



**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)

## **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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## Highlights

- Achieved a turnover of approximately RMB49.72 million for the six months ended 30 June 2010, representing an increase of approximately 30.02% when compared with that of the corresponding period in 2009.
- Net profits after taxation for the six months ended 30 June 2010 amounted to approximately RMB0.006 million, representing a basic earning per share of approximately RMB0.00.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

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 2010, respectively, together with the comparative figures for the corresponding periods in 2009 as follows:

## CONDENSED INCOME STATEMENT

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Turnover	3	27,081	19,975	49,716	38,236
Cost of sales		(22,868)	(17,025)	(42,539)	(31,651)
Gross profits		4,213	2,950	7,177	6,585
Other revenue	4	114	186	281	286
Distribution costs		(596)	(429)	(1,253)	(1,257)
Administrative expenses		(2,686)	(1,738)	(4,635)	(3,252)
Other operating expenses		(28)	(30)	(68)	(59)
Profit from operations	6	1,017	939	1,502	2,303
Finance costs	7	(727)	(1,506)	(1,496)	(2,850)
Profit from ordinary activities before taxation		290	(567)	6	(547)
Taxation	8	–	–	–	–
Profit after tax		290	(567)	6	(547)
Dividend	9	–	–	–	–
Earnings per share					
Basic (RMB per share)	10	(0.004)	(0.007)	0	(0.007)

**BALANCE SHEET**

		<b>As at 30 June 2010 (Unaudited) RMB'000</b>	<b>As at 31 December 2009 (Audited) RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		44,983	47,456
Prepaid lease payments		6,022	5,883
Deposit paid for proposed acquisition of patent rights	11	28,000	18,000
		<b>79,005</b>	<b>71,339</b>
<b>Current assets</b>			
Inventories		27,008	26,000
Trade and other receivables	12	43,452	52,842
Prepaid lease payments		139	139
Cash and cash equivalents		28,800	37,057
		<b>99,399</b>	<b>116,038</b>
<b>Current liabilities</b>			
Trade and other payables	13	15,693	24,672
Short-term bank loans – secured		57,000	57,000
		<b>72,693</b>	<b>81,672</b>
<b>Net current assets</b>		<b>26,706</b>	<b>34,366</b>
<b>Total assets less current liabilities</b>		<b>105,711</b>	<b>105,705</b>
<b>Non-current liabilities</b>			
Long-term bank loans – secured		–	–
<b>NET ASSETS</b>		<b>105,711</b>	<b>105,705</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	76,600	76,600
Reserves	15	29,111	29,105
<b>TOTAL EQUITY</b>		<b>105,711</b>	<b>105,705</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	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 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
At 1 January 2010	246	5,709	–	–	23,150	29,105
Net profit for the period	–	–	–	–	6	6
At 30 June 2010	246	5,709	–	–	23,156	29,111

## CONDENSED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2010	2009
	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Net cash inflow (outflow) from operating activities</b>	<b>2,598</b>	33,555
<b>Net cash inflow (outflow) from investing activities</b>	<b>(10,000)</b>	2,672
<b>Net cash inflow (outflow) from financing activities</b>	<b>(855)</b>	(40,018)
	<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>	<b>(8,257)</b>	(3,791)
<b>Cash and cash equivalent at beginning of period</b>	<b>37,057</b>	40,848
	<hr/>	<hr/>
<b>Cash and cash equivalent at end of period</b>	<b>28,800</b>	37,057
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash in hand and at banks	<b>28,800</b>	37,057
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## 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 2009.

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	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Sales of work-in-progress and scrap material	106	157	261	218
Bank interest income	8	29	20	68
	<u>114</u>	<u>186</u>	<u>281</u>	<u>286</u>

### 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	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Revenue from external customers		
– PRC		
Domestic sales	10,035	13,072
Import and export corporations	16,459	9,343
– Overseas	<u>23,222</u>	<u>15,821</u>
Total revenue from external customers	<u>49,716</u>	<u>38,236</u>

As at 30 June 2010 and 30 June 2009, 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	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Cost of inventories sold	22,868	17,025	42,539	31,651
Staff costs	2,122	1,536	3,655	2,808
Staff welfare costs	–	–	–	–
Directors' emoluments	48	58	96	116
Research and development	51	42	94	83
Depreciation of property, plant and equipment	1,178	1,062	2,299	2,266
Amortisation of land use rights	27	27	54	54
Loss on disposal of property, plant and equipment	–	–	–	–

**7. Finance Costs**

	For the three months ended 30 June		For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Interest expense on bank loans, repayable within one year	727	1,506	1,496	2,850

**8. Taxation**

(a) Taxation in the income statements represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Provision for PRC enterprise income tax	–	–	–	–

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 2010 as determined in accordance with the relevant income tax rules and regulations of the PRC.



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

	For the three months ended 30 June		For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Profit before taxation	(284)	(567)	6	(547)
Calculated at a taxation rate of 25% for the year 2010 and 25% for the year 2009	-	-	-	-
Under provision for prior year	-	56	-	56
Taxation charge	-	56	-	56

(b) Taxation in the balance sheet represents:

	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited) RMB'000
Provision for PRC enterprise income tax	-	0
Balance of PRC enterprise income tax provision relating to prior years	-	56
Payment of PRC enterprise income tax	-	(56)
Tax refund relating to prior year	-	-

(c) There was no material un-provided deferred taxation for the six months ended 30 June 2010.

## 9. Dividend

The Board resolved not to declare an interim dividend in respect of the period ended 30 June 2010 (2009: Nil).

## 10. Earnings Per Share

The calculations of basic earnings/(loss) per share for the periods ended 30 June 2010 and 30 June 2009 are based on the unaudited net profit attributable to shareholders for the periods ended 30 June 2010 and 30 June 2009 of approximately RMB6,400 and RMB(547,250) 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 2010 and 30 June 2009.

**11. Prepayments and Deposits**

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Deposits paid to for proposed acquisition of patent rights	<b>35,000</b>	25,000
less: impairment loss on deposit	<b>(7,000)</b>	(7,000)
	<hr/>	<hr/>
Net current assets	<b>28,000</b>	18,000
	<hr/> <hr/>	<hr/> <hr/>

**12. Trade and Other Receivables**

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Trade receivables	<b>29,400</b>	35,013
Bills receivables	<b>3,595</b>	7,302
	<hr/>	<hr/>
	<b>32,995</b>	42,315
Prepayments, deposits and other receivables	<b>6,163</b>	6,233
Trade deposits paid to suppliers	<b>4,294</b>	4,294
	<hr/>	<hr/>
	<b>43,452</b>	52,842
	<hr/> <hr/>	<hr/> <hr/>

The aging analysis of trade receivables is as follows:

	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
1-30 days	7,045	14,229
31-60 days	8,321	8,344
61-90 days	2,526	4,022
91-180 days	11,249	9,318
More than 180 days	6,857	13,000
	<hr/>	
	<b>35,998</b>	48,913
Less: Provision for bad and doubtful debts	<b>(6,598)</b>	(6,598)
	<hr/>	
	<b>29,400</b>	42,315
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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.

### 13. Trade and Other Payables

	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Trade payables	5,077	12,704
Other payables	8,435	9,327
Value added tax, business tax and other taxes payable	88	548
Dividend payable	1,544	1,544
Trade deposits from customers	549	549
	<hr/>	
	<b>15,693</b>	24,672
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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:

	<b>30 June 2010 (Unaudited) RMB'000</b>	31 December 2009 (Audited) RMB'000
Due within 3 months	4,776	9,373
Due after 3 months but within 6 months	301	2,711
Due after 6 months but within 12 months	–	531
Due after 12 months	–	89
	<u>5,077</u>	<u>12,704</u>

#### 14. Paid-in/Share Capital

	<b>Number of shares</b>	<b>Paid-in capital RMB'000</b>	<b>Share capital RMB'000</b>
At 30 June 2009	76,600,000	–	76,600
Addition for the period	–	–	–
At 30 June 2010	76,600,000	–	<u>76,600</u>

#### 15. Reserves

	<b>Share premium RMB'000</b>	<b>Statutory surplus reserve RMB'000</b>	<b>Revaluation reserve RMB'000</b>	<b>Retained profit RMB'000</b>	<b>Total RMB'000</b>
At 31 December 2009	246	5,709	–	23,150	29,105
Net profit for the year	–	–	–	6	6
At 30 June 2010	<u>246</u>	<u>5,709</u>	<u>–</u>	<u>23,156</u>	<u>29,111</u>

##### (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 announcement 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 announcement, 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 be deemed 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 2010 and 30 June 2009 amounted to approximately RMB29,111,000 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 2010, the Company recorded turnover of approximately RMB49,716,000 (2009: approximately RMB38,236,000), representing an increase of approximately 30.02% as compared with the corresponding period in last year. Profit attributable to shareholders amounted to approximately RMB6,000 (2009: loss of approximately RMB(547,000)), representing an increase of approximately 101.1% as compared with the corresponding period in 2009. The increase in the Company's turnover during the first half of 2010 was mainly attributable to improvement in global business environment and increase of overseas sales.

Gross profit margin of the Company is 14.44% in the first half of 2010 (17.22% in the first half of 2009) which has decreased this year as compared to the same period last year due to increase in raw material cost mainly steel.

As compared with the corresponding period in last year, administrative expenses for the six months ended 30 June 2010 increased due to the increase 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 increased as a result of the improvement in global financial environment which caused increase of overseas sales and import and export corporation sales in the first half of 2010. 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. Three new customers were acquired during the period. The Company offered an additional fifteen products during the period upon customers' request and total production amounted to more than 5.67 million units of universal joints.

The PRC automotive industry continued to grow during the first half of 2010. 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 2010 as the global economy gradually recovers from the financial crisis.

As disclosed in the announcement of the Company dated 24 June 2010, the Company acquired certain patents in relation to production of auto-bearings in November 2009 (the "Acquisition"). The Directors consider that there will be a broad prospect for the automobile accessories manufacturing industry and the manufacture of automobile components, especially for the export market. Compare with the universal joint products currently produced by the Company, auto-bearings, being an important automobile component, will have a broad market potential for its wider application in the automobile industry. The Directors consider that production of auto-bearings is in line with the Company's core business in manufacture of automobile components and can utilize the Company's existing production facilities, skills and techniques, and sale network resulting in reducing the resources required to be input by the Company. The Acquisition provides with the Company the opportunity to acquire the necessary patents and technology for production of auto-bearings which will come at a lower cost as compared to the Company's own development of the necessary production technology. The Directors further consider that the Acquisition will offer a better technical support for the Company's future development of new products.

## LIQUIDITY AND FINANCIAL RESOURCES

The Company's shareholders equity amounted to approximately RMB105.71 million as at 30 June 2010 (31 December 2009: approximately RMB105.71 million). Current assets amounted to approximately RMB99.40 million as at 30 June 2010 (31 December 2009: approximately RMB116.04 million), of which approximately RMB28.80 million were cash and cash equivalents (31 December 2009: approximately RMB37.06 million). As at 30 June 2010, the Company had short-term bank loans of about RMB57.00 million (31 December 2009: approximately RMB57.00 million) which were repayable within one year.

## GEARING RATIO

As at 30 June 2010, the gearing ratio of the Company on total liabilities over total assets of approximately 0.41 remained more or less the same as the same period last year (30 June 2009: approximately 0.48).

## FOREIGN EXCHANGE EXPOSURE

For the first half of 2010, the Company's sales were principally denominated in Renminbi which comprised about 53.3% of the total sales for the first half of 2010. 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 the year, it is expected that the current revaluation in Renminbi may have a slightly negative impact on the turnover in the second half of 2010.

## CHARGES ON COMPANY ASSETS

As at 30 June 2010, the bank loans of RMB57.00 million were secured by the Company's land use rights and buildings at net book value of RMB23.30 million (30 June 2009: RMB23.30 million).

## CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 30 June 2010 (30 June 2009: nil).

## CAPITAL STRUCTURE

There were no changes in the capital structure of the Company during the six months ended 30 June 2010 and 2009.

## ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 1 November 2009, 6 December 2009 and 31 December 2009, the Company entered into a sale and purchase agreement and two supplemental agreements with Mr. Hong Jinkun (洪金坤) and Zhejiang Tianhao Industrial Company Limited\* (浙江天昊實業有限公司). (collectively the "Vendors"), for the acquisition of 10 patents from the Vendors at a cash consideration of RMB35,000,000. The aforesaid transaction completed on 18 June 2010. For details, please refer to the announcement of the Company dated 24 June 2010.

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

## EMPLOYEE INFORMATION

As at 30 June 2010, the Company had 415 employees (as at 30 June 2009: 384). 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 2010, 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 2010, 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 2010, 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 2010, 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 controlling 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 2010.

## 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, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming. The Committee has reviewed this report and has provided advice and comments thereon to the Board. The Committee is of the opinion that this report complied with applicable accounting standards, the 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 2010.

## Required standard of securities dealings by Directors

During the six months ended 30 June 2010, 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 2010.

## 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  
13 August 2010

\* *for identification purpose only*