



正美丰业

ZMFY Automobile Glass Services Limited

正美豐業汽車玻璃服務有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8135



Third Quarterly
Report 2013

Characteristics of the Growth Enterprise Market (“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 investors should be aware of the potential risks 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.

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This report, for which the directors (the “Directors”) of ZMFY Automobile Glass Services 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 (the “GEM Listing Rules”) of the Stock Exchange 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 report 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 report misleading.

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2013

Third Quarterly Results

The unaudited condensed consolidated results of ZMFY Automobile Glass Services Limited (the "Company") and its subsidiaries (collectively, the "Group") for the nine months and three months ended 30 September 2013, together with the comparative unaudited figures for the corresponding periods in 2012, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue	6	100,073	104,994	35,429	38,172
Cost of sales		(67,525)	(68,838)	(23,897)	(24,994)
Gross profit		32,548	36,156	11,532	13,178
Other gain		3	21	1	20
Selling and distribution costs		(10,060)	(10,735)	(3,416)	(2,886)
Administrative expenses		(9,305)	(14,755)	(3,637)	(5,559)
		13,186	10,687	4,480	4,753
Finance income		33	36	9	12
Finance cost		(40)	-	-	-
Finance (cost)/income, net		(7)	36	9	12
Profit before income tax		13,179	10,723	4,489	4,765
Income tax expense	7	(4,125)	(3,638)	(1,240)	(1,467)
Profit for the period		9,054	7,085	3,249	3,298
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		(160)	(228)	(89)	(20)
Total comprehensive income for the period		8,894	6,857	3,160	3,278

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the three months and nine months ended 30 September 2013

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Profit attributable to:					
Equity holders of the Company		8,599	6,569	3,059	3,072
Non-controlling interests		455	516	190	226
		9,054	7,085	3,249	3,298
Total comprehensive income attributable to:					
Equity holders of the Company		8,439	6,341	2,970	3,052
Non-controlling interests		455	516	190	226
		8,894	6,857	3,160	3,278
Earnings per share					
Basic and diluted (RMB cents)	9	2.87	2.12	1.02	1.02

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2013

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	PRC			Retained earnings	Subtotal	Non-controlling interests	Total equity
				statutory reserve	Exchange reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2012										
(Audited)	63	27,987	-	1,178	89	38,545	67,862	2,378	70,240	
Comprehensive income										
Profit for the period	-	-	-	-	-	8,599	8,599	455	9,054	
Other comprehensive loss										
Currency translation difference	-	-	-	-	(160)	-	(160)	-	(160)	
Total comprehensive income/(loss)	-	-	-	-	(160)	8,599	8,439	455	8,894	
Transactions with equity owners of the Company recognised directly in equity										
Shareholder's contributions	-	-	28,089	-	-	-	28,089	-	28,089	
Appropriation to PRC statutory reserve	-	-	-	1,175	-	(1,175)	-	-	-	
Balance at 30 September 2012 (Unaudited)	63	27,987	28,089	2,353	(71)	45,969	104,390	2,833	107,223	

Condensed Consolidated Statement of Changes in Equity (Continued)

For the nine months ended 30 September 2013

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	PRC			Retained earnings	Subtotal	Non-controlling interests	Total equity
				statutory reserve	Exchange reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2013 (Audited)	63	27,987	28,089	3,080	(39)	38,608	97,788	3,096	100,884	
Comprehensive income										
Profit for the period	-	-	-	-	-	6,569	6,569	516	7,085	
Other comprehensive loss										
Currency translation difference	-	-	-	-	(228)	-	(228)	-	(228)	
Total comprehensive income/(loss)	-	-	-	-	(228)	6,569	6,341	516	6,857	
Transactions with equity owners of the Company recognised directly in equity										
Elimination of share capital of combined subsidiaries upon Group reorganisation	(63)	-	-	-	-	-	(63)	-	(63)	
Share swap pursuant to Group reorganisation	2,368	-	(2,069)	-	-	-	299	-	299	
Shareholder's contribution	-	-	2,999	-	-	-	2,999	-	2,999	
Issuance of shares upon placing, net of share issuing expenses	789	25,075	-	-	-	-	25,864	-	25,864	
Appropriation to PRC statutory reserve	-	-	-	1,197	-	(1,197)	-	-	-	
Balance at 30 September 2013 (Unaudited)	3,157	53,062	29,019	4,277	(267)	43,980	133,228	3,612	136,840	

Notes to Condensed Consolidated Financial Statement

1. Corporate Information and Reorganisation

(a) General information

ZMFY Automobile Glass Services Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (together "the Group") are principally engaged in the sales of automobile glass with installation services and the trading of automobile glass in the People's Republic of China (the "PRC") (the "Listing Business").

Prior to the Listing Business being acquired by Ms. Kumiko Natsu ("Ms. Natsu"), the controlling shareholder of the Group, the Listing Business was primarily carried out by Beijing Zhengmei Fengye Automobile Service Co., Ltd. ("Beijing Zhengmei") and its subsidiaries (together "Beijing Zhengmei Group"). The controlling shareholder acquired the Listing Business pursuant to the following steps:

- (1) In April 2011, Yu Sheng Investments Limited ("Yu Sheng") was incorporated in the British Virgin Islands and was wholly owned by Lu Yu Global Limited ("Lu Yu"), which is ultimately owned by Ms. Natsu.
- (2) In May 2011, Chang Hong Investments (HK) Limited ("Chang Hong") was incorporated in Hong Kong and was wholly owned by Yu Sheng.
- (3) In May 2011, Chang Hong entered into a sale and purchase agreement to acquire the entire equity interests in Beijing Zhengmei for a consideration of RMB30,541,600. The transaction was completed on 30 August 2011. After the acquisition, Beijing Zhengmei became a wholly owned subsidiary of Chang Hong.

On 20 August 2011, Yu Sheng and Lu Yu entered into a share subscription agreement with Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass (BVI)") under which 2,000 new shares of Yu Sheng of USD1 each were issued to Xinyi Glass (BVI) for a consideration of RMB28,000,000. Following the issue of these new shares, which occurred in November 2011, Xinyi Glass (BVI) held 20% of the equity interest of Yu Sheng.

Notes to Condensed Consolidated Financial Statement (Continued)

(b) Reorganisation

In preparation for the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group underwent a group reorganisation (the "Reorganisation").

On 8 February 2013, the Company was incorporated in the Cayman Islands as a listing vehicle and it was wholly owned by Lu Yu.

On 9 August 2013, the Company acquired 80% of the equity interests of Yu Sheng from Lu Yu and 20% of the equity interests of Yu Sheng from Xinyi Glass (BVI) and as consideration, the Company issued and allotted 23,999,999 and 6,000,000 new shares of the Company to Lu Yu and Xinyi Glass (BVI), respectively, credited as fully paid.

The Reorganisation was completed on 9 August 2013. Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and has been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. Basis of Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Notes to Condensed Consolidated Financial Statement (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the condensed consolidated statements of comprehensive income under bargain purchase gain.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company.

4. Significant Accounting Policies

The principal accounting policies applied in the preparation of the condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2012.

5. Adoption of New and Revised HKFRSs

In the current period, the Group has adopted a number of new and revised standards, interpretations and amendments (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2013. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

The Group has not early adopted the new and revised HKFRSs that have been published but are not yet effective. The directors have assessed the impact of the adoption of the new and revised HKFRSs and there is no significant impact on the Group's results of operations and financial position.

Notes to Condensed Consolidated Financial Statement (Continued)

6. Revenue and Segment Reporting

Revenue represents amounts receivable for services performed and goods sold net of discounts, returns and value-added taxes.

	Nine months ended 30 September		Three months ended 30 September	
	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Sales of automobile glass with installation/repair services	86,276	90,756	30,505	33,510
Trading of automobile glass	13,797	14,238	4,924	4,662
Total	100,073	104,994	35,429	38,172

Notes to Condensed Consolidated Financial Statement (Continued)

6. Revenue and Segment Reporting (Continued)

	Beijing, Tianjin and Sanhe		Shenyang		Hangzhou		Reportable segments	
	Nine months ended		Nine months ended		Nine months ended		Nine months ended	
	2012	2013	2012	2013	2012	2013	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:								
Sales of automobile glass with installation/repair services	82,803	86,518	1,338	2,433	2,135	1,805	86,276	90,756
Trading of automobile glass	9,642	13,231	3,385	1,841	3,668	1,093	16,695	16,165
Inter-segment sales	(1,292)	(1,311)	(172)	(489)	(1,434)	(127)	(2,898)	(1,927)
Revenue from external customers	91,153	98,438	4,551	3,785	4,369	2,771	100,073	104,994
Results of reportable segments	30,636	34,280	981	1,061	931	815	32,548	36,156
Depreciation	1,554	1,984	19	21	41	45	1,614	2,050
Capital expenditure	1,613	1,631	-	47	-	43	1,613	1,721
A reconciliation of results of reportable segments to profit for the period is as follows:								
Results of reportable segments							32,548	36,156
Unallocated income							3	21
Unallocated expenses							(19,365)	(25,490)
							13,186	10,687
Finance income							33	36
Finance costs							(40)	-
Profit before income tax							13,179	10,723
Income tax expense							(4,125)	(3,638)
Profit for the period							9,054	7,085
Non-controlling interests							(455)	(516)
Profit attributable to equity holders of the Company							8,599	6,569

Notes to Condensed Consolidated Financial Statement (Continued)

7. Income Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (Nine months ended 30 September 2012: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Island during the nine months ended 30 September 2013 (Nine months ended 30 September 2012: Nil).

8. Dividends

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2013 (Nine months ended 30 September 2012: Nil).

9. Earnings per Share Attributable to Equity Holders of the Company

The calculation of basic and diluted earnings per share for the nine months ended 30 September 2013 and 2012 is based on the profit for the period attributable to equity holders of the Company of approximately RMB6,569,000 (Nine months ended 30 September 2012: RMB8,599,000) and the weighted average number of approximately 309,890,000 (Nine months ended 30 September 2012: 300,000,000) ordinary shares of the Company in issue for the period ended 30 September 2013 after taking into account the share transfer and allotment and issue of new shares pursuant to the Group's reorganization and the placing of HK\$0.45 per share upon listing of the Company's shares on the Stock Exchange. There were no dilutive potential ordinary shares in existence for the nine months ended 30 September 2013 and 2012 and therefore the diluted earnings per share amounts are the same as the basic earnings per share.

The calculation of basic and diluted earnings per share for the three months ended 30 September 2013 and 2012 is based on the profit for the period attributable to equity holders of the Company of approximately RMB3,072,000 (Three months ended 30 September 2012: RMB3,059,000) and the weighted average number of approximately 300,000,000 (Three months ended 30 September 2012: 300,000,000) ordinary shares of the Company in issue. There were no dilutive potential ordinary shares in existence for the three months ended 30 September 2013 and 2012 and therefore the diluted earnings per share amounts are the same as the basic earnings per share.

Management Discussion and Analysis

BUSINESS REVIEW

The principal business of the Group included sales of automobile glass with installation/repair services and trading of automobile glass. The Group's total revenue for the nine months ended 30 September 2013 amounted to approximately RMB104,994,000, representing an increase of approximately RMB4,921,000 or 4.9% as compared to that of approximately RMB100,073,000 for the corresponding period last year. Overall gross profit increased by approximately RMB3,608,000 or 11.1% to approximately RMB36,156,000 for the nine months ended 30 September 2013 from approximately RMB32,548,000 for the corresponding period last year. The gross profit margin for the current period increased to 34.4% from 32.5% in the corresponding period last year. The total comprehensive income attributable to equity holders decreased from approximately RMB8,439,000 for the nine months ended 30 September 2012 to approximately RMB6,341,000 in the current period.

REVIEW BY SEGMENT

Analysis of revenue, gross profit and gross profit margin by segment is as follows:

	Revenue		Change	Gross Profit		Change	Gross Profit Margin	
	Nine months ended			Nine months ended			Nine months ended	
	30 September			30 September			30 September	
	2012	2013		2012	2013		2012	2013
(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	%	%
Sales of automobile glass with installation/repair services	86,276	90,756	5.2	30,872	33,475	8.4	35.8	36.9
Trading of automobile glass	13,797	14,238	3.2	1,676	2,681	60.0	12.1	18.8
Total	100,073	104,994	4.9	32,548	36,156	11.1	32.5	34.4

Management Discussion and Analysis (Continued)

Sales of automobile glass with installation/repair services

Revenue from sales of automobile glass with installation/repair services was the main source of revenue, representing approximately 86.4% of the Group's total revenue for the nine months ended 30 September 2013. It is expected to remain as the principal source of income for the Group in the future. Revenue from sales of automobile glass with installation/repair services are provided either at the Group's service centres to walk-in customers, or by the Group's motorcade service teams to door-to-door customers in the PRC.

Revenue from sales of automobile glass with installation/repair services increased by approximately RMB4,480,000 or 5.2% from approximately RMB86,276,000 for the nine months ended 30 September 2012 to approximately RMB90,756,000 for the nine months ended 30 September 2013. The increase was mainly due to the increase in average selling price of this segment and increase in number of corporate customers as compared with the corresponding period last year.

Gross profit from sales of automobile glass with installation/repair services for the nine months ended 30 September 2013 amounted to approximately RMB33,475,000, representing an increase of approximately 8.4% as compared to the corresponding period last year, which was approximately RMB30,872,000. Gross profit margin increased from approximately 35.8% for the nine months ended 30 September 2012 to approximately 36.9% for the nine months ended 30 September 2013. The increase in gross profit and gross profit margin was mainly due to the increase in average selling price.

Trading of Automobile Glass

Trading of automobile glass represents the Group purchases the automobile glass from its automobile glass suppliers and then re-sells the same to industry peers and traders of automobile glass in the PRC.

Revenue from the trading of automobile glass for the nine months ended 30 September 2013 was approximately RMB14,238,000, representing a slight increase of approximately 3.2% as compared to that of approximately RMB13,797,000 for the corresponding period last year, mainly as a result of the increase in average selling price in this segment.

Management Discussion and Analysis (Continued)

Gross profit from trading of automobile glass increased by approximately RMB1,005,000 or 60.0% from approximately RMB1,676,000 for the nine months ended 30 September 2012 to approximately RMB2,681,000 in the current period. Gross profit margin increased from approximately 12.1% for the nine months ended 30 September 2012 to approximately 18.8% for the nine months ended 30 September 2013 which was mainly due to the increase in average selling price in this segment.

Other gain

Other gain represents income arising from disposal of property, plant and equipment.

Selling and distribution costs

Selling and distribution costs increased by approximately 6.7% from approximately RMB10,060,000 for the nine months ended 30 September 2012 to approximately RMB10,735,000 for nine months ended 30 September 2013. The increase was mainly due to the increase of number of headcounts and the engagement of the marketing agents by the Group for the purpose of formulating marketing and advertising campaign for its operations during the current period.

Administrative expenses

The Group's administrative expenses are mainly consisted of auditors' remuneration, legal and professional fees, staff costs (including Directors' remunerations), depreciation and rental. The total administrative expenses increased by approximately 58.6% from approximately RMB9,305,000 for the nine months ended 30 September 2012 to approximately RMB14,755,000 for the nine months ended 30 September 2013. The increase was mainly attributable to staff costs resulting from an increase in number of headcounts and professional fees for listing recognized during the period.

Finance cost and income

Finance cost decreased from approximately RMB40,000 for the nine months ended 30 September 2012 to nil for the nine months ended 30 September 2013 due to the full repayment of the bank borrowing of in 2012. The increase in finance income from approximately RMB33,000 for the nine months ended 30 September 2012 to RMB36,000 for the nine months ended 30 September 2013 was mainly the result of an increase in average monthly deposit in banks.

Management Discussion and Analysis (Continued)

Income tax expenses

Income tax expenses decreased by approximately 11.8% from approximately RMB4,125,000 for the nine months ended 30 September 2012 to approximately RMB3,638,000 for the nine months ended 30 September 2013. The decrease was mainly due to the decrease in profit before income tax for the current period.

Profit for the period

The Group recorded a decrease in net profit by approximately 21.7% for the period to approximately RMB7,085,000 as compared to that of RMB9,054,000 for the corresponding period last year. The decrease in net profit for the period was mainly resulted from the recognition of listing expenses amounted to approximately RMB5,753,000 whereas the listing expenses incurred for the corresponding period last year was approximately RMB3,493,000. Excluding the listing expenses, the Group should have achieved a net profit of approximately RMB12,838,000 for the period, representing an increase of approximately 2.3% as compared with that of corresponding period last year.

PROSPECTS

The Group was listed on the GEM of the Stock Exchange on 3 September 2013 (the "Listing"). The funds raised from the Listing have laid a solid foundation for the future development of the Group.

Looking ahead, the Group will endeavor to strengthen its position in the automobile glass installation/repair service industry in the PRC and further expand its business operation in the PRC. The Group plans to expand the existing business by setting up new service centres to provide automobile glass installation/repair services. Subject to the demand on the services of the Group and the growth of the automobile glass installation/repair industry in the PRC, the Group intends to set up several new service centres in the PRC.

Management Discussion and Analysis (Continued)

The Group plans to expand its business through strategic merger and acquisition, alliance, joint venture or other form of collaboration with partners which are complementary to the Group's expansion strategy. The Group intends to select merger or acquisition targets in the Southern part of the PRC such as Shenzhen and Guangzhou which the Directors believe such merger or acquisition can strengthen the Group's network of service centres in strategic locations, increase the Group's market share and conform to the Group's brand image. Besides, the Group will also explore business cooperation opportunities such as forming alliance or joint venture with local industry partners for setting up new service centres in second or third-tier cities where the Group can reduce its risk by leveraging the experience and network of such local partners while promoting the business to customers in distant cities. The Directors believe that successful acquisitions and business collaboration will bring synergies to the Group and enhance the Group's value to the Shareholders.

To further promote the Group's brand image and enhance its reputation, the Group plans to strengthen its marketing efforts in terms of brand-building, advertising, public relation and other means of promotion. The marketing activities of the Group shall aim to reinforce its reputation in providing high quality of automobile glass with installation/repair services covering wide range of automobile glass to customers. In order to achieve such objective, the Group plans to enhance brand awareness through increasing advertising activities through various media, among others, radio, advertising displays on internet and press releases.

Contingent Liabilities

As at 30 September 2013, the Group did not have any significant contingent liabilities.

Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules throughout the period under review.

Management Discussion and Analysis (Continued)

Interests of the Compliance Adviser

As notified by Quam Capital Limited (the “Quam Capital”), the compliance adviser of the Company, neither Quam Capital nor its directors or employees or associates, except for the compliance adviser agreement entered into between the Company and Quam Capital dated 13 August 2013, (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

Directors’ Interests in Competing Interests

For the nine months ended 30 September 2013, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective associates (as defined under GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the nine months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Management Discussion and Analysis (Continued)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at 30 September 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of the Company (the "Shares")

Name	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding (%)
Ms. Natsu	Interest in a controlled corporation	220,000,000 (Note 1)	55.0

Note:

- (1) Lu Yu, a company incorporated in the BVI on 21 April 2011 and an investment holding company, is wholly and beneficially owned by Ms. Natsu and Ms. Natsu is a non-executive director and the chairman of the Company. Ms. Natsu is deemed to be interested in 220,000,000 Shares held by Lu Yu by virtue of her 100% shareholding interest in Lu Yu.

Save as disclosed above, as at 30 September 2013, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules.

Management Discussion and Analysis (Continued)

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 30 September 2013, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding (%)
Lu Yu (Note 1)	Beneficial owner	220,000,000	55.0
Mr. Xia Chengzhen (Note 2)	Interest of spouse	220,000,000	55.0
Xinyi Glass (BVI) (Note 3)	Beneficial owner	60,000,000	15.0
Xinyi Glass Holdings (Note 4)	Interest in a controlled corporation	60,000,000	15.0

Notes:

- (1) Lu Yu, a company incorporated in the BVI on 21 April 2011 and an investment holding company, is wholly and beneficially owned by Ms. Natsu.
- (2) Mr. Xia Chengzhen ("Mr. Xia") is the spouse of Ms. Natsu and Ms. Natsu holds 100% of the issued share capital in Lu Yu which in turn hold 220,000,000 Shares. Therefore, Mr. Xia is deemed to be interested in the Shares in which Ms. Natsu is interested.
- (3) Xinyi Glass (BVI), a company incorporated in the BVI on 13 June 2012 and an investment holding company, is wholly and beneficially owned by Xinyi Glass Holdings.
- (4) Xinyi Glass Holdings, a company holding all the issued shares of Xinyi Glass (BVI) and is therefore deemed to be interested in 60,000,000 Shares held by Xinyi Glass (BVI).

Save as disclosed above, as at 30 September 2013, the Directors were not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Management Discussion and Analysis (Continued)

Model Code for 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 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by Directors throughout the period under review.

Audit Committee

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Code. The primary duties of the Audit Committee are mainly to review and oversee the financial reporting process; to review and assess internal control system of the Company; to communicate with external auditor; to review the accounting policy and financial position of the Company. The Audit Committee has three members comprising three non-executive Directors, namely Mr. Fong William (Chairman), Mr. Ling Kit Wah Joseph and Mr. Chen Jinliang.

The Audit Committee has reviewed the unaudited results of the Group for the nine months ended 30 September 2013. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
ZMFY Automobile Glass Services Limited
Xia Lu
Executive Director

Hong Kong, 13 November 2013

As at the date of this report, the executive Directors are Ms. Xia Lu, Mr. He Changsheng and Mr. Li Honglin; the non-executive Directors are Ms. Natsu Kumiko (Chairman) and Mr. Lau Sik Yuen; and the independent non-executive Directors are Mr. Fong William, Mr. Chen Jinliang and Mr. Ling Kit Wah Joseph.