



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)

2015 FIRST QUARTERLY REPORT



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

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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.*

* For identification purpose only

HIGHLIGHTS

- Achieved turnover of approximately RMB16.21 million for the three months ended 31st March, 2015, representing an approximately 0.8% decrease as compared with that of the corresponding period in 2014.
- Loss attributable to Shareholders of approximately RMB0.16 million for the three months ended 31st March, 2015, representing an approximately 88.57% decrease as compared with that of the corresponding period in 2014.
- The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2015.

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, 2015 together with the unaudited comparative figures for the corresponding period in 2014, as follows:

	Note	For the three months ended 31st March,	
		2015 RMB'000	2014 RMB'000
Turnover	3	16,209	16,341
Cost of sales		(12,823)	(15,192)
Gross profit		3,386	1,149
Other revenue		250	330
Distribution costs		(714)	(371)
Administrative expenses		(2,940)	(2,312)
Other operating expenses		(17)	(17)
Loss from operations		(35)	(1,221)
Finance costs		(123)	(179)
Loss from ordinary activities before taxation		(158)	(1,400)
Taxation	4	-	-
Loss after tax		(158)	(1,400)
Loss attributable to:			
Shareholders of the Company		(158)	(1,400)
Minority interest		-	-
Dividend	5	-	-
Losses per share attributable to Shareholders of the Company			
Basic (RMB per share)	7	(0.002)	(0.018)

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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 2014 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, 2015 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, 2015 (2014: Nil).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2015 (2014: 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, 2015.

7. LOSSES PER SHARE

The calculations of basic losses per share for the three months ended 31st March, 2015 and 31st March, 2014 are based on the unaudited net loss attributable to shareholders for the three months ended 31st March, 2015 and 31st March, 2014 of approximately RMB158,000 and RMB1,400,000 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, 2015 and 31st March, 2014.

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 2015, 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 2015 amounted to approximately RMB16.21 million (2014: approximately RMB16.34 million), representing an approximately 0.8% decrease as compared to that of corresponding period in 2014 which is mainly attributable to the decrease in own export.

Loss attributable to the shareholders of the Company (the "Shareholders") for the three months ended 31st March, 2015 amounted to approximately RMB0.16 million (2014: loss attributable to Shareholders of approximately RMB1.40 million), representing an approximately 88.57% decrease from that of the corresponding period in 2014. The gross profit margin for the first three months of 2015 increased to 20.89% as compared to 7.03% for the corresponding period of 2014, mainly for the decrease in cost of raw materials. Finance costs decreased from approximately RMB0.18 million in the first three months of 2014 to approximately RMB0.12 million in the first three months of 2015, mainly due to the decrease in loans. Administrative expenses increased due to compensate payment to staff who left the Company for cost cutting purpose.

Prospects

The Directors anticipate that the overall production capacity of universal joints will be expanded to approximately 9 million units per annum by 2015.

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, Mexico 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 4 new products according to customers' requests and had manufactured more than 1.54 million sets of universal joints.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

INTEREST BEARING BORROWINGS

The Company borrowed an entrusted loan of RMB15.00 million from a PRC Government related organisation through a bank in the PRC. The loan was originally due for repayment on 28 July 2011. The Company negotiated with the lender and the loan was subsequently extended to 29 December 2013.

On 26 December 2013, the lender agreed with the Company to further modify the repayment schedule that RMB5.00 million and RMB10.00 million should be repaid before 31 December 2014 and 31 December 2015 respectively. On 19 December 2014, the Company repaid the first installment of RMB5.00 million to the lender.

As at 31 March 2015 and 2014, the entrusted loan contains a repayable on demand clause and is guaranteed by a related party.

As at 31 March 2015, the effective interest rate of the entrusted loan (which also equals to contractual interest rates) was 7.47% (2014: 7.47%) per annum.

As at 31 March 2015 and 2014, 浙江嘉利蛋白纖維有限公司 (Zhejiang Jiali Protein Fiber Company Limited*) (“Zhejiang Jiali”) has given guarantees in respect of the interest-bearing borrowings of the Company amounting to RMB10.00 million and RMB15.00 million respectively. Zhejiang Jiali is a company established in the PRC, in which Zhejiang Prospect Holdings Group Limited* (浙江展望控股集團有限公司) (“Zhejiang Prospect Holdings”) holds 47% equity interest. Mr. Tang Li Min, the then executive Director (resigned on 2 February 2015) has an equity interest of 70.48% of Zhejiang Prospect Holdings.

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, 2015.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES OF THE COMPANY

As at 31st March, 2015, 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 (resigned on 2nd February, 2015)	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 31st March, 2015, 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, 2015, 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, the then executive Director (resigned on 2 February 2015) respectively.

Saved as disclosed above, as at 31st March, 2015, 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 three months ended 31st March, 2015.

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, 2015 and the first quarterly report of 2015 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, 2015 and the first quarterly report of 2015 of the Company complies with applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

By Order of the Board
Zhejiang Prospect Company Limited*
Fei Guo Yang
Chairman

Zhejiang Province, the PRC

12th May, 2015

As at the date hereof, Mr. Fei Guo Yang, Mr. Hong Guo Ding and Mr. Hong Chun Qiang are executive Directors; Mr. Tang Cheng Fang, Ms. Tang Jing Jing 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.