

Third Quarterly Report **2010**



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)

*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 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 turnover of approximately RMB78.18 million for the nine months ended 30th September, 2010, representing an approximately 31.8% increase as compared with that of the corresponding period in 2009.
- Profit attributable to shareholders of approximately RMB0.49 million for the nine months ended 30th September, 2010.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2010.

The board (the “Board”) of directors (the “Directors”) of Zhejiang Prospect Company Limited (the “Company”) is pleased to announce the unaudited results of the Company for the three months and the nine months ended 30th September, 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

QUARTERLY RESULTS (UNAUDITED)

	Note	For the three months ended		For the nine months ended	
		30th September, 2010 RMB'000	30th September, 2009 RMB'000	30th September, 2010 RMB'000	30th September, 2009 RMB'000
Turnover	3	28,464	21,059	78,180	59,295
Cost of sales		(23,536)	(18,046)	(66,075)	(49,697)
Gross profit		4,928	3,013	12,105	9,598
Other revenue		236	117	517	403
Distribution costs		(1,019)	(533)	(2,272)	(1,790)
Administrative expenses		(2,542)	(2,202)	(7,177)	(5,454)
Other operating expenses		(33)	(26)	(101)	(85)
Profit from operations		1,570	369	3,072	2,672
Finance costs		(928)	(1,113)	(2,424)	(3,963)
Profit from ordinary activities before taxation		642	(744)	648	(1,291)
Taxation	4	(161)	–	(162)	–
Profit attributable to shareholders		481	(744)	486	(1,291)
Dividend	5	–	–	–	–
Earnings per share		0.006	(0.010)	0.006	(0.017)
Basic (RMB per share)	7	0.006	(0.010)	0.006	(0.017)

Notes:

1. GENERAL

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited results have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules.

The unaudited results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies have been consistently applied by the Company and are consistent with those used in the 2009 Annual Report. The unaudited results are prepared under the historical cost convention. The quarterly results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. TURNOVER

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

4. TAXATION

The provision for PRC enterprise income tax is calculated at a standard rate of 25% of the estimated assessable income for the nine months ended 30th September, 2010 as determined in accordance with the relevant income tax rules and regulations of the PRC. There was no material unprovided deferred taxation for the quarter ended 30th September, 2010 (2009: Nil).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2010 (2009: Nil).

6. RESERVES

Same as the period during the nine months ended 30th September, 2009, there had been no movement of reserves, other than retained earnings, transferred to statutory surplus reserves and statutory public welfare fund, during the nine months ended 30th September, 2010.

7. EARNINGS PER SHARE

The calculations of basic earnings per share for the nine months ended 30th September, 2010 and 30th September, 2009 are based on the unaudited net profit and net loss attributable to shareholders for the nine months ended 30th September, 2010 and 30th September, 2009 of approximately RMB486,000 and RMB1,291,000 respectively over the 76,600,000 shares in issue during these two periods respectively.

No diluted earnings per share has been disclosed as there were no diluting events existed during the nine months ended 30th September, 2010 and 30th September, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Company's principal business objectives are to enhance "Zhanwang" as a leading brand name in the PRC automotive parts and components market and become a major player in the global market for the procurement and supply of universal joints.

During the third quarter of 2010, the Company followed the business strategies in expanding the production capacity of primary production, strengthening product research and development, expanding PRC and international markets and continually improving product quality.

Turnover for the nine months ended 30th September, 2010 amounted to approximately RMB78.18 million (2009: approximately RMB59.3 million) representing an approximately 31.8% increase as compared to that of the previous period in 2009. The increase in turnover was mainly attributable to the increase in direct export of universal joints.

Profits attributable to shareholders for the nine months ended 30th September, 2010 amounted to approximately RMB0.49 million (2009: net loss of approximately RMB1.29 million) representing an approximately 138% increase than that of the previous period in 2009. The increase was primarily attributable to the increase in export sales during the period. Apart from the above, other expenses of the Company remain fairly stable.

Prospects

The Company is actively developing new customers and markets and has successfully secured 5 new customers including customers in Russia, Finland, South Africa and Middle East. During the period, the Company had developed 20 new products according to customers' requests and had manufactured more than 8.5 million pieces of universal joints.

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 and the circular of the Company dated 24 June 2010 and 28 October 2010 respectively.

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

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OTHER INFORMATION

Purchase, sale or redemption of listed securities

The Company has not purchased, sold or redeemed any of its listed securities during the nine months ended 30th September, 2010.

Directors' and supervisors' interests in shares of the Company

As at 30th September, 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 Rules 5.46 of 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%	4.2%
Mr. Tang Cheng Fang	Beneficial owner	2,680,000 domestic shares	5%	3.5%
Mr. Fei Guo Yang	Beneficial owner	1,072,000 domestic shares	2%	1.4%
Mr. Feng Yun Lin	Beneficial owner	1,072,000 domestic shares	2%	1.4%

Note:

As Mr. Tang Li Min is the father of Mr. Tang Liu Jun, who is under the age of 18 as at 30th September, 2010, 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 30th September, 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 Listing Rules.

INTEREST OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to any Director or chief executives of the Company, as at 30th September, 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 (<i>Note</i>)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Ms. Tang Jing Jing (<i>Note</i>)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Greater China I Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.77%

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

Saved as disclosed above, as at 30th September, 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.

Service contracts of directors and supervisors

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

Competing interests

None of the Directors, supervisors and management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in any businesses which directly or indirectly compete with the business of the Company for the nine months period ended 30th September, 2010.

Audit committee

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

The Committee has reviewed the unaudited results and report for the nine months ended 30th September, 2010 of the Company and has provided advice and comments thereon to the Board. The Committee is of the opinion that the results and report for the nine months ended 30th September, 2010 comply with applicable accounting standards, GEM Listing Rules, and that adequate disclosures have been made.

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

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

Zhejiang Province, the PRC

11th November, 2010

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