



**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 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.*

\* For identification purpose only

## HIGHLIGHTS

- Recorded a turnover of approximately Renminbi (“RMB”) 37.52 million for the six months ended 30 June 2014, representing a slight increase when compared with that of the corresponding period in 2013.
- Net loss after taxation for the six months ended 30 June 2014 amounted to approximately RMB1.34 million, representing a basic loss per share of approximately RMB0.017.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014.

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 2014, respectively, together with the comparative figures for the corresponding periods in 2013 as follows:

## CONDENSED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Turnover	3	21,178	17,964	37,519	37,161
Cost of sales		(18,402)	(16,395)	(33,594)	(33,548)
Gross profits		2,776	1,569	3,925	3,613
Other revenue	4	819	226	1,149	526
Distribution costs		(464)	(370)	(835)	(792)
Administrative expenses		(2,857)	(2,879)	(5,169)	(5,131)
Other operating expenses		(22)	(19)	(39)	(37)
Profit/(loss) from operations	6	252	(1,473)	(969)	(1,821)
Finance costs	7	(189)	(135)	(368)	(591)
Profit/(loss) from ordinary activities before taxation		63	(1,608)	(1,337)	(2,412)
Taxation	8	-	-	-	-
Profit/(loss) after tax		63	(1,608)	(1,337)	(2,412)
Dividend	9	-	-	-	-
Earnings/(losses) per share					
Basic (RMB per share)	10	0.001	(0.02)	(0.017)	(0.03)

\* For identification purpose only

## CONDENSED BALANCE SHEET

		As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		29,860	31,896
Prepaid lease payments		5,257	5,327
		<b>35,117</b>	<b>37,223</b>
<b>Current assets</b>			
Inventories		25,426	21,480
Trade and other receivables	11	31,028	32,812
Prepaid lease payments		70	139
Amount due from a related party		277	753
Cash and cash equivalents		10,902	10,975
		<b>67,703</b>	<b>66,159</b>
<b>Current liabilities</b>			
Trade and other payables	12	20,761	19,986
Short-term bank loans – secured		15,000	15,000
		<b>35,761</b>	<b>34,986</b>
<b>Net current assets</b>		<b>31,942</b>	<b>31,173</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>67,059</b>	<b>68,396</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	76,600	76,600
Reserves	14	(9,541)	(8,204)
<b>TOTAL EQUITY</b>		<b>67,059</b>	<b>68,396</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<b>Share premium</b> RMB'000	<b>Statutory surplus reserve</b> RMB'000	<b>Statutory public welfare fund</b> RMB'000	<b>Revaluation reserve</b> RMB'000	<b>Retained profit</b> RMB'000	<b>Total</b> RMB'000
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)
At 1 January 2014	<b>246</b>	<b>5,709</b>	–	–	<b>(14,159)</b>	<b>(8,204)</b>
Net profit for the period	–	–	–	–	<b>(1,337)</b>	<b>(1,337)</b>
At 30 June 2014	<b>246</b>	<b>5,709</b>	–	–	<b>(15,496)</b>	<b>(9,541)</b>

## CONDENSED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Net cash inflow/(outflow) from operating activities	421	(6,565)
Net cash inflow/(outflow) from investing activities	(494)	(70)
Net cash inflow/(outflow) from financing activities	-	(7,082)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	(73)	(13,717)
Cash and cash equivalents at beginning of period	10,975	19,506
	<hr/>	<hr/>
Cash and cash equivalents at end of period	10,902	5,789
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash in hand and at banks	10,902	5,789
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## 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 2013.

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 (the "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	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Insurance claim	451	–	451	29
Government subsidy	–	–	–	50
Sales of work-in-progress and scrap material	367	222	617	265
Bank interest income	1	4	81	182
	<b>819</b>	<b>226</b>	<b>1,149</b>	<b>526</b>

## 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.

	<b>For the six months ended 30 June</b>	
	<b>2014 (Unaudited) RMB'000</b>	<b>2013 (Unaudited) RMB'000</b>
Revenue from external customers		
– PRC		
Domestic sales	<b>6,956</b>	5,734
Import and export corporations	<b>13,169</b>	13,171
– Overseas	<b>17,394</b>	18,256
	<hr/>	<hr/>
Total revenue from external customers	<b>37,519</b>	37,161
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2014 and 30 June 2013, 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	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Cost of inventories sold	18,402	16,395	33,594	33,548
Staff costs	2,247	1,997	3,940	3,226
Staff welfare costs	—	—	—	—
Directors' emoluments	63	62	126	124
Research and development	55	55	110	108
Depreciation of property, plant and equipment	1,246	1,253	2,486	2,514
Amortisation of land use rights	35	27	70	54
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	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Interest expense on bank loans, repayable within one year	189	135	368	591

## 8. TAXATION

(a) Taxation in the income statements represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) 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 six months ended 30 June 2014 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	
	2014	2013	2014	2013
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Profit/(loss) before taxation	63	(1,608)	(1,337)	(2,412)
Calculated at a taxation rate of 25% for the year 2014 and 25% for the year 2013	-	-	-	-
Under provision for prior year	-	-	-	-
Taxation charge	-	-	-	-

(b) Taxation in the balance sheet represents:

	30 June 2014 (Unaudited) RMB'000	30 June 2013 (Unaudited) 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 2014.

## 9. DIVIDEND

The Board resolved not to declare an interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

## 10. EARNINGS/(LOSSES) PER SHARE

The calculations of basic earnings/(losses) per share for the six months ended 30 June 2014 and 30 June 2013 are based on the unaudited net profit/(loss) attributable to shareholders for the six months ended 30 June 2014 and 30 June 2013 of approximately RMB(1,337,000) and RMB(2,412,000) 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 six months ended 30 June 2014 and 30 June 2013.

**II. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Trade receivables	<b>26,033</b>	27,681
Bills receivables	<b>4,623</b>	1,840
	<b>30,656</b>	29,521
Prepayments, deposits and other receivables	<b>372</b>	830
Trade deposits paid to suppliers	<b>-</b>	2,461
	<b>31,028</b>	32,812

The aging analysis of trade receivables is as follows:

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
1-30 days	<b>6,804</b>	8,439
31-60 days	<b>4,612</b>	7,321
61-90 days	<b>4,682</b>	2,998
91-180 days	<b>10,392</b>	7,270
More than 180 days	<b>9,422</b>	10,491
	<b>35,912</b>	36,519
Less: Provision for bad and doubtful debts	<b>(5,256)</b>	(6,998)
	<b>30,656</b>	29,521

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**

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Trade payables	8,643	9,307
Other payables	12,051	8,991
Value added tax, business tax and other taxes payable	67	1,121
Trade deposits from customers	–	567
	<u>20,761</u>	<u>19,986</u>

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:

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Due within 3 months	5,446	8,134
Due after 3 months but within 6 months	2,233	783
Due after 6 months but within 12 months	964	130
Due after 12 months	–	260
	<u>8,643</u>	<u>9,307</u>

**13. PAID-IN/SHARE CAPITAL**

	<b>Number of shares</b>	<b>Paid-in capital RMB'000</b>	<b>Share capital RMB'000</b>
At 30 June 2013	76,600,000	–	76,600
Addition for the period	–	–	–
	<u>76,600,000</u>	<u>–</u>	<u>76,600</u>

**14. RESERVES**

	Share premium	Statutory surplus reserve	Revaluation reserve	Retained profit	Total
At 31 December 2013	246	5,709	–	(14,159)	(8,204)
Net profit/(loss) for the year	–	–	–	(1,337)	(1,337)
<b>At 30 June 2014</b>	<b>246</b>	<b>5,709</b>	<b>–</b>	<b>(15,496)</b>	<b>(9,541)</b>

**(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 2014 and 30 June 2013 were nil.

(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 2014, the Company recorded turnover of approximately RMB37,519,000 (2013: approximately RMB37,161,000), representing a slight increase as compared with the corresponding period last year. Losses attributable to the shareholders of the Company amounted to approximately RMB1,337,000, representing a decrease of approximately RMB1,075,000 as compared with the loss attributable to the shareholders of the Company of approximately RMB2,412,000 for the corresponding period in 2013. For the six months ended 30 June 2014, the Company recorded a decrease in losses attributable to shareholders of the Company mainly due to an increase of insurance claim and decrease of finance cost.

Gross profit margin of the Company was approximately 10.46% in the first half of 2014 (approximately 9.72% in the first half of 2013) which has increased as compared to the same period last year mainly due to increase in sales price and appreciation of Renminbi, which led to decrease of unit production cost.

Finance cost for the six months ended 30 June 2014 was approximately RMB0.37 million (for the six months ended 2013: approximately RMB0.59 million). Finance cost decreased mainly due to decrease in loans. 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 remained stable due to steady local and overseas markets, existing customers and business were normal in the first half of 2014.

For the second half of 2014 the Company will make an effort to expand local and overseas markets so as to increase sales volume appropriately. The Company will expand market and raise sales volume compared to 2013; for overseas market it will concentrate on expanding U.S. and South East Asia markets, try to establish cooperation with new customers.

## LIQUIDITY AND FINANCIAL RESOURCES

The Company's shareholders equity amounted to approximately RMB67.06 million as at 30 June 2014 (31 December 2013: approximately RMB68.40 million). Current assets amounted to approximately RMB67.70 million as at 30 June 2014 (31 December 2013: approximately RMB66.16 million), of which approximately RMB10.90 million were cash and cash equivalents (31 December 2013: approximately RMB10.98 million). As at 30 June 2014, the Company had short-term bank loans of about RMB15.00 million (31 December 2013: approximately RMB15.00 million) which were repayable before the end of 2015.

## BORROWINGS

In 2006, the Company borrowed two entrusted loans through a bank in the PRC. The Company had repaid part of the loans and renew the terms on expiry of the loans. 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. As at 31 December 2012, the Company had not repaid the outstanding loan in the amount of RMB7,000,000 on expiry of the loan. On 15 March 2013, the Company repaid the said overdue loan of RMB7,000,000 to the lender. On 6 December 2013, the lender and the Company agreed to extend the repayment of the remaining balances of the entrusted loans of RMB19,985,000; amongst which RMB4,985,000, RMB 5,000,000 and RMB10,000,000 shall be repayable on 31 December 2013, 31 December 2014 and 31 December 2015 respectively. On 20 December 2013, the Company had repaid the first instalment of RMB4,985,000.

As disclosed in the first quarterly report 2014 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 of which RMB5,000,000 out of RMB15,000,000 is due for repayment before 31 December 2014; and the balance of RMB10,000,000 is due for repayment before 31 December 2015
- negotiate with the lender to extend the repayment date of the entrusted loan of RMB15,000,000

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

## GEARING RATIO

As at 30 June 2014, the gearing ratio of the Company as total liabilities over shareholders' equity was approximately 0.53, decreased compared to the same period last year (30 June 2013: approximately 0.54).

## FOREIGN EXCHANGE EXPOSURE

For the first half of 2014, the Company's sales were principally denominated in USD which comprised about 46.36% of the total sales for the first half of 2014. 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 2014, the bank loans of RMB15.00 million (30 June 2013: bank loans of RMB19.99 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 2014 (30 June 2013: nil).

## CAPITAL STRUCTURE

There were no changes in the capital structure of the Company as at 30 June 2014 and 31 December 2013.

## 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 2014.

## EMPLOYEE INFORMATION

As at 30 June 2014, the Company had 297 employees (as at 30 June 2013: 313). 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 2014.

\* For identification purpose only



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

As at 30 June 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	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 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 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 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:

### 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 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 close 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 2014.

## INTERESTS OF THE COMPLIANCE ADVISER

None of the Group's compliance adviser, Octal Capital Limited, its directors, employees or close 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 2014 pursuant to Rule 6A.32 of the GEM Listing Rules.

## AUDIT COMMITTEE

The Company had set up the Audit Committee on 14 January 2004 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit 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 Audit Committee comprises three independent non-executive Directors, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming. The Audit Committee has reviewed this report and has provided advice and comments thereon to the Board. The Audit 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 2014 to 30 June 2014.

## REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June 2014, 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 2014.

## SUBSEQUENT EVENTS

There is no material subsequent event as at the date of this report.

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

Zhejiang Province, the PRC  
12 August 2014

\* For identification purpose only