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)

2013 INTERIM REPORT

* *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 ("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.*

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HIGHLIGHTS

- Recorded a turnover of approximately RMB37.16 million for the six months ended 30 June 2013, representing a decrease of approximately 32.51% when compared with that of the corresponding period in 2012.
- Net loss after taxation for the six months ended 30 June 2013 amounted to approximately RMB2.41 million, representing a basic loss per share of approximately RMB0.03.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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 2013, respectively, together with the comparative figures for the corresponding periods in 2012 as follows:

CONDENSED INCOME STATEMENT

		For the three months ended 30 June		For the six months ended 30 June	
		2013	2012	**2013**	2012
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*3*	**17,964**	29,321	**37,161**	55,061
Cost of sales		**(16,395)**	(25,226)	**(33,548)**	(47,251)
Gross profits		**1,569**	4,095	**3,613**	7,810
Other revenue	*4*	**226**	357	**526**	709
Distribution costs		**(370)**	(452)	**(792)**	(1,085)
Administrative expenses		**(2,879)**	(4,186)	**(5,131)**	(7,534)
Other operating expenses		**(19)**	(45)	**(37)**	(76)
Profit/(loss) from operations	6	**(1,473)**	(231)	**(1,821)**	(176)
Finance costs	7	**(135)**	(188)	**(591)**	(604)
Profit/(loss) from ordinary activities before taxation		**(1,608)**	(419)	**(2,412)**	(780)
Taxation	*8*	**–**	–	**–**	–
Profit/(loss) after tax		**(1,608)**	(419)	**(2,412)**	(780)
Dividend	*9*	**–**	–	**–**	–
Earnings/(losses) per share					
Basic (RMB per share)	*10*	**(0.02)**	(0.005)	**(0.03)**	(0.01)

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CONDENSED BALANCE SHEET

	Notes	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**38,219**	39,940
Prepaid lease payments		**5,396**	5,466
		43,615	45,406
Current assets			
Inventories		**32,092**	27,481
Trade and other receivables	11	**32,704**	35,660
Prepaid lease payments		**70**	139
Amount due from a related party		**277**	1,419
Cash and cash equivalents		**5,789**	19,506
		70,932	84,205
Current liabilities			
Trade and other payables	12	**19,998**	25,600
Amount due to a related party		**–**	50
Short-term bank loans – secured		**19,985**	26,985
		39,983	52,635
Net current assets		**30,949**	31,570
TOTAL ASSETS LESS CURRENT LIABILITIES		**74,564**	76,976
CAPITAL AND RESERVES			
Share capital	13	**76,600**	76,600
Reserves	14	**(2,036)**	376
TOTAL EQUITY		**74,564**	76,976

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share premium	Statutory surplus reserve	Statutory public welfare fund	Revaluation reserve	Retained profit	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	246	5,709	–	–	1,885	7,840
Net profit for the period	–	–	–	–	(780)	(780)
At 30 June 2012	246	5,709	–	–	1,105	7,060
At 1 January 2013	**246**	**5,709**	**–**	**–**	**(5,579)**	**376**
Net profit for the period	**–**	**–**	**–**	**–**	**(2,412)**	**(2,412)**
At 30 June 2013	**246**	**5,709**	**–**	**–**	**(7,991)**	**(2,036)**

CONDENSED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net cash inflow/(outflow) from operating activities	**(6,565)**	5,741
Net cash inflow/(outflow) from investing activities	**(70)**	(1,047)
Net cash inflow/(outflow) from financing activities	**(7,082)**	–
Increase/(decrease) in cash and cash equivalents	**(13,717)**	4,694
Cash and cash equivalents at beginning of period	**19,506**	9,843
Cash and cash equivalents at end of period	**5,789**	14,537
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks	**5,789**	14,537

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 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 "GEM Listing Rules").

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 2012.

The unaudited condensed interim financial statements of the Company has been prepared in accordance with Hong Kong Accounting Standard 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	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Insurance claim	**–**	93	**29**	93
Government subsidy	**–**	–	**50**	145
Sales of work-in-progress and scrap material	**222**	238	**265**	428
Bank interest income	**4**	26	**182**	43
	226	357	**526**	709

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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from external customers		
– PRC		
Domestic sales	**5,734**	4,313
Import and export corporations	**13,171**	16,000
– Overseas	**18,256**	34,748
Total revenue from external customers	**37,161**	55,061

As at 30 June 2013 and 30 June 2012, all the Company's assets were located in the PRC.

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) 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	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of inventories sold	**16,395**	25,226	**33,548**	47,251
Staff costs	**1,997**	2,413	**3,226**	4,276
Staff welfare costs	**–**	–	**–**	–
Directors' emoluments	**62**	62	**124**	124
Research and development	**55**	56	**108**	110
Depreciation of property, plant and equipment	**1,253**	1,326	**2,514**	2,469
Amortisation of land use rights	**27**	35	**54**	70
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	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest expense on bank loans, repayable within one year	**135**	188	**591**	604

8. TAXATION

(a) Taxation in the income statements represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*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 2013 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	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit/(loss) before taxation	**(1,608)**	(419)	**(2,412)**	(780)
Calculated at a taxation rate of 25% for the year 2013 and 25% for the year 2012	**–**	–	**–**	–
Under provision for prior year	**–**	–	**–**	–
Taxation charge	**–**	–	**–**	–

(b) Taxation in the balance sheet represents:

	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Provision for PRC enterprise income tax	**–**	–
Balance of PRC enterprise income tax provision relating to prior years	**–**	–
Payment of PRC enterprise income tax	**–**	–
Tax refund relating to prior year	**–**	–

(c) There was no material un-provided deferred taxation for the six months ended 30 June 2013.

9. DIVIDEND

The Board resolved not to declare an interim dividend in respect of the period ended 30 June 2013 (2012: Nil).

10. EARNINGS/(LOSSES) PER SHARE

The calculations of basic earnings/(losses) per share for the periods ended 30 June 2013 and 30 June 2012 are based on the unaudited net profit/(loss) attributable to shareholders for the periods ended 30 June 2013 and 30 June 2012 of approximately RMB(2,412,000) and RMB(780,000) 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/(losses) per share have been disclosed as there were no diluting events existed during the periods ended 30 June 2013 and 30 June 2012.

11. TRADE AND OTHER RECEIVABLES

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Trade receivables	**26,390**	28,055
Bills receivables	**5,763**	1,979
	32,153	30,034
Prepayments, deposits and other receivables	**551**	1,084
Trade deposits paid to suppliers	**–**	4,542
	32,704	35,660

The aging analysis of trade receivables is as follows:

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
1-30 days	**3,526**	9,391
31-60 days	**6,843**	4,703
61-90 days	**3,486**	2,996
91-180 days	**14,684**	10,587
More than 180 days	**8,870**	10,326
	37,409	38,003
Less: Provision for bad and doubtful debts	**(5,256)**	(7,969)
	32,153	30,034

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. TRADE AND OTHER PAYABLES

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Trade payables	**9,054**	9,349
Other payables	**11,369**	14,660
Value added tax, business tax and other taxes payable	**(425)**	781
Trade deposits from customers	**–**	810
	19,998	25,600

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 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Due within 3 months	**6,804**	6,835
Due after 3 months but within 6 months	**1,657**	1,965
Due after 6 months but within 12 months	**593**	183
Due after 12 months	**–**	366
	9,054	9,349

13. PAID-IN/SHARE CAPITAL

	Number of shares	**Paid-in capital** *RMB'000*	**Share capital** *RMB'000*
At 30 June 2012	76,600,000	–	76,600
Addition for the period	–	–	–
At 30 June 2013	**76,600,000**	**–**	**76,600**

14. RESERVES

	Share premium	Statutory surplus reserve	Revaluation reserve	Retained profit	Total
At 31 December 2012	246	5,709	–	(5,579)	376
Net profit/(loss) for the year	–	–	–	(2,412)	(2,412)
At 30 June 2013	**246**	**5,709**	**–**	**(7,991)**	**(2,036)**

(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 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 2013 and 30 June 2012 was nil and amounted to approximately RMB7,060,000 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 six months ended 30 June 2013, the Company recorded turnover of approximately RMB37,161,000 (2012: approximately RMB55,061,000), representing a decrease of approximately 32.51% as compared with the corresponding period last year. Losses attributable to shareholders amounted to approximately RMB2,412,000, representing an increase of approximately RMB1,632,000 as compared with the loss attributable to shareholders of approximately RMB780,000 for the corresponding period in 2012. The decrease in the Company's turnover during the first half of 2013 was mainly attributable to decline of the market demand and decrease of overseas sales. For the six months ended 30 June 2013, the Company recorded an increase in losses attributable to shareholders mainly due to a decline of sales price and a rise of production costs.

Gross profit margin of the Company was approximately 9.7% in the first half of 2013 (approximately 14.18% in the first half of 2012) which has decreased as compared to the same period last year mainly due to intensely competitive market, decline of sales price, appreciation of Renminbi, decrease of production output, which led to rise of unit production cost.

Distribution cost for the six months ended 30 June 2013 was approximately RMB0.79 million (for the six months ended 2012: approximately RMB1.09 million). Distribution cost decreased mainly due to decrease in transportation fee. Administrative expenses for the six months ended 30 June 2013 were approximately RMB5.13 million (for the six months ended 30 June 2012, approximately RMB7.53 million). Administrative expenses decreased mainly due to amortisation of RMB2.31 million intangible assets (patent) in 2012. Apart from the above, other expenses of the Company remained fairly stable as compared with the corresponding period last year.

BUSINESS REVIEW AND PROSPECTS

The Company's business declined as a result of decline of sales price and intensely competitive market which caused a decrease in overseas sales in the first half of 2013. In order to develop new markets and new customers, the Company tailored new products in accordance with customers' needs and continues to develop overseas markets. Three new customers were acquired during the six months ended 30 June 2013. The Company offered an additional eight products during the six months ended 30 June 2013 upon customers' request and total production amounted to more than 4.58 million units of universal joints.

The continuous decline in the PRC automotive industry during the first half of 2013 and the external economic environment which remains sluggish will continue to have a significant impact on the overseas automobile manufacturing industry for the second half of 2013, hence all of these factors will have a significant impact on the turnover of the Company for the second half of 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's shareholders equity amounted to approximately RMB74.56 million as at 30 June 2013 (31 December 2012: approximately RMB76.98 million). Current assets amounted to approximately RMB70.93 million as at 30 June 2013 (31 December 2012: approximately RMB84.21 million), of which approximately RMB5.79 million were cash and cash equivalents (31 December 2012: approximately RMB19.51 million). As at 30 June 2013, the Company had short-term bank loans of about RMB19.99 million (31 December 2012: approximately RMB26.99 million) which were repayable before the end of 2013.

BORROWINGS

In 2006, the Company borrowed two entrusted loans through a bank in the PRC. On 27 February 2012, the lender agreed with the Company to repay the outstanding loans by two instalments of which RMB7,000,000 should be repaid before 30 December 2012 and the balance of RMB19,985,000 should be repaid before 29 December 2013. On 25 December 2012, before the expiry of the outstanding loan in the amount of RMB7,000,000 on 30 December 2012, the Company and the lender orally agreed that the term of loan in the amount of RMB7,000,000 was extended to the end of March 2013. On 15 March 2013, the Company repaid the said overdue loan of RMB7,000,000 to the lender. During the six months ended 30 June 2013 and up to the date of this report, the lender has not made any demand for immediate repayment of the remaining balances of the entrusted loans of RMB19,985,000.

As disclosed in the annual report 2012 of the Company, in order to strengthen the Company's capital base and liquidity in the foreseeable future, the Company would take the following measures:

- obtain banking facilities from banks in the PRC for repayment of the entrusted loan which is due for repayment before 29 December 2013; and

- negotiate with the lender to extend the repayment date of the entrusted loan of RMB19,985,000.

As at the date of this report, the implementations of the above measures were still in progress.

GEARING RATIO

As at 30 June 2013, the gearing ratio of the Company as total liabilities over shareholders' equity was approximately 0.54, decreased compared to the same period last year (30 June 2012: approximately 0.58).

FOREIGN EXCHANGE EXPOSURE

For the first half of 2013, the Company's sales were principally denominated in USD which comprised about 49.13% of the total sales for the first half of 2013. Fluctuation of the exchange rates of Renminbi against foreign currencies would have a slight effect to the operating results of the Company.

CHARGES ON COMPANY ASSETS

As at 30 June 2013, the bank loans of RMB19.99 million (30 June 2012: bank loans of RMB26.99 million) were secured by Zhejiang Jiali Protein Fiber Company Limited*(浙江嘉利蛋白纖維有限公司).

CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 30 June 2013 (30 June 2012: nil).

CAPITAL STRUCTURE

There were no changes in the capital structure of the Company as at 30 June 2013 and 31 December 2012.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Company did not have any material acquisitions and disposals of subsidiaries and affiliated companies, and significant investments during the six months ended 30 June 2013.

EMPLOYEE INFORMATION

As at 30 June 2013, the Company had 313 employees (as at 30 June 2012: 400). The Company pays employees remuneration according to market practice, working experiences and performances of the employees. Other benefits are available to eligible employees, including retirement benefits.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2013.

* *For identification purpose only*

DIRECTOR'S AND SUPERVISORS' INTEREST IN SHARES OF THE COMPANY

As at 30 June 2013, 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 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	Beneficial owner	36,626,666 domestic shares	68.33%	47.82%
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%

Saved as disclosed above, as at 30 June 2013, 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 2013, 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 Jing Qi (formerly known as 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 Jing Qi 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 2013, 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 competes with the business of the Company for the six months ended 30 June 2013.

INTERESTS OF THE COMPLIANCE ADVISER

None of the Group's compliance adviser, Octal Capital Limited, its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company from the date of its appointment to 30 June 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

CHANGE OF AUDITORS

CCIF CPA Limited, the Company's auditors for the financial year ended 31 December 2012, retired at the annual general meeting of the Company (the "AGM") held on 21 May 2013. CCIF CPA Limited had merged its business with PCP CPA Limited in October 2009 and resulting in Crowe Horwath (HK) CPA Limited operating as the merged firm. The Board considered that it is in the best interests of the Company and the shareholders of the Company (the "Shareholders") as a whole if the auditor was able to continue to serve the Company under the more internationally renowned name of Crowe Horwath (HK) CPA Limited, a member of Crowe Horwath International. Therefore, an ordinary resolution was proposed at the AGM to appoint Crowe Horwath (HK) CPA Limited as the new auditors of the Company to fill the vacancy arising from the retirement of CCIF CPA Limited, and the ordinary resolution was duly passed at the AGM.

For further details, please refer to the announcement of the Company in relation to proposed change of auditors dated 27 March 2013, the notice of AGM of the Company dated 27 March 2013 and the AGM poll results announcement of the Company dated 21 May 2013.

INTERNAL CONTROL ADVISER

In October 2012, the Company appointed Zenith Risk Management Advisory Limited ("Zenith") to be the internal control adviser of the Company. In accordance with the directions of the GEM Listing Committee, Zenith conducted a follow-up review based on the first report (the "First Report") issued by Zenith and the follow-up report (the "Follow-up Report") was submitted to the Stock Exchange on 23 January 2013. The follow-up review conducted by Zenith aimed to review on the progress of implementation of the recommendations (the "First Recommendations") stated in the First Report. The follow-up review included conducting interviews with relevant management and staff members relating to their progress in addressing the internal controls weaknesses identified in the First Report; reviewing relevant documentation on site; and discussing with the Company on steps taken to implement the First Recommendations.

As stated in the Follow-up Report, all the First Recommendations have been fully implemented. The Board believes that by adopting the First Recommendations, the Company's internal controls, including its procedures and compliance systems to ensure compliance with (i) the obligations under Chapters 19 and 20 and (ii) Appendix 15 of the GEM Listing Rules, have been in place.

For further details regarding the review on the relevant internal control system of the Company, please refer to the announcements of the Company dated 22 October 2012, 30 November 2012 and 5 February 2013.

AUDIT COMMITTEE

The Company had 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 be responsible for the relationship with the Company's auditors, review and provide supervision over the Company's financial information and monitoring of the Company's financial reporting process and internal control procedures 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 had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules during the period from 1 January 2013 to 30 June 2013.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June 2013, 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. The Company has made specific enquiries with all the Directors and all Directors confirmed that they have complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2013.

SUBSEQUENT EVENTS

There are no material subsequent events as at the date of this report.

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

Zhejiang Province, the PRC
13 August 2013

* *For identification purpose only*