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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 2016**

**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 2016, the turnover was approximately RMB62.04 million, representing a decrease of approximately 10.22% compared to the previous year.
- For the year ended 31 December 2016, the net loss after tax was approximately RMB14.20 million, representing a decrease of approximately 130.92% over the previous year.
- No dividend was paid or declared during the year ended 31 December 2016.

ANNUAL RESULTS

The board (the “Board”) of Directors is pleased to announce the audited results of the Company for the year ended 31 December 2016, together with the comparative figures for the corresponding period of 2015 as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2016	2015
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	62,036	69,095
Cost of sales		(52,960)	(55,926)
Gross profit		9,076	13,169
Other income	4	457	57,489
Distribution costs		(1,584)	(1,778)
Administrative and other operating expenses		(11,242)	(10,381)
Impairment loss on property, plant and equipment		(10,900)	–
(Loss)/profit from operations		(14,193)	58,499
Finance costs	6	(2)	(369)
(Loss)/profit before taxation	5	(14,195)	58,130
Income tax	7	–	(12,218)
(Loss)/profit for the year attributable to owners of the Company		(14,195)	45,912
Other comprehensive income for the year, net of nil tax		–	–
Total comprehensive (loss)/income for the year attributable to owners of the Company		(14,195)	45,912
(Loss)/earnings per share			
Basic and diluted	9	(RMB0.185)	RMB0.599

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	2016	2015
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Property, plant and equipment	–	11,536
Deposits paid for acquisition of property, plant and equipment	4,349	–
	4,349	11,536
Current assets		
Inventories	19,197	19,949
Trade and other receivables	52,588	67,846
Cash and cash equivalents	52,135	41,102
	123,920	128,897
Current liabilities		
Trade and other payables	19,153	17,122
Current taxation	12,218	12,218
	(31,371)	(29,340)
Net current assets	92,549	99,557
NET ASSETS	96,898	111,093
EQUITY		
Equity attributable to owners of the Company		
Share capital	76,600	76,600
Reserves	20,298	34,493
TOTAL EQUITY	96,898	111,093

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Statutory Surplus Reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2015	76,600	246	5,709	(17,374)	65,181
<i>Changes in equity for 2015:</i>					
Profit for the year	—	—	—	45,912	45,912
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year	—	—	—	45,912	45,912
Appropriation of reserves	—	—	4,591	(4,591)	—
At 31 December 2015 and 1 January 2016	76,600	246	10,300	23,947	111,093
<i>Changes in equity for 2016:</i>					
Loss for the year	—	—	—	(14,195)	(14,195)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(14,195)	(14,195)
Appropriation of reserves	—	—	—	—	—
At 31 December 2016	76,600	246	10,300	9,752	96,898

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of amendments to HKFRSs that are effective for the current accounting period of the Company:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current year has had no material effect on the Company’s financial performance and positions for the current and prior accounting periods and/or on the disclosures in the Company’s financial statements.

3. REVENUE

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

The revenue 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.

4. OTHER INCOME

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Bank interest income	163	26
Other interest income (<i>note a</i>)	374	–
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Total interest income on financial assets not at fair value through profit or loss	537	26
Sales of scrap materials	32	268
Guarantee fee income	141	–
Net (loss)/gain on disposal of property, plant and equipment and prepaid lease payments	(3)	54,115
Reversal of accrued expenses (<i>note b</i>)	–	1,253
Reversal of impairment loss on trade receivables, net	(1,176)	577
Sundry income	14	102
Foreign exchange gain, net	912	1,148
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	457	57,489
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Notes:

- a) Included in interest income, RMB332,000 was the interests received from an independent third party. On 12 July 2016, the Company entered into a loan agreement with an independent third party, pursuant to which the Company agreed to advance a loan in the principal amount of RMB27,000,000, which was interest-bearing at 5% per annum and repayable on demand. The loan was fully repaid by the independent third party during the year.
- b) It represented waiver of previously accrued default penalty on full settlement of the entrusted loan.

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated at after charging/(crediting) the followings:

	2016 RMB'000	2015 <i>RMB'000</i>
Cost of inventories [#]	52,960	55,926
Staff costs		
– Salaries, wages and other benefits (including directors' and supervisors' emoluments)	11,408	11,838
– Contributions to defined contribution retirement plan	1,453	730
	12,861	12,568
Operating lease charges: minimum lease payments	2,251	1,601
Research and development costs	173	207
Depreciation of property, plant and equipment	3,642	4,569
Amortisation of prepaid lease payments	–	102
Auditor's remuneration	428	394
Net loss/(gain) on disposal of property, plant and equipment and prepaid lease payments	3	(54,115)
Impairment loss on property, plant and equipment	10,900	–
Impairment loss on trade receivables	1,409	379
Reversal of impairment loss on trade receivables	(233)	(956)
Foreign exchange gain, net	(912)	(1,148)

[#] Cost of inventories includes RMB12,637,000 (2015: RMB13,777,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

6. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest expenses on an entrusted loan, being total interest expense on financial liabilities not at fair value through profit or loss (<i>note a</i>)	–	369
Other interest expenses	<u>2</u>	<u>–</u>
	<u>2</u>	<u>369</u>

Note:

- a) The amount represented interest expense on an entrusted loan of RMB15,000,000 borrowed from a PRC Government related organisation through a bank in the PRC. On 25 September 2015, the Company fully settled the balance.

7. INCOME TAX

For the year ended 31 December 2016, PRC Enterprise Income Tax (“EIT”) is calculated at 25% on the estimated assessable profits. For the year ended 31 December 2015, PRC EIT is calculated at 25% on the estimated assessable profits less tax losses brought forward from prior years.

For the year ended 31 December 2016 and 2015, no Hong Kong Profits Tax has been provided for in the financial statements as the Company did not have business in Hong Kong.

8. DIVIDENDS

The Board has resolved not to declare any dividend in respect of the year ended 31 December 2016 (2015: Nil).

9. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share was calculated based on the loss attributable to owners of the Company of RMB14,195,000 (2015: profit of RMB45,912,000) and the weighted average number of 76,600,000 shares (2015: 76,600,000 shares) in issue during the year ended 31 December 2016.

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share as there were no potential dilutive ordinary share outstanding during the years ended 31 December 2016 and 2015.

10. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Board, being the Company's chief operating decision maker, regularly reviews the revenue based on domestic and overseas customers on a geographical basis and the Board reviewed the overall operating results of the Company to make strategic decisions. The Company has only one single reportable segment, being manufacture and sales of universal joints for automobiles.

a) Segment 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 of the Company.

The Board considers the Company's (loss)/profit 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	
	2016 RMB'000	2015 RMB'000
The PRC (place of domicile), excluding Hong Kong	22,084	23,399
Europe	19,563	19,181
Asia other than the PRC	11,645	12,365
Other countries	8,744	14,150
	<u>62,036</u>	<u>69,095</u>

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

c) Information about major customers

Revenues from customers each of which contributes 10% or more to the total revenues of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Customer A	<u>10,366</u>	<u>9,220</u>

11. TRADE AND OTHER RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	28,246	25,602
Bills receivables	3,272	300
	<u>31,518</u>	<u>25,902</u>
Less: allowance for doubtful debts	(4,823)	(3,647)
	<u>26,695</u>	<u>22,255</u>
Consideration receivable from Yangxunqiao Town Government (<i>note a</i>)	25,000	42,411
Guarantee fee receivable	67	–
Other receivables	321	2,225
	<u>52,083</u>	<u>66,891</u>
Loans and receivables	52,083	66,891
Prepayments to suppliers	182	202
Deposits and other payments	206	721
Value added tax recoverable	117	32
	<u>52,588</u>	<u>67,846</u>

Note a: The amounts represents the balance of the consideration receivable from Yangxunqiao Town Government in relation to resumption of the Company's land use rights during the year ended 31 December 2015, which is unsecured and interest free.

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

As at the end of the reporting period, the ageing analysis of trade and bills receivables presented based on the date of goods delivered is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 30 days	7,414	7,347
31-60 days	5,744	2,763
61-90 days	5,515	2,583
91-120 days	942	3,206
Over 120 days	11,903	10,003
	<u>31,518</u>	<u>25,902</u>
Less: allowance for doubtful debts	(4,823)	(3,647)
	<u>26,695</u>	<u>22,255</u>

Trade receivables and bills receivables are due within 30 to 120 days (2015: 30 to 120 days) from the date of billing.

12. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 <i>RMB'000</i>
Trade payables	11,207	7,770
Other payables and accruals	7,315	7,787
Financial guarantee contracts	158	–
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	18,680	15,557
Trade deposits received from customers	232	1,336
Other tax payables	241	229
	<hr/>	<hr/>
	19,153	17,122
	<hr/>	<hr/>

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

As at the end of the reporting period, the ageing analysis of trade payables presented based on the date of goods received as at the end of the reporting period:

	2016 RMB'000	2015 <i>RMB'000</i>
Within 90 days	9,097	6,046
91 – 180 days	1,459	1,331
181 – 365 days	445	281
Over 365 days	206	112
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	11,207	7,770
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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Due to the depression of worldwide economy, there is a decrease in the sales of the Company in 2016. Under the leadership of the Board, the staff will continue to work hard to lay a firm foundation for the growth of the Company.

The Company is principally engaged in the manufacture and sale of universal joints for automobiles.

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 experienced an increase, which in turn drives 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 16.88% of the total turnover in 2016, as compared to approximately 12.20% of the total turnover in 2015. In addition, the Company sells its products to import and export corporations in the PRC, which accounted for approximately 18.72% and approximately 21.66% of the total turnover in 2016 and 2015 respectively. The Company has been selling its products directly to overseas customers in countries and regions including Russia, Turkey, Mexico, the United States, India, Italy and Japan. For 2016, direct sales to overseas customers represented approximately 64.40% (2015: approximately 66.14%) of the Company's total turnover.

Interest Bearing Borrowings

As at 31 December 2016, the Company has no interest bearing borrowings.

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 RMB62.04 million in 2016, representing a decrease of approximately 10.22% as compared to a turnover of approximately RMB69.10 million in 2015. For the year ended 31 December 2016, export sales of approximately RMB39.95 million were contributed by overseas (including Hong Kong) customers, sales of approximately RMB11.61 million were attributable to the import and export companies, which were then sold to various overseas markets, and domestic sales was approximately RMB10.48 million for the year ended 31 December 2016.

Cost of Sales and Gross Profit

Cost of sales decreased from approximately RMB55.93 million in 2015 to approximately RMB52.96 million in 2016, representing a decrease of approximately 5.31% as compared to the year ended 31 December 2015. Gross profit margin of the Company's products decreased by 4.43% to 14.63% in 2016 as compared to 19.06% in 2015, primarily due to increase in raw material cost and cost of maintenance and repair.

Acquisitions, Disposals and Significant Investment

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

Exposure in Exchange Rate Fluctuations

The business operations of the Company were conducted mainly in the PRC with revenues mainly denominated in USD and RMB and expenses denominated mainly in RMB.

Among the Company's trade receivables, net of provision, approximately 54.97% (2015: 43.00%) were denominated in USD and 45.03% (2015: 57.00%) were denominated in RMB.

Any significant exchange rate fluctuations of USD against RMB may have a financial impact on the Company as RMB is the Company's functional currency.

The Directors considered the Company's foreign exchange risk to be insignificant. The Company did not use any financial instruments for hedging purposes during the year ended 31 December 2016.

Significant Investments Held

The Company did not hold any significant investments during the year ended 31 December 2016.

Financial Resources and Liquidity

The shareholders' equity amounted to approximately RMB96.90 million as at 31 December 2016 (2015: approximately RMB111.09 million). Current assets amounted to approximately RMB123.92 million as at 31 December 2016 (2015: approximately RMB128.90 million), of which approximately RMB52.14 million (2015: approximately RMB41.10 million) was cash and cash equivalents. As at 31 December 2016, the Company had no interest-bearing borrowings (2015: Nil).

Contingent Liabilities

As at 31 December 2016, the Directors were not aware of any material contingent liabilities.

Charges on Assets

As at 31 December 2016, 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 0.32 (2015: approximately 0.26) as at 31 December 2016.

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 2016, the Company's operations were financed mainly by shareholders' equity and internal resources. 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 2016, the Company had 260 employees (2015: 267). 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 was approximately RMB11.35 million for the year ended 31 December 2016 (2015: RMB11.37 million), 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.

Major Customers and Suppliers

The Company's sales to the five largest customers accounted for approximately 44.73% of the Company's turnover during the year ended 31 December 2016 (2015: 43.53%). The Company's sales to the largest customer accounted for approximately 16.71% of the Company's turnover during the year ended 31 December 2016.

The Company's purchases attributable to the five largest suppliers in aggregate during the year ended 31 December 2016 amounted to approximately 58.06% of the total purchases (2015: 59.27%). The Company's purchases attributable to the largest supplier accounted for approximately 24.00% of the Company's total purchases during the year ended 31 December 2016 (2015: 26.12%).

At no time during the year ended 31 December 2016 had the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders of the Company (who, to the knowledge of the Directors, owned more than 5% of the number of the issued shares of the Company) 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 2016.

DISTRIBUTABLE RESERVES

As at 31 December 2016 and 31 December 2015, the Company did not have distributable reserves.

COMPETING INTERESTS

None of the Directors nor the supervisors of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in any businesses which directly or indirectly compete or may compete with the business of the Company during the year ended 31 December 2016.

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 2016.

AUDIT COMMITTEE

The Company set up an audit committee (the “Audit Committee”) on 4 January 2004 with its updated written terms of reference adopted on 22 December 2015 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 risk management and internal control systems 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 2016 and had provided advice and comments thereon to the Board. The Audit Committee have reviewed the annual results for the year ended 31 December 2016 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 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 2016 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 2016. 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.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company had complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2016.

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 2016.

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

Zhejiang Province, the People's Republic of China

21 March 2017

As at the date of this announcement, Mr. Fei Guo Yang, Mr. Hong Guo Ding and Mr. Hong Chun Qiang are executive Directors; Mr. Tang Cheng Fang, Mr. Li Zhang Rui and Ms. Tang Jing Jing 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 its date of publication. This announcement will also be published on the website of the Company at www.zhejiangprospect.com

* for identification purpose only