



**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)

**2017 THIRD QUARTERLY REPORT**



## **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\* (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. 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 RMB59.34 million for the nine months ended 30 September 2017, representing an approximately 44.84% increase as compared with that of the corresponding period in 2016.
- Losses attributable to the shareholders of the Company of approximately RMB0.759 million for the nine months ended 30 September 2017.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017.

The board (the "Board") of Directors is pleased to announce the unaudited results of the Company for the three months and the nine months ended 30 September 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

## QUARTERLY RESULTS (UNAUDITED)

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
<b>Turnover</b>	3	<b>22,013</b>	13,139	<b>59,339</b>	40,965
Cost of sales		<b>(17,404)</b>	(10,937)	<b>(46,411)</b>	(33,752)
<b>Gross profit</b>		<b>4,609</b>	2,202	<b>12,928</b>	7,213
Other revenue		<b>287</b>	260	<b>517</b>	541
Distribution costs		<b>(530)</b>	(430)	<b>(1,585)</b>	(1,089)
Administrative expenses		<b>(3,512)</b>	(2,618)	<b>(12,619)</b>	(9,438)
Other operating expenses		<b>-</b>	(10)	<b>-</b>	(33)
<b>Profit/(loss) from operations</b>		<b>854</b>	(596)	<b>(759)</b>	(2,806)
Finance costs		<b>-</b>	-	<b>-</b>	-
<b>Profit/(loss) from ordinary activities before taxation</b>		<b>854</b>	(596)	<b>(759)</b>	(2,806)
Taxation	4	<b>-</b>	-	<b>-</b>	-
<b>Profit/(loss) attributable to Shareholders</b>		<b>854</b>	(596)	<b>(759)</b>	(2,806)
<b>Dividend</b>	5	<b>-</b>	-	<b>-</b>	-
<b>Earnings/(losses) per share</b>					
Basic (RMB per share)	7	<b>0.011</b>	(0.008)	<b>(0.01)</b>	(0.037)

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 9 August 2002. The H shares of the Company were listed on the GEM 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 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 in compliance with 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 2016 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 audit committee of the Company.

## 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 nine months ended 30 September 2017 as determined in accordance with the relevant income tax rules and regulations of the PRC. There was no material unprovided deferred taxation for the quarter ended 30 September 2017 (2016: Nil).

## 5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (2016: Nil).

## 6. RESERVES

Same as the period during the nine months ended 30 September 2016, there had been no movement of reserves, other than retained earnings, transferred to statutory surplus reserves and statutory public welfare fund, during the nine months ended 30 September 2017.

## 7. EARNINGS/(LOSSES) PER SHARE

The calculations of basic earnings/(losses) per share for the nine months ended 30 September 2017 and 30 September 2016 are based on the unaudited profit/(loss) attributable to shareholders for the nine months ended 30 September 2017 and 30 September 2016 of approximately RMB(759,000) and RMB(2,806,000) respectively over the 76,600,000 shares in issue of the Company during these two periods respectively.

No diluted earnings per share has been disclosed as there were no diluting events existed during the nine months ended 30 September 2017 and 30 September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and financial review

The Company's principal business objectives are to enhance “展望” as a leading brand name in the PRC automotive parts and components market and to become a major player in the global market for the procurement and supply of universal joints.

During the nine months ended 30 September 2017 (the “Reporting Period”), the Company followed their business strategies in expanding the primary production capacity, strengthening product research and development, expanding the PRC and international markets and continually improving product quality.

Turnover for the Reporting Period amounted to approximately RMB59.34 million (nine months ended 30 September 2016: approximately RMB40.97 million), representing an approximately 44.84% increase as compared to that of the corresponding period in 2016. The increase in turnover was mainly attributable to the increase in domestic and oversea revenue.

Loss attributable to shareholders of the Company (the “Shareholders”) for the Reporting Period, amounted to approximately RMB0.759 million (nine months ended 30 September 2016: loss attributable to Shareholders of approximately RMB2.81 million). The decrease in loss attributable to Shareholders was primarily due to the increase in gross profits and increase in turnover. The increase in administrative expenses was primarily attributable to the increase in foreign exchange loss and staff cost, distribution costs and other expenses of the Company remain fairly stable.

### Prospects

The Company is actively developing new customers and markets and has successfully secured 5 new customers. During the Reporting Period, the Company had developed 6 new products according to customers' requests and had manufactured more than 5.43 million pieces of universal joints. The Company will continue to participate in overseas trade fairs and promotional activities, so as to enhance product exports and promote the Company's overseas businesses and development.

## ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any significant investment, material acquisition or disposal of subsidiaries and affiliated companies during the Reporting Period.

## LOAN

As at 30 September 2017, the Company does not have any outstanding balance of loan.

## SUBSEQUENT EVENT

### Discloseable and connected transaction

#### *Provision of guarantee*

On 3 October 2016, Zhejiang Zhongfa Bomo Co., Ltd\* (the “Borrower”) and the Company entered into a guarantee fee agreement, pursuant to which the Borrower will pay the guarantee fee to the Company upon the fulfilment of the conditions precedent therein. On 3 October 2016, Mr. Tang Cheng Fang (“Mr. Tang”) and the Company entered into an indemnity agreement, pursuant to which Mr. Tang agreed and undertook to indemnify the Company against any liquidated damages, penalty claims and all other relevant expenses incurred by the Company arising from the guarantee agreements entered into by the Company and the Shaoxing Branch of China Citic Bank Corporation Limited\* (the “Bank”) upon the fulfilment of the conditions precedent therein.

Upon the approval of the independent Shareholders at the extraordinary general meeting held on 19 December 2016, the Company entered into two guarantee agreements as guarantor at the request and in favour of the Bank, pursuant to which the Company would provide the guarantee in respect of the obligations of the Borrower under the loan agreement entered into by the Borrower and the Bank. As the relevant percentage ratio(s) in respect of the provision of guarantee exceeded 5% but was less than 25%, the provision of guarantee constituted discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

Mr. Tang is a Director and hence a connected person of the Company. As Mr. Tang is indirectly beneficially interested in approximately 37.8% of the Borrower, the Borrower is an associate of Mr. Tang and hence a connected person of the Company. Therefore the provision of guarantee constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As at the date of this report, the guarantee has not been provided. Please refer to the announcements dated 3 and 25 October 2016 and the circular dated 2 November 2016 of the Company for details.

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## OTHER INFORMATION

### Purchase, sale or redemption of listed securities

The Company had not purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

### Interests of the Directors, chief executives and supervisors of the Company

As at 30 September 2017, 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 Rules 5.46 of the GEM Listing Rules, were as follows:

#### *Long position in the shares of the Company*

Director/Supervisor	Capacity	No. and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Ms Tang Jing Jing (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Mr. Tang Jing Qi (formerly known as Mr. Tang Lin Jun) (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Mr. Hong Guo Ding	Beneficial owner	3,216,000 domestic shares	6%	4.2%
Mr. Tang Cheng Fang	Beneficial owner	2,680,000 domestic shares	5%	3.5%
Mr. Fei Guo Yang	Beneficial owner	1,072,000 domestic shares	2%	1.4%
Mr. Feng Yun Lin	Beneficial owner	1,072,000 domestic shares	2%	1.4%



Saved as disclosed above, as at 30 September 2017, none of the Directors, chief executives and supervisors of the Company had 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 is known to the Directors and chief executives of the Company, as at 30 September 2017, the following persons (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed “Interests of the Directors, chief executives and supervisors 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 the shares of the Company*

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>No. and class of securities</b>	<b>Approximate percentage of shareholding in the same class of securities</b>	<b>Approximate percentage of shareholding in the total registered share capital</b>
Mr. Tang Li Min (Note)	Beneficial owner	36,626,666 domestic shares	68.33%	47.82%
Greater China I Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.78%

Note: Mr. Tang Li Min is the father of Ms. Tang Jing Jing and Mr. Tang Jing Qi, who are both non-executive Directors.

Saved as disclosed above, the Directors are not aware of any other person (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed “Interests of the Directors, chief executives and supervisors of the Company” above) who had interests and short positions in the shares and underlying shares of the Company as at 30 September 2017 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 (as defined under the GEM Listing Rules) had any interests in any businesses (other than the Company's business) which directly or indirectly compete with the business of the Company during the Reporting Period.

## CORPORATE GOVERNANCE

Under Code Provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company does not have such insurance cover for its Directors. This is a deviation from Code Provision A.1.8.

The Company understands the importance to arrange insurance cover for its Directors and is currently making such an arrangement.

Save as the above, during the Reporting Period, the Company had complied with the code provisions set out in Appendix 15 of the GEM Listing Rules.

## AUDIT COMMITTEE

The Company has set up an audit committee (the “Committee”) on 14 January 2004 with updated written terms of reference adopted on 22 December 2015 in compliance with the requirements of the GEM Listing Rules. The primary duties of the Committee are to review and provide supervision over the financial reporting process and internal control and risk management systems 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 and this report for the nine months ended 30 September 2017 of the Company and has provided advice and comments thereon to the Board. The Committee is of the opinion that the unaudited results and this report for the nine months ended 30 September 2017 comply with applicable accounting standards, 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  
13 November 2017

*As at the date of this report, the Board comprises Mr. Fei Guo Yang, Mr. Hong Guo Ding and Mr. Hong Chun Qiang as executive Directors; Mr. Tang Cheng Fang, Mr. Tang Jing Qi and Ms. Tang Jing Jing as non-executive Directors; and Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming as independent non-executive Directors.*

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