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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 2013**

**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.*

** for identification purpose only*

RESULTS HIGHLIGHT

- For the year ended 31 December 2013, the turnover was approximately RMB80.11 million, representing a decrease of approximately 20.06% over the previous year.
- For the year ended 31 December 2013, the net loss after tax was approximately RMB8.58 million, representing an increase of approximately 14.95% over the previous year.
- No dividend was paid or declared during the year ended 31 December 2013.

ANNUAL RESULTS

The board (the “Board”) of Directors is pleased to announce the audited results of the Company for the year ended 31 December 2013, together with the comparative figures for the corresponding period of 2012 as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Turnover	4	80,114	100,219
Cost of sales		(75,341)	(89,463)
Gross profit		4,773	10,756
Other revenue	5	679	956
Other net income/(loss)	5	1,000	(666)
Distribution costs		(1,847)	(2,290)
Administrative expenses		(8,566)	(9,928)
Other operating expenses		(3,500)	(3,676)
Loss from operations	6	(7,461)	(4,848)
Finance costs	7	(1,119)	(2,616)
Loss before taxation		(8,580)	(7,464)
Income tax	8	–	–
Loss for the year attributable to owners of the Company		(8,580)	(7,464)
Other comprehensive income for the year, net of nil tax		–	–
Total comprehensive loss for the year attributable to owners of the Company		(8,580)	(7,464)
Loss per share			
Basic and diluted	10	(RMB0.112)	(RMB0.097)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>Note</i>	2013 RMB'000	2012 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		31,896	39,940
Prepaid lease payments		5,327	5,466
Intangible assets		–	–
		37,223	45,406
Current assets			
Prepaid lease payments		139	139
Inventories		21,480	27,481
Trade and other receivables	12	32,812	35,660
Amount due from a related party		753	1,419
Cash and cash equivalents		10,975	19,506
		66,159	84,205
Current liabilities			
Trade and other payables	13	19,986	25,600
Amount due to a related party		–	50
Interest-bearing borrowings		15,000	26,985
		34,986	52,635
Net current assets		31,173	31,570
NET ASSETS		68,396	76,976
EQUITY			
Equity attributable to owners of the Company			
Share capital		76,600	76,600
Reserves		(8,204)	376
TOTAL EQUITY		68,396	76,976

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2012	76,600	246	5,709	1,885	84,440
<i>Changes in equity for 2012:</i>					
Loss for the year	—	—	—	(7,464)	(7,464)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(7,464)	(7,464)
At 31 December 2012 and 1 January 2013	76,600	246	5,709	(5,579)	76,976
<i>Changes in equity for 2013:</i>					
Loss for the year	—	—	—	(8,580)	(8,580)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(8,580)	(8,580)
At 31 December 2013	<u>76,600</u>	<u>246</u>	<u>5,709</u>	<u>(14,159)</u>	<u>68,396</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 GEM Listing Rules.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Going concern

The Company incurred a net loss attributable to the owners of the Company of RMB8,580,000 during the year ended 31 December 2013 and as at that date, the Company had cash and cash equivalents of RMB10,975,000 and interest-bearing borrowings of RMB15,000,000 which contained a repayable on demand clause. Notwithstanding the above, the financial statements have been prepared on a going concern basis.

In preparing the financial statements, the Directors 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 RMB10,975,000 and net current assets of RMB31,173,000 as at 31 December 2013.

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 People's Republic of China (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; and
- Negotiate with the lender to extend the repayment date of the entrusted loan of RMB15,000,000.

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.

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost convention. 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 that are 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

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income are relevant to the Company’s financial statements.

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Company has chosen to use the new title of “statement of profit or loss and other comprehensive income” as introduced by the amendments in these financial statements.

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/(LOSS)

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Other revenue		
Bank interest income, being total interest income on financial assets not at fair value through profit or loss	231	185
Government grants (<i>Note</i>)	231	391
Sales of scrap materials	217	380
	<u>679</u>	<u>956</u>
Other net income/(loss)		
Reversal of impairment loss on trade receivables	2,576	604
Impairment loss on trade receivables	(1,605)	(1,585)
Gain on disposal of property, plant and equipment	–	163
Insurance claim	29	152
	<u>1,000</u>	<u>(666)</u>

Note: The government grants received represent subsidies of social insurance from the Ministry of Finance of Zhejiang Province, PRC to stabilise the labour market.

6. LOSS FROM OPERATIONS

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

	2013 RMB'000	2012 <i>RMB'000</i>
Cost of inventories recognised as expenses	75,341	89,463
Staff costs		
– Salaries, wages and other benefits (including directors' emoluments)	11,900	12,405
– Contributions to defined contribution retirement plans	697	719
	12,597	13,124
Research and development costs	219	220
Depreciation of property, plant and equipment	4,980	4,946
Amortisation of prepaid lease payments	139	139
Amortisation of intangible assets	–	1,324
Auditor's remuneration	362	356
Impairment loss on property, plant and equipment*	3,500	–
Impairment loss on trade receivables	1,605	1,585
Reversal of impairment loss on trade receivables	(2,576)	(604)
Impairment loss on intangible assets*	–	3,676
Write-down of inventories	1,600	2,000
Gain on disposal of property, plant and equipment	–	(163)
Net foreign exchange loss	797	82

* These items are included in "other operating expenses" in the statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	2013 RMB'000	2012 <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	1,119	2,616

8. INCOME TAX

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 2013 and 2012.

No provision for 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 2013 and 2012.

9. DIVIDENDS

The directors resolved not to declare any dividend in respect of the year ended 31 December 2013 (2012: Nil).

10. LOSS PER SHARE

The basic loss per share was calculated based on the loss attributable to owners of the Company of approximately RMB8,580,000 (2012: RMB7,464,000) and the weighted average number of 76,600,000 shares (2012: 76,600,000 shares) in issue during the year ended 31 December 2013.

Diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary share outstanding during the years ended 31 December 2013 and 2012.

11. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Board, being the Company's chief operating decision maker, 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 profit or loss and other comprehensive income and the 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	
	2013 RMB'000	2012 RMB'000
The PRC (place of domicile), excluding Hong Kong	41,144	41,179
Europe	24,090	32,328
Asia other than the PRC	10,951	17,272
Other countries	3,929	9,440
	<u>80,114</u>	<u>100,219</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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Customer A	13,001	16,977
Customer B	10,035	14,619
	<u>23,036</u>	<u>31,596</u>

12. TRADE AND OTHER RECEIVABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables	34,679	36,024
Bills receivables	1,840	1,979
	<u>36,519</u>	<u>38,003</u>
Less: allowance for doubtful debts	(6,998)	(7,969)
	<u>29,521</u>	<u>30,034</u>
Other receivables	290	156
	<u>29,811</u>	<u>30,190</u>
Loans and receivables	29,811	30,190
Deposits and prepayments	500	916
Prepayments to suppliers	2,461	4,542
Value added tax recoverable	40	12
	<u>32,812</u>	<u>35,660</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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 30 days	8,439	9,391
31-60 days	7,321	4,703
61-90 days	2,998	2,996
91-180 days	7,270	10,587
181-365 days	3,010	2,466
Over 365 days	7,481	7,860
	<u>36,519</u>	<u>38,003</u>
Less: allowance for doubtful debts	<u>(6,998)</u>	<u>(7,969)</u>
	<u>29,521</u>	<u>30,034</u>

The normal credit period granted to the customers of the Company is 30 to 120 days (2012: 30 to 120 days).

13. TRADE AND OTHER PAYABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade payables	9,307	9,349
Other payables and accruals	8,991	14,660
	<u>18,298</u>	<u>24,009</u>
Financial liabilities measured at amortised cost		
Trade deposits received from customers	567	810
Other taxes payable	1,121	781
	<u>19,986</u>	<u>25,600</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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 90 days	8,134	6,835
91 – 180 days	783	1,965
181 – 365 days	130	183
Over 365 days	260	366
	<u>9,307</u>	<u>9,349</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 2013, 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 matter

Without qualifying our opinion, we draw attention to note 2(b)(i) to the financial statements which indicates that the Company incurred a net loss of RMB8,580,000 during the year ended 31 December 2013 and as at that date, the Company had cash and cash equivalents of RMB10,975,000 and interest-bearing borrowings of RMB15,000,000 which contained a repayable on demand clause. 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 slowdown of worldwide economy, the Company had suffered a drop in sales in 2013. 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 14.29% of the total turnover in 2013, as compared to approximately 9% of the total turnover in 2012. In addition, the Company sells its products to import and export corporations in the PRC, which accounted for approximately 36.81% and approximately 31.8% of the total turnover in 2013 and 2012 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 2013, direct sales to overseas customers represented approximately 48.64% (2012: approximately 58.9%) of the Company's total turnover.

Interest Bearing Borrowings

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. 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. The Company subsequently repaid the said overdue loan of RMB7,000,000 to the lender on 15 March 2013.

On 6 December 2013, the lender agreed with the Company to extend the repayment date of the remaining entrusted loans of RMB19,985,000, of which RMB4,985,000, RMB5,000,000 and RMB10,000,000 should be repaid before 31 December 2013, 31 December 2014 and 31 December 2015 respectively. On 20 December 2013, the Company repaid the first installment of RMB4,985,000.

As at 31 December 2013, the interest-bearing borrowings of approximately RMB15.00 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 RMB5.00 million interest-bearing borrowings are repayable before 31 December 2014, RMB10.00 million are before 31 December 2015.

The entrusted loans contain a repayable on demand clause and are classified under current liabilities as at 31 December 2013 and 2012. The entrusted loans are guaranteed by 浙江嘉利蛋白纖維有限公司 (“浙江嘉利”), an associate of 浙江展望控股集團有限公司 (“浙江展望控股”). Mr. Tang Li Min, a Director and controlling shareholder of the Company, holds 70.48% of the equity interest in 浙江展望控股. Mr. Hong Guo Ding, Mr. Tang Cheng Fang and Mr. Fei Guo Yang, the Directors, have equity interest of 10.84%, 9.97% and 3.68% in 浙江展望控股 respectively.

Outlook and Prospect

The Directors believe that the expansion of the Company’s domestic and overseas sales networks will enhance its product sales.

The Company intends to expand its market share both in the PRC and worldwide. 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. Currently, the Company plans to establish its sales networks in the central and south-western parts of the PRC and procure business relations with more import and export corporations in the PRC. The Company also intends to further expand its own export networks by boosting its direct export sales. In addition, the Company will strengthen its brand name promotion by means of media advertising, distribution of promotional materials and participation in automobile exhibitions to enhance the publicity of the Company. At present, the Company has its own product brand name, namely, Zhanwang. The Directors believe that a brand name is crucial to the Company’s marketing strategy as it can fully present the premium quality of its products, enhance customers’ recognition of the Company’s products and facilitate the promotion of its products.

Turnover

Turnover amounted to approximately RMB80.11 million in 2013, representing a decrease of approximately 20.06% as compared to approximately RMB100.22 million in 2012. For the year ended 31 December 2013, export sales of approximately RMB38.97 million were contributed by overseas (including Hong Kong) customers, sales of approximately RMB29.49 million were attributable to the import and export companies, which were then sold to various overseas markets, and domestic sales were approximately RMB11.65 million for the year ended 31 December 2013.

Cost of Sales and Gross Profit

Cost of sales decreased from approximately RMB89.46 million in 2012 to approximately RMB75.34 million in 2013, representing a decrease of approximately 15.79% as compared to the previous year. Gross profit margin of the Company’s products slightly decreased 4.77% to 5.96% in 2013 as compared to 10.73% in 2012 primarily due to increase in staff cost and the decrease in gross profit as a result of appreciation in Renminbi.

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 2013. No instrument had been employed by the Company for any hedging purpose during the year ended 31 December 2013.

Significant Investments Held

The Company had not held any significant investments during the year ended 31 December 2013.

Other Operating Expense

Other operating expense amounted to approximately RMB3.5 million in 2013, comprises the impairment loss on property, plant and equipment. As at 31 December 2013, the recoverable amount of the property, plant and equipment was assessed by the Board. The Board is of the opinion that the decrease in the recoverable amount of the property, plant and equipment was mainly attributable to severe and challenging market conditions towards the end of 2013. The impairment loss of RMB3,500,000 was recognised in "Other operating expense".

Financial Resources and Liquidity

The shareholders' equity amounted to approximately RMB68.40 million as at 31 December 2013 (2012: approximately RMB76.98 million). Current assets amounted to approximately RMB66.16 million as at 31 December 2013 (2012: approximately RMB84.21 million), of which approximately RMB10.98 million (2012: approximately RMB19.51 million) was cash and cash equivalents. As at 31 December 2013, the Company had interest-bearing borrowings of approximately RMB15.00 million (2012: approximately RMB26.99 million), 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.

For the year ended 31 December 2013, all of the Company's borrowings were made in RMB at fixed interest rates and cash and cash equivalents amounted to RMB9,469,000 (2012: RMB17,551,000) and RMB1,506,000 (2012: RMB1,955,000) were held in RMB and US dollar respectively.

Contingent Liabilities

As at 31 December 2013, the Directors were not aware of any material contingent liabilities.

Charges on Assets

As at 31 December 2013, no assets of the Company were charged or pledged.

Gearing Ratio

The Company's gearing ratio, based on total liabilities to shareholders' equity, amounted to approximately 0.51 (2012: approximately 0.68) as at 31 December 2013.

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 2013, 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 2013, the Company had 307 employees (2012: 378). 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 RMB12.60 million for the year ended 31 December 2013, 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 6% per annum.

Major Customers and Suppliers

The Company's sales to the five largest customers accounted for approximately 51.53% of the Company's turnover during the year ended 31 December 2013. The Company's sales to the largest customer accounted for approximately 16.23% of the Company's turnover during the year ended 31 December 2013.

The Company's purchases attributable to the five largest suppliers in aggregate during the year ended 31 December 2013 amounted to approximately 59.62% of the total purchases. The Company's purchases attributable to the largest supplier accounted for approximately 25.82% of the Company's total purchases during the year ended 31 December 2013.

At no time during the year ended 31 December 2013 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 2013.

DISTRIBUTABLE RESERVES

As at 31 December 2013 and 31 December 2012, the Company did not have distributable reserves.

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 2013.

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 2013.

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.

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 2013 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.

AMENDMENT TO THE TERMS OF REFERENCE OF NOMINATION COMMITTEE

The terms of reference of the nomination committee of the Company was amended on 13 August 2013 to include the review of the Company’s board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duties.

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

The figures in respect of the Company’s statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in this announcement have been agreed by the Company’s auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Company’s draft financial statements for the year ended 31 December 2013. The work performed by Crowe Horwath (HK) 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 Crowe Horwath (HK) CPA Limited on this announcement.

CHANGE OF AUDITOR

At the Annual General Meeting held on 21 May 2013, the shareholders of the Company had passed the resolution to appoint Crowe Horwath (HK) CPA Limited as the new auditors of the Company to fill the vacancy arising from the retirement of CCIF CPA Limited and to hold office until the conclusion of the next annual general meeting. For details please refer to announcements of the Company dated 27 March 2013 and 21 May 2013.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company had complied with the Code Provisions as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2013.

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 2013.

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

Zhejiang Province, the People's Republic of China

28 March 2014

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*