



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)



2014 FIRST QUARTERLY REPORT

** for identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 Stock 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 (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.*

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HIGHLIGHTS

- Achieved turnover of approximately RMB16.34 million for the three months ended 31st March, 2014, representing an approximately 14.88% decrease as compared with that of the corresponding period in 2013.
- Loss attributable to Shareholders of approximately RMB1.40 million for the three months ended 31st March, 2014, representing an approximately 74.13% increase as compared with that of the corresponding period in 2013.
- The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2014.

FINANCIAL RESULTS (UNAUDITED)

The board (the “Board”) of 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, 2014 together with the unaudited comparative figures for the corresponding period in 2013, as follows:

	Note	For the three months ended 31st March,	
		2014 RMB'000	2013 RMB'000
Turnover	3	16,341	19,197
Cost of sales		(15,192)	(17,153)
Gross profit		1,149	2,044
Other revenue		330	300
Distribution costs		(371)	(422)
Administrative expenses		(2,312)	(2,252)
Other operating expenses		(17)	(18)
Loss from operations		(1,221)	(348)
Finance costs		(179)	(456)
Loss from ordinary activities before taxation		(1,400)	(804)
Taxation	4	–	–
Loss after tax		(1,400)	(804)
Loss attributable to:			
Shareholders of the Company		(1,400)	(804)
Minority interest		–	–
Dividend	5	–	–
Losses per share attributable to Shareholders of the Company			
Basic (RMB per share)	7	(0.018)	(0.010)

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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 Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules").

The unaudited results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the 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 2013 annual report of the Company. 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 the PRC enterprise income tax is calculated at a standard rate of 25% of the estimated assessable income for the three months ended 31st March, 2014 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, 2014 (2013: Nil).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2014 (2013: Nil).

6. RESERVES

There has been no movement of reserves, other than retained earnings, transferred to statutory surplus reserves and statutory public welfare fund, during the three months ended 31st March, 2014.

7. LOSSES PER SHARE

The calculations of basic losses per share for the three months ended 31st March, 2014 and 31st March, 2013 are based on the unaudited net loss attributable to shareholders for the three months ended 31st March, 2014 and 31st March, 2013 of approximately RMB1,400,000 and RMB804,000 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 three months ended 31st March, 2014 and 31st March, 2013.

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 first three months of 2014, 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 2014 amounted to approximately RMB16.34 million (2013: approximately RMB19.20 million), representing an approximately 14.88% decrease as compared to that of corresponding period in 2013 which is mainly attributable to the decrease in own export.

Loss attributable to Shareholders of the Company (the "Shareholders") for the three months ended 31st March, 2014 amounted to approximately RMB1.40 million (2013: loss attributable to Shareholders of approximately RMB0.80 million), representing an approximately 74.13% increase from that of the corresponding period in 2013. The gross profit margin for the first three months of 2014 decreased to 7.03% as compared to 10.65% for the corresponding period of 2013, mainly due to the increase in staff costs. Finance costs decreased from approximately RMB0.46 million in the first three months of 2013 to approximately RMB0.18 million in the first three months of 2014, mainly due to the decrease in loans. Administrative expenses was approximately the same in the first three months of 2013 and 2014.

Prospects

The Directors anticipate that the overall production capacity of universal joints will be expanded to approximately 10 million units per annum by 2014.

The Company is actively developing new customers and markets and has successfully developed overseas markets in the United States of America, Japan, Italy, Germany, India, Australia, Russia 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 6 new products according to customers' requests and had manufactured more than 2.72 million sets of universal joints.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

BORROWINGS

In 2006, the Company borrowed two entrusted loans through a bank in the PRC. The Company made partial repayments of the loans and renewed the loans upon maturity.

On 27th 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 30th December, 2012 and the balance of RMB19,985,000 should be repaid before 29th December, 2013. As at 31st December, 2012, the Company failed to repay the outstanding loan of RMB7,000,000 which was due for repayment before 30th December, 2012. The Company subsequently repaid the said overdue loan of RMB7,000,000 to the lender on 15th March, 2013.

On 6th December, 2013, the lender agreed with the Company to extend the repayment date of the remaining entrusted loan of RMB19,985,000, of which RMB4,985,000, RMB5,000,000 and RMB10,000,000 should be repaid before 31st December, 2013, 31st December, 2014 and 31st December, 2015 respectively. On 20th December, 2013, the Company repaid the first instalment of RMB4,985,000. The entrusted loan is guaranteed by 浙江嘉利蛋白纖維有限公司, an associate of Zhejiang Prospects Holdings Group Limited* (浙江展望控股集團有限公司) ("Shaoxing Group").

Mr. Tang Li Min, who is an executive Director and a controlling Shareholder, holds 70.48% of the equity interests in Shaoxing Group. 浙江嘉利蛋白纖維有限公司 (Zhejiang Jiali Protein Fiber Company Limited*) is a company established in the PRC, in which Shaoxing Group holds 47% equity interest.

As disclosed in the annual report 2013 of the Company, in order to strengthen the Company's capital base and liquidity in the foreseeable future, the Company will take the following measures:

- Obtain banking facilities from banks in the PRC for the repayment of the entrusted loan, of which RMB5,000,000 out of RMB15,000,000 is due for repayment before 31st December, 2014 and the balance of RMB10,000,000 is due for repayment before 31st December, 2015; and
- Negotiate with the lender to extend the repayment date of the entrusted loan of RMB15,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities during the three months ended 31st March, 2014.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 31st March, 2014, 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 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	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%

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Saved as disclosed above, as at 31st March, 2014, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to any Director or chief executive of the Company, as at 31st March, 2014, 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 Jing Qi (formerly known as 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 and Ms. Tang Jing Jing is the daughter of Mr. Tang Li Min, respectively.

Saved as disclosed above, as at 31st March, 2014, 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 31st March, 2014.

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 unaudited results for the three months ended 31st March, 2014 and the first quarterly report of 2014 of the Company and has provided advice and comments thereon to the Board. The Committee is of the opinion that the unaudited results for the three months ended 31st March, 2014 and the first quarterly report of 2014 of the Company complies with applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

COMPLIANCE ADVISER

The Company has appointed Octal Capital Limited to be the compliance adviser of the Company (the “Compliance Adviser”) for a term of two years commencing on 10 October 2012. For further details regarding the appointment of the Compliance Adviser, please refer to the announcement of the Company dated 22 October 2012.

INTERESTS OF THE COMPLIANCE ADVISER

The Company’s compliance adviser, Octal Capital Limited (the “Compliance Adviser”), confirmed that up to the date of this report, neither the Compliance Adviser nor any of its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Company and its subsidiaries or in the share capital of the Company or its subsidiaries which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Zhejiang Province, the PRC
14th May, 2014

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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