

**ZHEJIANG PROSPECT COMPANY LTD:  
THIS IS ANOTHER, ONE-PRODUCT COMPANY,  
OFFERING EMPLOYMENT IN THE BOON DOCKS**

While Zhejiang Prospect Company Ltd did not say, in so many words, it is very clear, on scanning the Placing Prospectus of this Company, that one of the chief reasons for going public on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd was to bolster the Company's cash position – after the retirement of about 68 percent of the Company's total borrowings.

At Page 102 of the Placing Prospectus, dated February 9, 2004, it is stated that, as at December 31, 2003, the indebtedness of Zhejiang Prospect was about 35.40 million renminbi, all of which was owed to 3 banks –all of which banks are registered in the People's Republic of China (PRC), proper – and one Credit Union, located at Shaoxing, the PRC, proper.

The paragraph, immediately following the statement, relating to the borrowings, reads as follows:

*'The Directors advised that as at the Latest Practicable Date, no third party has given any guarantee in favour of the Company. In addition, the Company intends to repay bank loans of approximately RMB24,000,000 within three months from the Listing Date.'*

Financing operations with borrowings, as far as the track-record period is concerned (from January 1, 2001 through to September 30, 2003), has not appeared to have proved to be much of a problem for this Company since the financial costs have been steady, at between 1.72 million renminbi and 1.73 million renminbi, all along.

In addition, the Consolidated Balance Sheet of Zhejiang Prospect, located at Page 124 of the Prospectus, indicates a cash position of about 47.30 million renminbi, as at September 30, 2003.

It would appear, therefore, that the retirement of a goodly portion of this Company's debt was being forced upon Management.

If that were not the case, then, the question is, of course: For what reason did this Company opt to retire its debt to the extent that it indicated?

Zhejiang Prospect, a Company, which describes its business as being '*principally engaged in the manufacture and sale of universal joints for automobiles ... cardan universal joints, wing bearing universal joints and differential spiders ...*' Placed a total of 23 million, one-renminbi Shares at a price of between \$HK1.33 per Share and \$HK1.50 per Share.

The Company ended up settling for the lowest price – \$HK1.33 per Share – the Placing Shares, having been over-subscribed about 4.36 times by just 140 professional institutional and other investors, according to a Company announcement, dated February 13, 2004.

After all expenses had been met, Zhejiang Prospect collected about \$HK21.51 million, that amount of money to be used for the following purposes, Page 87 of the Prospectus states:

1. \$HK13.69 million to be used for the 'technical renovation project for universal joint production lines' and the purchase of equipment;
2. \$HK4 million to be used for the construction of factories;
3. \$HK630,000 to be used for the installation and testing of equipment;
4. \$HK250,000 to be used for the purchase of computers and computer software;
5. \$HK350,000 to be used for the purchase of equipment to be used in research and development;
6. \$HK100,000 to be used for the construction of a testing centre;
7. \$HK50,000 to be used to purchase some cooperative arrangements (!!!???);
8. \$HK1 million to be used in marketing and promotional activities;
9. \$HK250,000 to be used in staff recruitment and training;
10. \$HK1 million to be used to expand the sales and distribution network; and,
11. \$HK190,000 to be tipped into the General Working Capital Account.

As can be seen from the above wish list, not a penny of the money, collected in this cash-raising exercise, was earmarked to retire any of the Company's debt.

But, at the same time, the Company has made it very clear that it would retire the majority of its debts by May 2004.

At Page 110 of the Prospectus, it is stated that the Directors estimated that the Net Profit Attributable to Shareholders for the Financial Year, ended December 31, 2003, 'will not be less than RMB8.56 million (approximately HK\$8.0 million) ...'.

On March 25, 2004 ... [CLICK TO ORDER FULL ARTICLE](#)

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