

First Quarterly Report **2011**



**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 a turnover of approximately RMB22.03 million for the three months ended 31st March, 2011, representing an approximately 2.69% decrease as compared with that of the corresponding period in 2010.
- Recorded a net loss attributable to shareholders of approximately RMB0.65 million for the three months ended 31st March, 2011, representing an approximately 130% increase as compared with that of the corresponding period in 2010.
- The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2011.

## FINANCIAL RESULT (UNAUDITED)

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 ended 31st March, 2011 together with the unaudited comparative figures for the corresponding period in 2010, as follows:

		<b>For the three months ended 31st March,</b>	
		<b>2011</b>	2010
	Note	<b>RMB'000</b>	RMB'000
Turnover	3	<b>22,027</b>	22,635
Cost of sales		<b>(18,477)</b>	(19,671)
Gross profits		<b>3,550</b>	2,964
Other revenue		<b>458</b>	167
Distribution costs		<b>(760)</b>	(657)
Administrative expenses		<b>(3,191)</b>	(1,949)
Other operating expenses		<b>(26)</b>	(40)
Profits from operations		<b>31</b>	485
Finance costs		<b>(685)</b>	(769)
Profits/(Losses) from ordinary activities before taxation	4	<b>(654)</b>	(284)
Taxation		<b>-</b>	-
Profits/(Losses) after tax		<b>(654)</b>	(284)
Attributable to:			
Equity holders of the Company		<b>(654)</b>	(284)
Minority interest		<b>-</b>	-
Dividend	5	<b>-</b>	-
Earnings/(Losses) per share attributable to equity holders			
Basic (RMB per share)	7	<b>(0.009)</b>	(0.004)

Notes:

## **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 9th 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 8th 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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 2010 annual report of the Company. The unaudited results are prepared under the historical cost convention.

## **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 three months ended 31st March, 2011 as determined in accordance with the relevant income tax rules and regulations of the PRC.

There was no material unprovided deferred taxation for the three months ended 31st March, 2011 (2010: Nil).

## **5. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2011 (2010: Nil).

## **6. RESERVES**

There has been no movement of reserves, other than retained earnings, transfer to statutory surplus reserves and statutory public welfare fund, during the three months ended 31st March, 2011.

## **7. EARNINGS PER SHARE**

The calculations of basic earnings per share for the three months ended 31st March, 2011 and 31st March, 2010 are based on the unaudited net loss attributable to shareholders for the three months ended 31st March, 2011 and 31st March, 2010 of approximately RMB(654,000) and RMB(284,000) respectively over 76,600,000 shares issued and outstanding during these two periods respectively.

No diluted earnings per share has been disclosed as there were no diluting events existed during the three months ended 31st March, 2011 and 31st March, 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review 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 first three months of 2011, 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 first three months of 2011 amounted to approximately RMB22.03 million (2010: RMB22.64 million), representing an approximately 2.69% decrease as compared to that of previous period in 2010. The slight decrease in turnover was mainly attributable to the shorter production period due to prolonged spring festival in the PRC during the first three months of 2011.

The loss attributable to shareholders for the three months ended 31st March, 2011 amounted to approximately RMB0.65 million (2010: loss attributable to shareholders of approximately RMB0.28 million) representing 130% increase than that of the previous period in 2010. The gross profit margin for the first three months of 2011 increased to 16% compared to 13% for the first three months of 2010 due to sharp increase in the cost of raw materials, especially steel, which led to corresponding sharp increase in sales price. Administrative expenses increased from approximately RMB1.95 million in the first three months of 2010 to approximately RMB3.19 million in the first three months of 2011 due to amortization of intangible assets (patents) in the amount of RMB1.16 million. Finance cost decreased from approximately RMB0.77 million in the first three months of 2010 to approximately RMB0.69 million in the first three months of 2011 mainly due to decrease of bank loan.

### Prospects

The Directors anticipate that the overall production capacity of universal joints will be approximately 13 million units per annum by 2011.

The Company is also actively developing new customers and markets and has successfully developed overseas markets in USA, Japan, Italy, Germany, India, South Africa and the Middle East. The Company will continue to participate in overseas trade shows and promotion activities in order to increase direct exports.

During the period, the Company had developed 18 new products according to customers' requests and had manufactured more than 2.11 million pieces of universal joints.

## ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not purchased, sold or redeemed any of its listed securities during the three months ended 31st March, 2011.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 31st March, 2011, 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 of the Company	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	1,720,000 domestic shares	2.00%	1.40%
Mr. Feng Yun Lin	Beneficial owner	1,720,000 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 31st March, 2011, 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

So far as was known to any Director or chief executive of the Company, as at 31st March, 2011, the following persons (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed "Directors' and supervisors' interests in shares of the Company" above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Other persons

#### Long position in shares

Names of Shareholders	Capacity	No. and class of securities	Approximate percentage of shareholding in the same class of securities	Approximate percentage of shareholding in the total registered share capital
Mr. Tang Liu Jun (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Ms. Tang Jing Jing (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Greater China I Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.77%

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

Saved as disclosed above, as at 31st March, 2011, 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, or has or may have any conflicts of interest with the Company for the period ended 31st March, 2011.

## AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 14th 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 the first quarterly report of 2011 of the Company and has provided advice and comments thereon to the Board. The Committee is of the opinion that the first quarterly report of 2011 of the Company complies with applicable accounting standards, GEM Listing Rules, and that adequate disclosures have been made.

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

Zhejiang Province, the PRC

13 May, 2011

*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.*

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