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**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: 08273)

**MAJOR TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF PATENTS**

The Board announces that on 1 November 2009, 6 December 2009 and 31 December 2009, the Company entered into the Agreement, the First Supplemental Agreement and the Second Supplemental Agreement with the Vendors, respectively for the acquisition of the Patents from the Vendors at a cash consideration of RMB35,000,000.

The Acquisition would have constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules based on the then relevant percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules. The Company should have promptly announced the Acquisition at the material time in compliance with the GEM Listing Rules but failed to do so because the Directors had different views regarding the interpretation of the GEM Listing Rules on the Acquisition at the time of entering into the Agreement.

The Directors, when approving the Acquisition at the material time, considered that the Acquisition was a transaction of a revenue nature and was conducted in the ordinary course of business of the Company, and thus should be exempt from the requirements of Chapter 19 of the GEM Listing Rules pursuant to Rule 19.04(1)(g) of the GEM Listing Rules. However, after further discussions and exchange of the Company's view on the GEM Listing Rules implications on the Acquisition with the Stock Exchange, the Company considered that the Acquisition would have constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

The Company wishes to apologize for the late disclosure which resulted in the non-compliance with the relevant provisions of the GEM Listing Rules. Such non-compliance was unintentional and primarily attributable to the different interpretation of the relevant provisions of the GEM Listing Rules. The Company would like to issue this announcement disclosing the details of the Acquisition in accordance with the relevant provisions of Chapter 19 of the GEM Listing Rules in order to keep the shareholders of the Company informed.

A circular containing, among other things, details of the Acquisition will be despatched to the shareholders of the Company on or before 16 July 2010.

## **THE AGREEMENT**

**Date:**

1 November 2009

**Parties:** the Company (as purchaser), and Tianhao and Mr. Hong (as vendors)

## **THE FIRST SUPPLEMENTAL AGREEMENT**

**Date:**

6 December 2009

**Parties:** the Company, Tianhao and Mr. Hong

## **THE SECOND SUPPLEMENTAL AGREEMENT**

**Date:**

31 December 2009

**Parties:** the Company, Tianhao and Mr. Hong

To the best knowledge of the Directors having made all reasonable enquiries, Tianhao and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. On 9 September 2007, the Company entered into a sale and purchase agreement (the “Huaxin Agreement”) with, among others, Tianhao for the acquisition of 100% equity interests of Shaoxing Huaxin Environmental Technology Company Limited\* (紹興華鑫環保科技有限公司) by the Company from Tianhao. On 5 November 2008, the Company entered into a termination agreement with, among others, Tianhao to terminate the Huaxin Agreement. Further details of the Huaxin Agreement and relevant matters were disclosed in the announcements of the Company dated 10 September 2007 and 5 November 2008, and the circular of the Company dated 15 October 2007. Save as disclosed above, there is no prior business relationship between Tianhao and the Company.

To the best knowledge of the Directors having made all reasonable enquiries, Mr. Hong is a third party independent of and not connected with the Company and its connected persons. There is no prior business relationship between Mr. Hong and the Company.

As advised by the PRC legal advisers to the Company, Mr. Hong is an employee of Tianhao and the registrant of the Patents. As the Patents had been obtained during Mr. Hong's employment with Tianhao, the ultimate property rights under the Patents are owned by Tianhao.

## **ASSETS ACQUIRED**

The Patents consist of 3 patents for utility model and 7 patents for design. Automotive clutches and auto-bearings are the patents for utility while the rests are the patents for designs, further details of which are set out below:

	<b>Patent name</b>	<b>Patent no.</b>	<b>Registrant</b>	<b>Expiry date</b>
1	Automotive clutches (JX6005)	02239532.6	Mr. Hong	22 June 2012
2	Bearings (JX8117)	200530108619.6	Mr. Hong	25 September 2015
3	Bearings (JX8154)	200530108634.0	Mr. Hong	25 September 2015
4	Auto-bearings (JX50003)	200620108731.9	Mr. Hong	18 October 2016
5	Bearings (JX8118)	200730118458.8	Mr. Hong	31 May 2017
6	Bearings (JX8119)	200730118452.0	Mr. Hong	31 May 2017
7	Bearings (JX8138)	200730119341.1	Mr. Hong	12 June 2017
8	Bearings (JX8160)	200730119347.9	Mr. Hong	12 June 2017
9	Bearings (JX8213)	200730119353.4	Mr. Hong	12 June 2017
10	Auto-bearings (JX5010)	200720115048.2	Mr. Hong	28 September 2017

## **MAJOR TERMS OF THE AGREEMENTS**

The major terms of the Agreement are as follows:

- (i) within 10 working days after the signing of the Agreement, the Vendors shall deliver the relevant documents regarding the Patents, including but not limited to, patent registration certificates and documents submitted to the relevant PRC patent authority and approval of transfer of the Patents to the Company;
- (ii) within 20 working days upon signing of the Agreement and receipt of relevant documents mentioned in (i) above, RMB25,000,000 shall be paid by the Company to the Vendors as first payment of the consideration under the Agreement;

- (iii) the remaining RMB10,000,000 of the consideration shall be paid in one payment by the Company to the Vendors after filing of the application documents regarding transfer of the Patents at the relevant PRC patent authority;
- (iv) the Company will be responsible for the procedures regarding the transfer of the Patents and for expenses incurred thereby;
- (v) the Vendors will be responsible for the taxes arising from the transfer of the Patents; and
- (vi) upon signing of the Agreement and up to the date of the publication of transfer of the Patents to the Company, the Vendors shall be responsible for the maintenance of the validity of the Patents and be responsible for all annual payment therefor.

The First Supplemental Agreement was entered into by the parties thereto to confirm, among other matters, the exchange of materials and documents regarding the Agreement.

The Second Supplemental Agreement was entered into by the parties thereto to confirm that, among other matters, completion of the Agreement will be the date on which the Company fully settles the consideration under the Agreement.

## **CONSIDERATION**

The total consideration for the Acquisition is RMB35,000,000. RMB25,000,000 had been paid in cash to the Vendors by the Company on 21 December 2009. The remaining balance of RMB10,000,000 had been paid separately in cash on 13 May 2010 and 18 June 2010 at RMB5,000,000 each.

The consideration of RMB35,000,000 was determined after arm's length negotiations between the Company and the Vendors after taking into account the valuation of the Patents in the amount RMB39,976,470.43 as at 30 October 2009 as stated in a valuation report issued by an independent PRC valuer on 30 October 2009. The Directors consider that the consideration for the Acquisition is fair and reasonable.

As disclosed in the 2009 annual report of the Company, the Patents were impaired by approximately RMB7,000,000. The Directors confirm that there was a reduction in the estimation of the revenue from sales of the products produced under the Patents resulted from the sudden lowered down of the pace of economic recovery in the target sales markets in Eastern Europe soon after the Company entered into the Agreements.

## **REASONS FOR THE ACQUISITION**

The Company is principally engaged in the manufacture and sale of universal joints for automobiles. 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, will continue to be one of the most promising industries in the PRC. 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.

The Directors (including the independent non-executive Directors) consider that the Agreements are entered into on normal commercial terms in the ordinary and usual course of business of the Company and that the terms of the Agreements are fair and reasonable and in best interests of the Company and its shareholders as a whole.

## **INFORMATION ON TIANHAO**

Tianhao is principally engaged in business related to ironware, mechanic and electronics products, automobile accessories, import and export business, and investments in industrial business.

## **GENERAL**

As the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules and calculated based on the then financial information of the Company) for the Acquisition exceeded 25%, the Acquisition would have constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules. The Company should have promptly reported the Acquisition at the material time in compliance with the GEM Listing Rules. Pursuant to Rule 19.04(1)(g) of the GEM Listing Rules, to the extent not expressly provided in Rules 19.04(1)(a) to (f) of the GEM Listing Rules, any transaction of revenue in nature in the ordinary and usual course of business of a listed issuer shall be excluded from the scope of Chapter 19 of the GEM Listing Rules. When the Board authorized the Acquisition at the material time, the Board was of the view that the Acquisition was of revenue in nature and was conducted in the ordinary course of business as the Acquisition was part of the Company's process in development of new products.

However, the Company has received enquiries from the Stock Exchange since March 2010 in relation to the details of the Acquisition and the relevant GEM Listing Rules implications. The Company has exchanged its views on interpretation of the GEM Listing Rules implications on the Acquisition with the Stock Exchange. The Stock Exchange had expressed its view that the Acquisition may fall within the definition of a “transaction” as expressly provided in Rule 19.04(1)(a) of the GEM Listing Rules because of the capital nature of the Acquisition and the Patents are likely to be treated as intangible assets. After consideration of the accounting treatment adopted by the Company for the Acquisition, the Directors are of the view that the Acquisition constitutes a notifiable transaction under the GEM Listing Rules.

The Directors wish to apologize for the late disclosure which resulted in the non-compliance with the relevant provisions of the GEM Listing Rules. Such non-compliance was unintentional and primarily attributable to the different interpretation of the relevant provisions of the GEM Listing Rules. The Company would like to issue this announcement disclosing the details of the Acquisition in accordance with the relevant provisions of Chapter 19 of the GEM Listing Rules in order to keep the shareholders of the Company informed.

A circular containing, among other things, details of the Acquisition will be despatched to the shareholders of the Company on or before 16 July 2010.

## **DEFINITIONS**

In this announcement, the following terms have the following meanings:

“Acquisition”	the acquisition of the Patents by the Company for a consideration of RMB35,000,000 pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 1 November 2009 entered into between the Company and the Vendors in relation to the Acquisition
“Agreements”	the Agreement, the First Supplemental Agreement and the Second Supplemental Agreement
“Board”	the board of Directors
“Company”	Zhejiang Prospect Company Limited* (浙江展望股份有限公司), a company incorporated in the People’s Republic of China with limited liability, the H shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Directors(s)”	director(s) of the Company

“First Supplemental Agreement”	the supplemental agreement to the Agreement dated 6 December 2009 entered into between the Company and the Vendors in relation to the exchange of documents regarding the Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Government the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mr. Hong”	Mr. Hong Jinkun (洪金坤), one of the Vendors
“Patents”	the 10 patents which are to be purchased by the Company from the Vendors under the Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Agreement”	the second supplemental agreement to the Agreement dated 31 December 2009 entered into between the Company and the Vendors to confirm the time of completion of the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianhao”	Zhejiang Tianhao Industrial Company Limited*(浙江天昊實業有限公司), a company incorporated in the PRC and one of the Vendors
“Vendors”	Tianhao and Mr. Hung
“%”	per cent

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

Zhejiang Province, the People’s Republic of China

24 June 2010

*As at the date of this announcement, 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.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise market (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*

*\* For identification purpose only*