

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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: 08273)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "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 investor should be aware of the potential risk 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.

This announcement, 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 Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") 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 announcement 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 announcement misleading.*

RESULTS HIGHLIGHT

- For the year ended 31 December 2012, the turnover was approximately RMB100.22 million, representing a decrease of approximately 12.7% over the previous year.
- For the year ended 31 December 2012, the net loss after tax was approximately RMB7.46 million, representing a decrease of approximately 21.5% over the previous year.
- No dividend was paid or declared during the year.

ANNUAL RESULTS

The board (the “Board”) of Directors is pleased to announce the audited results of the Company for the year ended 31 December 2012, together with the comparative figures for the corresponding period of 2011 as follows:

STATEMENT OF COMPREHENSIVE INCOME

| | <i>Notes</i> | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|--|--------------|-------------------------------|-------------------------------|
| Turnover | 4 | 100,219 | 114,757 |
| Cost of sales | | (89,463) | (102,167) |
| Gross profit | | 10,756 | 12,590 |
| Other revenue | 5 | 956 | 1,267 |
| Other net income | 5 | 919 | 1,045 |
| Distribution costs | | (2,290) | (2,791) |
| Administrative expenses | | (13,464) | (18,655) |
| Other operating expenses | | (1,725) | (235) |
| Loss from operations | 6 | (4,848) | (6,779) |
| Finance costs | 7 | (2,616) | (2,727) |
| Loss before taxation | | (7,464) | (9,506) |
| Income tax | 8 | — | — |
| Loss for the year attributable to owners of the Company | | (7,464) | (9,506) |
| Other comprehensive income for the year, net of nil tax | | — | — |
| Total comprehensive loss for the year attributable to owners of the Company | | (7,464) | (9,506) |
| Loss per share | | | |
| Basic and diluted | 10 | (RMB0.097) | (RMB0.124) |

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

| | <i>Notes</i> | 2012 RMB'000 | 2011 RMB'000 (Restated) |
|---|--------------|-------------------------------|---|
| Non-current assets | | | |
| Property, plant and equipment | | 39,940 | 43,465 |
| Prepaid lease payments | | 5,466 | 5,605 |
| Intangible assets | | – | 5,000 |
| | | 45,406 | 54,070 |
| Current assets | | | |
| Prepaid lease payments | | 139 | 139 |
| Inventories | | 27,481 | 41,278 |
| Trade and other receivables | <i>12</i> | 35,660 | 33,548 |
| Amount due from a related party | | 1,419 | 1,432 |
| Cash and cash equivalents | | 19,506 | 9,843 |
| | | 84,205 | 86,240 |
| Current liabilities | | | |
| Trade and other payables | <i>13</i> | 25,600 | 28,835 |
| Amount due to a related party | | 50 | 50 |
| Interest-bearing borrowings | | 26,985 | 26,985 |
| | | 52,635 | 55,870 |
| Net current assets | | 31,570 | 30,370 |
| NET ASSETS | | 76,976 | 84,440 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 76,600 | 76,600 |
| Reserves | | 376 | 7,840 |
| TOTAL EQUITY | | 76,976 | 84,440 |

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

| | Attributable to owners of the Company | | | | |
|---|---------------------------------------|------------------------------------|---|---|-------------------------|
| | Share capital <i>RMB'000</i> | Share premium <i>RMB'000</i> | Statutory surplus reserve <i>RMB'000</i> | Retained profits/ losses) (accumulated <i>RMB'000</i> | Total <i>RMB'000</i> |
| At 1 January 2011 | 76,600 | 246 | 5,709 | 11,391 | 93,946 |
| Loss and total comprehensive loss for the year | <u>—</u> | <u>—</u> | <u>—</u> | <u>(9,506)</u> | <u>(9,506)</u> |
| At 31 December 2011 and 1 January 2012 | 76,600 | 246 | 5,709 | 1,885 | 84,440 |
| Loss and total comprehensive loss for the year | <u>—</u> | <u>—</u> | <u>—</u> | <u>(7,464)</u> | <u>(7,464)</u> |
| At 31 December 2012 | <u>76,600</u> | <u>246</u> | <u>5,709</u> | <u>(5,579)</u> | <u>76,976</u> |

Notes:

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company incurred a loss attributable to the owners of the Company of RMB7,464,000 for the year ended 31 December 2012 and had interest-bearing borrowings of RMB26,985,000 and net debt of RMB7,479,000 as at 31 December 2012 respectively. As detailed in the financial statements, the Company failed to repay the entrusted loan of RMB7,000,000 which was due for repayment before 30 December 2012. Subsequent to the reporting period on 15 March 2013, the Company repaid the said overdue loan of RMB7,000,000 to the lender. In addition, the balance of the entrusted loan of RMB19,985,000 is due for repayment before 29 December 2013. In preparing these financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Company and the ability of the Company to attain profitable and positive cash flow operations in the immediate and longer term.

Based on the cash flow projections of the Company and having taken into account the available financial resources of the Company, the directors have concluded that the Company is able to continue as a going concern and to meet their financial obligations as and when they fall due in the foreseeable future, having regards to the Company had cash and cash equivalents of RMB19,506,000 and net current assets of RMB31,570,000 as at 31 December 2012.

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 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

Should the Company be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets as current assets. The effects of these potential adjustments have not been reflected in these financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost conversion. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfer of financial assets* is relevant to the Company’s financial statements.

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Company did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. TURNOVER

The principal activities of the Company are manufacture and sale of universal joints for automobiles.

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax and is stated after deduction of all goods returns and trade discounts.

5. OTHER REVENUE AND OTHER NET INCOME

| | 2012 <i>RMB’000</i> | 2011 <i>RMB’000</i> |
|--|------------------------|------------------------|
| Other revenue | | |
| Bank interest income, being total interest income on financial assets not at fair value through profit or loss | 185 | 309 |
| Government grants (<i>Note</i>) | 391 | 274 |
| Sales of scrap materials | 380 | 684 |
| | <u>956</u> | <u>1,267</u> |
| Other net income | | |
| Gain on disposal of property, plant and equipment | 163 | – |
| Insurance claim | 152 | 10 |
| Reversal of impairment loss on trade receivables | 604 | 1,035 |
| | <u>919</u> | <u>1,045</u> |

Note: The government grants received represent subsidies of social insurance from the Yangxunqiao Town Ministry of Finance to stabilise the labour market.

6. LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting) the followings:

| | 2012 | 2011 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of inventories recognised as expenses (<i>Note</i>) | 89,463 | 102,167 |
| Staff costs | | |
| – Salaries, wages and other benefits (including directors' emoluments) | 12,405 | 13,171 |
| – Contributions to defined contribution retirement plans | 719 | 858 |
| Research and development costs | 220 | 193 |
| Depreciation of property, plant and equipment | 4,946 | 4,969 |
| Amortisation of prepaid lease payments | 139 | 139 |
| Amortisation of intangible assets | 1,324 | 4,115 |
| Auditor's remuneration | 356 | 359 |
| Impairment loss on trade receivables | 1,585 | 716 |
| Impairment loss on intangible assets | 3,676 | 6,885 |
| Write-down of inventories | 2,000 | – |
| (Gain)/loss on disposal of property, plant and equipment | (163) | 7 |
| Exchange loss, net | 82 | 805 |

Note: Cost of inventories sold includes RMB14,453,000 (2011: RMB16,180,000) relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. FINANCE COSTS

| | 2012 | 2011 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest expenses on entrusted loans repayable within five years, being total interest expense on financial liabilities not at fair value through profit or loss | 2,616 | 2,727 |

8. INCOME TAX

- a) No provision for the PRC enterprise income tax has been made in the financial statements as the Company has no assessable profits for the years ended 31 December 2012 and 2011.

No Hong Kong profits tax has been provided for in the financial statements as the Company did not carry on a trade, profession nor business in Hong Kong for the years ended 31 December 2012 and 2011.

b) Reconciliation between tax expense and accounting loss at the applicable tax rate:

| | 2012 RMB'000 | 2011 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Loss before taxation | <u>(7,464)</u> | <u>(9,506)</u> |
| Calculated at the tax rate of 25% (2011: 25%) | (1,866) | (2,377) |
| Tax effect of non-deductible expenses | 1,108 | 245 |
| Tax effect of unused tax losses not recognised | 909 | 2,391 |
| Tax effect of non-taxable income | <u>(151)</u> | <u>(259)</u> |
| Actual tax expense | <u>-</u> | <u>-</u> |

c) No provision for deferred taxation has been made for the years ended 31 December 2012 and 2011 as the effect of all temporary differences is not material. In accordance with the accounting policy set out in the financial statements, the Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB13,575,000 (2011: RMB9,938,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 years under the current tax legislation.

9. DIVIDENDS

The directors resolved not to declare any dividend in respect of the year ended 31 December 2012 (2011: Nil).

10. LOSS PER SHARE

The basic loss per share was calculated based on the loss attributable to owners of the Company of RMB7,464,000 (2011: RMB9,506,000) and the weighted average of 76,600,000 shares in issue during the years ended 31 December 2012 and 2011.

Diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary share outstanding for the years ended 31 December 2012 and 2011.

11. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker, the board of directors (the "Board"), regularly reviews turnover based on domestic and overseas customers on a geographical basis. However, the financial information provided to the Board does not contain profit or loss information for each location and the Board reviewed the operating results of the Company on a combined basis. Therefore, the operation of the Company constitutes one single reportable segment, being manufacture and sales of universal joints for automobiles.

a) Segment revenue, results, assets and liabilities

The financial information presented to the Board is consistent with the statement of comprehensive information and statement of financial position.

The Board considers the Company's loss for the year as the measurement of segment's results.

b) Geographical information

The following table sets out information about the geographical location of the Company's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

| | Revenue from external customers | |
|--|--|-----------------------|
| | 2012 | 2011 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| The PRC (place of domicile), excluding Hong Kong | 41,179 | 56,990 |
| Europe | 32,328 | 28,335 |
| Asia other than the PRC | 17,272 | 18,862 |
| Other countries | 9,440 | 10,570 |
| | <u>100,219</u> | <u>114,757</u> |

All of the Company's non-current assets are located in the PRC, no analysis on non-current assets by location is presented.

c) Information about major customers

Revenues from customers contributing 10% or more of the total revenues of the Company are as follows:

| | 2012 | 2011 |
|------------|-----------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer A | 16,977 | 23,376 |
| Customer B | 14,619 | 17,418 |
| | <u>31,596</u> | <u>40,794</u> |

12. TRADE AND OTHER RECEIVABLES

| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Trade receivables | 36,024 | 36,623 |
| Bills receivables | <u>1,979</u> | <u>832</u> |
| | 38,003 | 37,455 |
| Less: allowance for doubtful debts | <u>(7,969)</u> | <u>(6,988)</u> |
| | 30,034 | 30,467 |
| Other receivables | <u>156</u> | <u>139</u> |
| | 30,190 | 30,606 |
| Loans and receivables | 30,190 | 30,606 |
| Deposits and prepayments | 916 | 893 |
| Prepayments to suppliers | 4,542 | 1,682 |
| Value added tax recoverable | <u>12</u> | <u>367</u> |
| | <u>35,660</u> | <u>33,548</u> |

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade and bills receivables presented based on the date of goods delivered is as follows:

| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Within 30 days | 9,391 | 7,947 |
| 31-60 days | 4,703 | 6,789 |
| 61-90 days | 2,996 | 4,722 |
| 91-180 days | 10,587 | 7,265 |
| More than 180 days | <u>10,326</u> | <u>10,732</u> |
| | 38,003 | 37,455 |
| Less: allowance for doubtful debts | <u>(7,969)</u> | <u>(6,988)</u> |
| | <u>30,034</u> | <u>30,467</u> |

The normal credit period granted to the customers of the Company is 30 to 120 days (2011: 30 to 120 days).

13. TRADE AND OTHER PAYABLES

| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Trade payables | 9,349 | 12,503 |
| Other payables and accruals | <u>14,660</u> | <u>14,325</u> |
| Financial liabilities measured at amortised cost | 24,009 | 26,828 |
| Trade deposits received from customers | 810 | 1,598 |
| Other taxes payable | <u>781</u> | <u>409</u> |
| | <u>25,600</u> | <u>28,835</u> |

All the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The following is an ageing analysis of trade payables presented based on the date of goods received as at the end of the reporting period:

| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Within 90 days | 6,835 | 10,851 |
| 91 – 180 days | 1,965 | 923 |
| 181 – 365 days | 183 | 628 |
| Over 365 days | <u>366</u> | <u>101</u> |
| | <u>9,349</u> | <u>12,503</u> |

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor express an unqualified opinion in the auditors's report but wishes to draw attention to the readers of the financial statements by adding an emphasis of matter paragraph as follows:

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2012, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matters

Without qualifying our opinion, we draw attention to note 2(b)(i) to the financial statements which indicates that as at 31 December 2012, the Company had interest-bearing borrowings of RMB26,985,000 of which RMB7,000,000 was overdue as at 31 December 2012 and the remaining balance of RMB19,985,000 shall be repaid before 29 December 2013, the details of which are set out in note 23 to the financial statements. These conditions, along with other matters as set forth in note 2(b)(i) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Due to the European debt crisis, the Company had suffered a drop in sales in 2012. Under the leadership of the Board, the staff members will continue to work hard to lay a firm foundation for further growth of the Company.

The Company is principally engaged in the manufacture and sale of universal joints for automobiles. The Company has three main product categories, comprising cardan universal joints, wing bearing universal joints and transmission shaft.

Business Review

The Company has three main product categories, comprising cardan universal joints, wing bearing universal joints and drive shaft. Due to the rapid development of the PRC economy and the country's rising living standard, both corporate and individual demands for automobiles have been increasing, which in turn would drive up demands for automobile parts and components.

The Company's products are distributed through its own sales force to transmission shaft factories as well as automobile repair factories in the PRC. These domestic sales represented approximately 9% of the total turnover in 2012, as compared to approximately 11% of the total turnover in 2011. In addition, the Company sells its products to import and export corporations in the PRC, which accounted for approximately 31.8% and approximately 38.7% of the total turnover in 2012 and 2011 respectively. The Company has been selling its products directly to overseas customers in countries and regions including the United Kingdom, Taiwan, the United States, India, Italy and Japan. For 2012, direct sales to overseas customers represented approximately 58.9% (2011: approximately 50.3%) of the Company's total turnover.

Interest Bearing 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. The outstanding balances of the entrusted loans as at 31 December 2011 consisted of a loan of RMB15,000,000 which was due for repayment on 28 July 2011 and another loan of RMB11,985,000 which was due for repayment on 5 August 2010. Since the outstanding loans were overdue as at 31 December 2011, the Company was in breach of the relevant loan agreements. On 27 February 2012, the lender agreed with the Company to repay the outstanding loans by two installments 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. Notwithstanding the fact that the Company extended the repayment schedules of the entrusted loans on 27 February 2012, the Company restated the entrusted loan of RMB20,000,000 as at 31 December 2011 from non-current liabilities to current liabilities to reflect that the entrusted loan was overdue as at 31 December 2011. As at 31 December 2012, the Company failed to repay the outstanding loan of RMB7,000,000 which was due for repayment before 30 December 2012. Subsequent to the end of the reporting period on 15 March 2013, the Company repaid the said overdue loan of RMB7,000,000 to the lender. Up to the date of this announcement, the lender has not made any demand for immediate repayment of the remaining balances of the entrusted loans of RMB19,985,000.

Outlook and Prospect

The Company plans to expand its production capacity for all three product categories by increasing investments in equipment and other properties, plants and equipments.

The management will continue to expand the Company's domestic and overseas sales networks. For the PRC market, the Company intends to increase its market share by expanding its sales and marketing team as well as establishing sales networks in certain regions of the PRC. For the overseas market, the Company intends to further expand its own export networks by boosting its direct export sales. The Company will strengthen its brand name promotion by means of advertisement, promotional campaigns and participating in automobile exhibitions to enhance the publicity of the Company.

Turnover

Turnover amounted to approximately RMB100.22 million in 2012, representing a decrease of approximately 12.67% as compared to approximately RMB114.76 million in 2011. For the year ended 31 December 2012, export sales of approximately RMB59.04 million were contributed by overseas (including Hong Kong) customers, sales of approximately RMB31.92 million were attributable to the import and export companies, which were then sold to various overseas markets, and domestic sales were approximately RMB9.26 million for the year ended 31 December 2012.

Cost of Sales and Gross Profit

Cost of sales decreased from approximately RMB102.17 million in 2011 to approximately RMB89.46 million in 2012, representing a decrease of approximately 12.44% as compared to the previous year. Gross profit margin of the Company's products slightly decreased 2.19% to 10.73% in 2012 as compared to 10.97% in 2011 primarily due to increase in staff cost.

Exposure in Exchange Rate Fluctuations

Most of the Company's sales and raw materials purchases are settled in RMB. In such circumstances, the Directors considered that the risk associated with the exchange rate fluctuations was limited for the year of 2012. No instrument had been employed by the Company for any hedging purpose during the year ended 31 December 2012.

Significant Investments Held

The Company had not held any significant investments during the year ended 31 December 2012.

Financial Resources and Liquidity

The shareholders' equity amounted to approximately RMB76.98 million as at 31 December 2012 (2011: approximately RMB84.44 million). Current assets amounted to approximately RMB84.21 million as at 31 December 2012 (2011: approximately RMB86.24 million), of which approximately RMB19.51 million (2011: approximately RMB9.84 million) was cash and cash equivalents. As at 31 December 2012, the Company had interest-bearing borrowings of approximately RMB26.99 million (2011: approximately RMB26.99 million) and has no long-term borrowings (2011: nil). The interest-bearing borrowings were repayable within one year.

For the year ended 31 December 2012, all of the Company's borrowings were made in RMB at fixed interest rates and cash and cash equivalents amounted to RMB17,551,000 (2011: RMB8,042,000) and RMB1,955,000 (2011: RMB1,801,000) were held in RMB and US dollar respectively.

Contingent Liabilities

As at 31 December 2012, the Directors were not aware of any material contingent liabilities.

Charges on Assets

As at 31 December 2012, the interest-bearing borrowings of approximately RMB26.99 million were secured by guarantees provided by 浙江嘉利蛋白纖維有限公司 (Zhejiang Jiali Protein Fiber Company Limited*) bearing interest at 7.47% per annum, where the interest-bearing borrowings are repayable within one year.

Gearing Ratio

The Company's gearing ratio, based on total liabilities to shareholders' equity, amounted to approximately 0.68 (2011: approximately 0.66) as at 31 December 2012.

Capital Structure

The Company issued 23,000,000 new H shares with a nominal value at RMB1.00 each at a price of HK\$1.33 per H share upon the listing of the Company's H shares on GEM of the Stock Exchange on 18 February 2004. Since the listing of the Company's H shares on the GEM of the Stock Exchange, there has been no change in the capital structure of the Company.

As at 31 December 2012, the Company's operations were financed mainly by shareholders' equity, internal resources and interest-bearing borrowings. The Company will continue to adopt its treasury policy of placing the Company's cash and cash equivalents in interest bearing deposits.

Employee Information

During the year ended 31 December 2012, the Company had 378 employees (2011: 425). They were remunerated in accordance with their performance and the market condition. Other benefits available to eligible employees include retirement benefits. The Company does not have a share option scheme. The remuneration of the Directors are determined with reference to the Company's performance and profitability as well as the remuneration level within the industry and prevailing market conditions. The total remuneration of the Company's employees were approximately RMB13.12 million for the year ended 31 December 2012, including Directors' remuneration. Staff salary and production line workers salary were mainly based on piece rate. The Company's back office staff salary was mainly based on yearly remuneration, with an increase of 5% per annum.

Major Customers and Suppliers

The Company's sales to the five largest customers accounted for approximately 52.73% of the Company's turnover during the year ended 31 December 2012. The Company's sales to the largest customer accounted for approximately 16.94% of the Company's turnover during the year ended 31 December 2012.

The Company's purchases attributable to the five largest suppliers in aggregate during the year ended 31 December 2012 amounted to approximately 66.10% of the total purchases. The Company's purchases attributable to the largest supplier accounted for approximately 26.83% of the Company's total purchases during the year ended 31 December 2012.

At no time during the year ended 31 December 2012 had the Directors, their respective associates or any shareholders of the Company (who, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had any interest in the aforesaid major customers and suppliers of the Company.

DIVIDENDS

The Directors did not recommend the payment of any dividend during and for the year ended 31 December 2012.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company did not have distributable reserves. The distributable reserves of the Company as at 31 December 2011 amounted to RMB1,885,000.

COMPETING INTERESTS

None of the Directors and Supervisors and their respective associates had any interest in any businesses which directly or indirectly compete with the business of the Company during the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

The Company had not purchased, sold or redeemed any of its listed securities during the year ended 31 December 2012.

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") on 4 January 2004 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and provide supervision over the financial reporting process and internal control of the Company.

In compliance with the amendments to the GEM Listing Rules and the revised code provisions (the “Revised Code Provisions”) set out in the revised Corporate Governance Code (the “Revised Code”), which have been effective on 1 April 2012, the written terms of reference of the Audit Committee has been revised on 30 March 2012 in compliance with the Revised Code Provisions.

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 had reviewed the Company’s annual results and this announcement, including the Company’s financial statements for the year ended 31 December 2012 and had provided advice and comments thereon to the Board. The Audit Committee have reviewed the annual results and was of the opinion that the Company’s annual results and this announcement complied with the applicable accounting standards and the applicable laws and regulations including the GEM Listing Rules, and that adequate disclosures had been made.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the Company’s statement of financial position, statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in this announcement have been agreed by the Company’s auditor, CCIF CPA Limited, to the amounts set out in the Company’s draft financial statements for the year ended 31 December 2012. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on this announcement.

CORPORATE GOVERNANCE CODE

During the period from 1 January 2012 to 31 March 2012, the Company has adopted and complied with the previous code provisions (the “Code Provisions”) set out in the Code on Corporate Governance Practices (the “Code”) as stated in the former Appendix 15 to the GEM Listing Rules, which was effective before 1 April 2012.

During the period from 1 April 2012 to 31 December 2012, the Company has adopted and complied with the Revised Code Provisions set out in the Revised Code effective from 1 April 2012 and set out in the revised Appendix 15 to the GEM Listing Rules, which was effective before 1 April 2012.

The Directors consider that the Company had complied with the Code Provisions and the Revised Code Provisions as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry had been made to all Directors who had confirmed that they had complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2012.

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

Zhejiang Province, the People's Republic of China

27 March 2013

As at the date of this announcement, 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.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of posting.

* *For identification purpose only*