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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)

**BREACH OF GEM LISTING RULES IN RELATION TO
(1) DISCLOSURE PURSUANT TO RULES 17.15 AND
17.17 OF THE GEM LISTING RULES;
(2) MAJOR TRANSACTION: FINANCIAL ASSISTANCE; AND
(3) CONNECTED TRANSACTION**

This announcement is made pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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, 17 August 2018, 20 August 2018, 22 August 2018 and 31 October 2018 (the “**Announcements**”) respectively in relation to, among other things, delay in publication of its annual results and annual report in respect of the year ended 31 December 2017 (the “**2017 Annual Results**”), its quarterly results and quarterly report in respect of the three months ended 31 March 2018 (the “**2018 First Quarterly Results**”), its interim results announcement and interim report for the six months ended 30 June 2018 (the “**2018 Half-year Results**”). Unless otherwise stated, capitalised term used in this announcement shall have the same meaning as those defined in the Announcements.

BREACH OF GEM LISTING RULES IN RELATION TO (1) DISCLOSURE PURSUANT TO RULES 17.15 AND 17.17 OF THE GEM LISTING RULES; (2) MAJOR TRANSACTION: FINANCIAL ASSISTANCE; AND (3) CONNECTED TRANSACTION

Based on the findings of the Internal Control Review Report and the Independent Investigation Committee and advices from other professional advisers, the Company discovered that during the year ended 31 December 2017, the Company had entered into certain transactions which resulted in non-compliances against the GEM Listing Rules in relation to (1) announcement requirements pursuant to Rules 17.15 and 17.17 of the GEM Listing Rules; (2) reporting, announcement and Shareholders' approval requirements for major transaction as to financial assistance; and (3) reporting, announcement and independent Shareholders' approval requirements for connected transactions.

CANCELLED PURCHASE TRANSACTIONS THROUGH NEGOTIATION

During the year ended 31 December 2017, the Company (as purchaser) and certain connected persons and independent third parties (as seller, collectively the "**Sellers**") respectively entered into purchase agreements pursuant to which the Company agreed to purchase steel materials and bank acceptance bills from the Sellers. Steel materials are raw materials for the manufacturing business of the Company. Pursuant to the purchase agreements, the Company made advance payments to the relevant Sellers, and the Sellers agreed to deliver the steel materials within a period generally of one month. As to bank acceptance bills, the Company made advance payments to the relevant Sellers and the Sellers agreed to deliver the bank acceptance bills (with the face value equal to the purchase price) plus an interest ranging from 1.5% to 1.8% on the purchase price to the Company within a period generally of one month. The Company may use the bank acceptance bills for settlement of other expenses and fees to other parties.

These purchase transactions were subsequently terminated by both parties thereto through negotiation (and the additional interest as set out in the relevant agreements) (the cancelled purchase transactions through negotiation are collectively referred to as the "**Cancelled Purchase Transactions Through Negotiation**"). The aggregate advance payment made by the Company in the Cancelled Purchase Transactions Through Negotiation was RMB358,350,000.

Subsequently, the Company entered into settlement agreement(s) with each of the Sellers to terminate the relevant purchase agreement(s) and to obtain refund for the full amount of the purchase price paid by the Company. In addition, the Company obtained an additional compensation from the Sellers regarding Cancelled Purchase Transactions Through Negotiation for the aggregate sum of RMB110,000, which was determined through agreed negotiation.

All the repayments of the advance payments were received immediately when these purchase transactions were cancelled through negotiation, which were within one month from entering the respective purchase transactions.

The Company has obtained a legal opinion from its PRC legal advisers that the purchase agreements and the settlement agreements in relation to the Cancelled Purchase Transactions Through Negotiation do not contravene any PRC laws and regulations.

ACCOUNTING TREATMENT AND FINANCIAL IMPACT

Based on the findings in the Internal Control Review Report and the Independent Investigation Committee and taking into account the substance of the arrangements under the above Cancelled Purchase Transactions Through Negotiation, the Board considered the advance payments made by the Company shall be recorded as loan receivables and that the advance payments would amount to financial assistance.

The compensation from the Cancelled Purchase Transactions Through Negotiation was interest income of the Company.

INFORMATION ABOUT THE PARTIES TO AND FURTHER DETAILS REGARDING THE CANCELLED PURCHASE TRANSACTIONS THROUGH NEGOTIATION

The Company

The Company is a joint stock limited company established in the People's Republic of China (the "PRC") under the Company Law of the PRC. The Company is principally engaged in the manufacturing and sale of universal joints for automobiles.

Zhejiang Tangrui Industrial Development Co., Ltd.* (浙江唐瑞實業發展有限公司) ("Tangrui Industrial")

Tangrui Industrial is a limited company established in the PRC, and is principally engaged in industrial investment; wholesale and retail; construction materials, auto parts, chemical products (excluding dangerous chemicals and precursor chemicals), textiles, hardware and mechanical and electrical products (excluding items under the special control of the government); import and export of goods (excluding items prohibited by national laws and administrative regulations; items restricted by laws and administrative regulations can only be operated after obtaining a permit from relevant authorities); other legitimate projects which do not require the approval from relevant authorities.

Mr. Tang Cheng Fang, a non-executive Director, held 10% of the equity interest of Tangrui Industrial, and Ms. Tang Jing Jing, a non-executive Director, is a director of Tangrui Industrial. To the best knowledge, information and belief of the Directors, (i) all other shareholders and directors of Tangrui Industrial are not connected person (as defined in the GEM Listing Rules) nor their associates (as defined in the GEM Listing Rules) of the Company, (ii) connected person and their associates of the Company do not exercise or control 30% or above of the voting rights at the general meeting of Tangrui Industrial, and (iii) the connected person and their associates of the Company do not control the majority of the composition of the board of directors of Tangrui Industrial. Tangrui Industrial is not a connected person (as defined under the GEM Listing Rules) of the Company under the GEM Listing Rules.

The aggregate advance payment made by the Company during the period from January to March 2017 in the Cancelled Purchase Transactions Through Negotiation to Tangrui Industrial was RMB46,000,000, and was related to purchase of steel materials and bank acceptance bills.

Zhejiang Zhongfa Bomo Co., Ltd.* (浙江中發薄膜有限公司) (“Zhongfa Bomo”)

Zhongfa Bomo is a limited company established in the PRC, and is principally engaged in production, processing and sales of polyester films and knitwear; sales of chemical raw materials (excluding dangerous chemicals), chemical fiber raw materials, polyester chips, non-ferrous metals (excluding precious or rare metals); import and export of goods (excluding items prohibited by laws and administrative regulations; items restricted by laws and administrative regulations can only be operated after obtaining a permit from relevant authorities).

Mr. Tang Cheng Fang, a non-executive Director, held approximately 42.23% of the equity interest of Zhejiang Bangmeng Industrial Co., Ltd* (浙江邦盟實業有限公司), which in turn held 90% of the equity interest of Zhongfa Bomo. Hence, Zhongfa Bomo is an associate of Mr. Tang Cheng Fang and thus a connected person of the Company under Chapter 20 of the GEM Listing Rules.

The aggregate advance payment made by the Company during the period from March to July 2017 in the Cancelled Purchase Transactions Through Negotiation to Zhongfa Bomo was RMB35,000,000, related to the purchase of bank acceptance bills.

Shaoxing Zhanwang Trading Co., Ltd.* (紹興展望商貿有限公司) (“Shaoxing Zhanwang”)

Shaoxing Zhanwang is a limited company established in the PRC, and is principally engaged in wholesale and retail of knitwear and raw materials, home textiles, clothing and accessories, shoes and hats, textile crafts, decorations, hardware and electrical appliances, mechanical equipment, cleaning equipment, construction materials, chemical products and raw materials (except dangerous chemicals and precursor chemicals), metal materials (except precious or rare metals); production and processing of auto parts; road freight transportation; road transport station (field) operation; import and export of goods. (Projects subject to approval according to laws must be approved by the relevant authorities before carrying out business activities).

Mr. Feng Yun Lin, a supervisor of the Company, held 30% of the equity interest of Shaoxing Zhanwang. Hence, Shaoxing Zhanwang is an associate of Mr. Feng Yun Lin and thus a connected person of the Company under Chapter 20 of the GEM Listing Rules.

The aggregate advance payment made by the Company during the period from May to June 2017 in the Cancelled Purchase Transactions Through Negotiation to Shaoxing Zhanwang was RMB20,500,000, related to the purchase of steel materials and bank acceptance bills.

Zhejiang Shengyuan Auto Parts Co., Ltd.* (浙江盛元汽配有限公司) (“Shengyuan Auto Parts”)

Shengyuan Auto Parts is a limited company established in the PRC, and is principally engaged in production and processing of auto parts, parts of textile machinery and hardware; wholesale and retail of textiles; chemical products (excluding dangerous chemicals); chemical fiber raw materials, polyester chips; import and export of goods (excluding items prohibited by laws and administrative regulations).

Shaoxing Springair Investment Co., Ltd.* (紹興春風投資有限公司) (“**Shaoxing Springair Investment**”) owns 65% of the equity interest of Shengyuan Auto Parts. Mr. Tang Li Ming (唐利民) (being a controlling shareholder of the Company and the father of Ms. Tang Jing Jing and Mr. Tang Jing Qi (a non-executive Director)) is the vice-chairman of the board of directors of Shaoxing Springair Investment. Mr. Hong Guo Ding (being an executive Director) is also a director of Shaoxing Springair Investment. Save as disclosed above, to the best knowledge, information and belief of the Directors, Shengyuan Auto Parts is not connected person (as defined under the GEM Listing Rules) of the Company under the GEM Listing Rules, but Shengyuan Auto Parts is a related party under the definition of Hong Kong Accounting Standard 24, Related Party Disclosures.

The aggregate advance payment made by the Company during the period from February to December 2017 in the Cancelled Purchase Transactions Through Negotiation to Shengyuan Auto Parts was RMB213,250,000, related to the purchase of steel materials.

Shaoxing Keqiao Zhanwang Yinran Co., Ltd.* (紹興柯橋展望印染有限公司) (“Keqiao Yinran”)

Keqiao Yinran is a limited company established in the PRC, and is principally engaged in dyeing and finishing of high-end textile fabric; computerised embroidery process; wholesale and retail of chemical raw materials (excluding dangerous chemicals and precursor chemicals), light textile materials and textiles; import and export of goods (excluding items prohibited by laws and administrative regulations).

To the best knowledge, information and belief of the Directors, Keqiao Yinran and its ultimate beneficial owner(s) are not connected persons (as defined under the GEM Listing Rules) of the Company under the GEM Listing Rules.

The aggregate advance payment made by the Company during the period from July to August 2017 in the Cancelled Purchase Transactions Through Negotiation to Keqiao Yinran was RMB12,000,000, related to the purchase of bank acceptance bills.

Shaoxing Junjia Trading Co., Ltd.* (紹興君嘉貿易有限公司) (“Junjia Trading”)

Junjia Trading is a limited company established in the PRC, and is principally engaged in wholesale and retail of knitwear, light textile materials, home textile products, leather products, chemical raw materials and products (excluding dangerous chemicals and precursor chemicals), garments, clothing and accessories, general merchandise, rubber and rubber products, hardware products, household appliances; import and export of goods.

To the best knowledge, information and belief of the Directors, Junjia Trading and its ultimate beneficial owner(s) are not connected persons (as defined under the GEM Listing Rules) of the Company under the GEM Listing Rules.

The aggregate advance payment respectively made by the Company in June and September 2017 in the Cancelled Purchase Transactions Through Negotiation to Junjia Trading was RMB4,500,000, related to the purchase of bank acceptance bills.

Shaoxing Keqiao Meijier Buyi Co., Ltd.* (紹興柯橋美吉爾布藝有限公司) (“Meijier Buyi”)

Meijier Buyi is a limited company established in the PRC, and is principally engaged in production and processing of knitwear; computerised embroidery; merchandising; knitwear and raw materials, dyes and additives (excluding dangerous chemicals).

Mr. Hong Chun Qiang (being an executive Director) is a supervisor of Meijier Buyi. Save as disclosed above, to the best knowledge, information and belief of the Directors, Meijier Buyi and its ultimate beneficial owner(s) are not connected persons (as defined under the GEM Listing Rules) of the Company under the GEM Listing Rules.

The aggregate advance payment made by the Company in March 2017 in the Cancelled Purchase Transactions Through Negotiation to Meijier Buyi was RMB6,000,000, related to the purchase of bank acceptance bills.

Shaoxing Lvbang Real Estate Development Co., Ltd.* (紹興綠邦房地產開發有限公司) (“Lvbang Development”)

Lvbang Development is a limited company established in the PRC, and is principally engaged in real estate development and management; urban infrastructure and supporting project development; house demolition; indoor and outdoor decoration; real estate rentals; property management.

Lvbang Development is wholly-owned by Shaoxing Springair Investment and Mr. Hong Guo Ding (being an executive Director) is a director of Lvbang Development. Save as disclosed above, to the best knowledge, information and belief of the Directors, Lvbang Development is not connected persons (as defined under the GEM Listing Rules) of the Company under the GEM Listing Rules, but Lvbang Development is a related party under the definition of Hong Kong Accounting Standard 24, Related Party Disclosures.

The deposit for the Company’s participation in a tender for the sale of steel materials to Lvbang Development by the Company was RMB20,000,000. As the Company failed in the tender, the sum was refunded to the Company.

Shaoxing Zhuoyu Textile Co., Ltd.* (紹興卓瑀紡織品有限公司) (“Zhuoyu Textile”)

Zhuoyu Textile is a limited company established in the PRC, and is principally engaged in wholesale and retail of textiles, chemical fiber raw materials, garments, plastic raw materials and products, rubber raw materials and products, chemical raw materials and products (excluding dangerous chemicals and precursors chemicals), home textiles, leather products, handicrafts, general merchandise, hardware and electrical appliances, mechanical equipment and accessories, electronics and electrical products, metal materials (excluding precious or rare metals), construction materials (excluding dangerous chemicals), decorative materials; economic information consultation (excluding commercial confidentiality); import and export of goods (excluding items prohibited by laws and administrative regulations).

To the best knowledge, information and belief of the Directors, Zhuoyu Textile and its ultimate beneficial owner(s) are not connected persons (as defined under the GEM Listing Rules) of the Company under the GEM Listing Rules.

The aggregate advance payment made by the Company in April 2017 in the Cancelled Purchase Transactions Through Negotiation to Zhuoyu Textile was RMB1,100,000, related to the purchase of bank acceptance bills.

GEM LISTING RULES IMPLICATIONS

The aggregate advance payments made by the Company in the Cancelled Purchase Transactions Through Negotiation was RMB358,350,000. Given that (a) the advance payments under the Cancelled Purchase Transactions Through Negotiation was classified as “advance to an entity” and/or “financial assistance” as a result of the accounting treatments as discussed above, and that (b) all of the transactions were conducted within a 12-month period, the transactions may be aggregated as a series of transactions for the Company under Chapter 19 of the GEM Listing Rules. In addition, (i) given that the asset ratio as defined under Rule 19.07(1) of the GEM Listing Rules exceeded 8%, the Company is subject to the announcement requirement under Rule 17.15 of the GEM Listing Rules; and (ii) given that the highest applicable percentage ratio (as defined under the GEM Listing Rules) exceeded 25%, they are regarded as “major transaction” and subject to the reporting, announcement and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

The Company should have complied with the relevant reporting, announcement and Shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules, and the general disclosure obligations under Rules 17.15 and 17.17 of the GEM Listing Rules, in respect of the Cancelled Purchase Transactions Through Negotiation as and when such obligations arose. The breach of the above GEM Listing Rules requirements was due to the reasons specified in the paragraph headed “Reasons for the Breach of relevant GEM Listing Rules”.

In addition, aggregated advance payments made by the Company in the Cancelled Purchase Transactions Through Negotiation to Zhongfa Bomo and Shaoxing Zhanwang (which are connected persons of the Company as discussed above) amounted to RMB55,500,000. As all of the transactions between the Company and each of Zhongfa Bomo and Shaoxing Zhanwang were conducted within a 12-month period, if the transactions were aggregated as a series of connected transactions for the Company under Chapter 20 of the GEM Listing Rules, the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the transactions exceeded 5%, they are subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. The Company should have complied with the relevant reporting, announcement and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules as and when such obligations arose. The breach of the above GEM Listing Rules requirements was due to the reasons specified in the paragraph headed “Reasons for the Breach of relevant GEM Listing Rules”.

REASONS FOR THE BREACH OF RELEVANT GEM LISTING RULES

The delay in disclosure and other compliance matters under Chapters 17, 19 and 20 of the GEM Listing Rules is due to the Company's misunderstanding on the accounting treatment of the Cancelled Purchase Transactions Through Negotiation, which was subsequently clarified by the internal control adviser of the Company. Subsequently, it has come to the Company's awareness that the Cancelled Purchase Transactions Through Negotiation and the arrangement contemplated thereunder should be subject to the reporting, announcement and Shareholders' approval and independent Shareholders' approval requirements as discussed above. The reasons for such breach of the above GEM Listing Rules requirements were primarily due to the special nature of the Cancelled Purchase Transactions Through Negotiation that the amount of advance payments to the Sellers for the purchase of steel materials and bank acceptance bills was a loan receivable by the Company under the relevant accounting treatment (instead of being recorded as a prepayment for purchase). The Company at first considered the transactions as an ordinary procurement and sales of steel materials and bank acceptance bills falling into its ordinary course of business (rather than financial assistance). Since the steel materials and bank acceptance bills were not obtained when the advance payments were made, it was considered that the transactions had not been constituted and the transactions were subsequently cancelled through negotiation and the advance payments were refunded, the transactions were therefore not considered to have occurred.

CONTINUAL SUSPENSION OF TRADING OF SHARES

Trading in the shares of the Company has been suspended since 9:00 a.m. on 3 April 2018 and will continue to be suspended until further notice. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

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

30 November 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 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.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.zhejiangprospect.com>.

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