company's gross profit margin may improve gradually towards the end of 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's shareholders equity amounted to approximately RMB115.04 million as at 30 June 2009 (30 June 2008: approximately RMB116.39 million). Current assets amounted to approximately RMB160.83 million as at 30 June 2009 (30 June 2008: approximately RMB177.72 million), of which approximately RMB58.09 million were cash and bank balances (30 June 2008: approximately RMB52.27 million). As at 30 June 2009, the Company had short-term bank loans of about RMB77 million (30 June 2008: approximately RMB60 million) which were repayable within one year.

GEARING RATIO

As at 30 June 2009, the gearing ratio of the Company on total liabilities over total assets of approximately 0.48 remained more or less the same as the same period last year (30 June 2008: approximately 0.51).

FOREIGN EXCHANGE EXPOSURE

For the first half of 2009, the Company's sales were principally denominated in Renminbi which comprised about 58.6% of the total sales for the first half of 2009. 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 2009, the bank loans of RMB92.0 million were secured by the Company's land use rights and buildings at net book value of RMB23.30 million (30 June 2008: RMB23.30 million).

CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 30 June 2009 (30 June 2008: nil).

CAPITAL STRUCTURE

There were no changes in the capital structure of the Company during the six months ended 30 June 2009 and 2008.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed below, the Company did not have any significant acquisitions, disposals and investment during the reporting period.

In 2008, the Company entered into a conditional agreement with a third party to acquire a land use rights in Shaoxing, PRC at a consideration of RMB64,000,000. Deposit of RMB32,000,000 was paid to the vendor pursuant to the conditional agreement. However, it was subsequently discovered that the land was pledged and cannot be released. Therefore, the Company decided to terminate the proposed acquisition and the deposit of RMB32,000,000 was refunded to the Company on 3 March 2009.

EMPLOYEE INFORMATION

As at 30 June 2009, the Company had 384 employees (as at 30 June 2008: 654). 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 2009, 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

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%	4.20%
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 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.

Saved as disclosed above, as at 30 June 2009, 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 2009, 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 2009, 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 2009.

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 2009 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 2009 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 to the GEM Listing Rules during the six months ended 30 June 2009.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June 2009, 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 2009.

SUBSEQUENT EVENTS

There is no material subsequent event as at the date of this report.

As at the date hereof, 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
12 August 2009

* *For identification purpose only*