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展望
ZHANWANG

浙江展望股份有限公司

ZHEJIANG PROSPECT COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 08273)

**ANNOUNCEMENT –
RECENT DEVELOPMENT OF SUSPENSION IN TRADING –
INTERNAL CONTROL REVIEW**

Reference is made to the announcements of Zhejiang Prospect Company Limited* (the “**Company**”) dated 26 March 2018, 3 April 2018, 15 May 2018, 4 July 2018, 13 July 2018, 1 August 2018 and 17 August 2018 (the “**Announcements**”) respectively in relation to, among other things, the delay in publication of its annual results and annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Results**”), its quarterly results announcement and quarterly report for the three months ended 31 March 2018 (the “**2018 First Quarterly Results Announcement**”), its interim results announcement and interim report for the six months ended 30 June 2018, and the Resumption Conditions. Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

In respect of certain bank account collection and payment transactions (the “**Transactions**”) of the Company during the year ended 31 December 2017, with several related parties/connected persons or counterparties, relevant disclosure and method of announcement (given that some of the Transactions may have constituted connected transactions), and its relevant internal control measures, the board of directors of the Company (“**Board**”) has established an independent investigation committee (the “**Independent Investigation Committee**”) comprising all of the Company’s three independent non-executive Directors, which has engaged an independent internal control adviser (the “**Independent Internal Control Adviser**”) to conduct a review on the Company’s internal control. The Independent Internal Control Adviser has submitted a written report (the “**Internal Control Review Report**”) in relation to the above matters on 14 July 2018.

Review Scope

The Independent Internal Control Adviser has conducted a detailed review on the Company's internal control and compliance system. As agreed by the Independent Internal Control Adviser and the Board, the Internal Control Review Report has addressed the following aspects of the Transactions:

- Review relevant documents and accounting treatment of the Transactions;
- The way how the Company complied with the GEM Listing Rules and relevant internal control measures in relation to financial reporting obligation;
- Internal control measures in respect of the bank transaction conducted by the Company;
- Propose the recommendation for improvement; and
- Communication with the Independent Investigation Committee of the Company as to the review result.

Findings

According to the result of the internal control review, the Independent Internal Control Adviser considers the Company has failed to maintain a high level of control on certain aspects within the review scope and it has identified several risks. Major findings and issues identified are setting out as follows:

- (1) The Transactions involve certain steel purchase contracts and bank acceptance bill purchase contracts entered into by the Company and several related parties/connected persons or counterparties, as well as prepayment under the terms of the contracts and prepayment refunded to the Company after those contracts were terminated. The Independent Internal Control Adviser has reviewed relevant documents involved in the Transactions and was unable to determine the major commercial rationale of the relevant contracts. Therefore, the Independent Internal Control Adviser proposed to consider the Transactions be accounted for as financing activities (i.e. provision of loan to the counterparties and repayment), as a more appropriate accounting treatment given the results of the Transactions.
- (2) The Company has failed to follow the Internal Control Procedure and Compliance Handbook in handling the Transactions, resulted in failing to identify related parties and disclosable connected transactions.

- (3) The Company has prepared and approved the Internal Control Procedure and Compliance Handbook respectively in 2011 and 2012 for each Director to comply with the GEM (previously known as “**Growth Enterprise Market**”) Listing Rules and for employees to implement daily operation, including, among others, Chapter 19 and Chapter 20 of the GEM Listing Rules. However, the Internal Control Procedure and Compliance Handbook have not been updated on a regular basis.

Recommendations

The major recommendations proposed by the Independent Internal Control Adviser are set out as follows:

- (1) The Company is advised to strictly comply with the requirements set out in the Chapter 19, Chapter 20 and Appendix 15 of the GEM Listing Rules and fulfil the disclosure requirements relating to related party transactions in accordance with the Hong Kong Financial Reporting Standards.
- (2) The Board of the Company is advised to strictly implement and establish a Compliance Review Committee, to control and review any material transactions of the Company, so as to comply with the GEM Listing Rules.
- (3) The Board and senior management are advised to enhance internal control procedures and effectiveness and implementation of Internal Control Procedure and Compliance Handbook, review the effectiveness on a regular basis or based on relevant legal/procedural changes and update accordingly, to ensure strict implementation by the relevant staff.
- (4) During the negotiation of purchase contracts, the Company should implement the contract management system, set out purchase condition, payment and refund and dispute resolution to establish rights and obligations of both parties.

As confirmed by the Board, all of the findings and recommendations have been agreed by the Board and the management. The Board and the management also confirmed that they will implement the recommendation of the Independent Internal Control Adviser, so as to strengthen and enhance the internal control system of the Company.

In addition, the Company believes that by adopting the recommendations of the Independent Internal Control Adviser, the Board and management are capable of improving the corporate governance of the Company and ensure the Company to comply with the requirements of Chapter 19, Chapter 20 and Appendix 15 of the GEM Listing Rules.

The Company will fully implement the recommendation of the Independent Internal Control Adviser by the end of September 2018 after the issuance of Internal Control Review Report.

The Independent Internal Control Adviser will publish a report on the progress and implementation status of the Internal Control Review Report adopted by the Company.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2018 and will continue to be suspended until further notice. The Company will make further announcement to update the public of latest development in due course.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares or other securities of the Company.

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

Zhejiang Province, the People's Republic of China

20 August 2018

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited 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.

This announcement will remain on the website of the GEM at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of posting and the Company's website at www.zhejiangprospect.com.

* For identification purpose only