Annual Report
2013

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

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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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Corporate Information

DIRECTORS

Executive Directors

Ms. Xia Lu *(Chief Executive Officer)*
Mr. He Changsheng
Mr. Li Honglin

Non-Executive Directors

Ms. Natsu Kumiko *(Chairman)*
Mr. Lau Sik Yuen

Independent Non-Executive Directors

Mr. Fong William
Mr. Chen Jinliang
Mr. Ling Kit Wah Joseph

LEGAL ADVISERS

As to Hong Kong law:
P. C. Woo & Co.
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

As to PRC law:
Beijing Tian Ping Law Firm
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Unit 9, Yiping Commercial Street
No. 2 Taoranting Road
Xicheng District
Beijing
China

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

Quam Capital Limited

AUTHORISED REPRESENTATIVES

Ms. Xia Lu
Mr. Leung Ting Yuk

COMPANY SECRETARY

Mr. Leung Ting Yuk
HKICPA, CPA Australia

COMPLIANCE OFFICER

Mr. Li Honglin

AUDIT COMMITTEE MEMBERS

Mr. Fong William *(Chairman)*
Mr. Ling Kit Wah Joseph
Mr. Chen Jinliang

REMUNERATION COMMITTEE MEMBERS

Mr. Ling Kit Wah Joseph *(Chairman)*
Mr. He Changsheng
Mr. Chen Jinliang

NOMINATION COMMITTEE MEMBERS

Mr. Chen Jinliang *(Chairman)*
Mr. Fong William
Ms. Xia Lu

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

2318 Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Beijing Rural Commercial Bank

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited*
26/F, Tesbury Centre
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Wanchai
Hong Kong

WEBSITE ADDRESS

http://www.zmfy.com.hk

STOCK CODE

8135

* Tricor Investor Services Limited will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of ZMFY Automobile Glass Services Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

In 2013, China economy recorded an overall steady growth with the GDP growth maintained at 7.7% driven by spurring domestic consumption put forth by the government. Along with China's rapid economic growth, disposable income has grown significantly. Rising personal income and rapid urbanisation have driven strong consumer spending in China. According to the National Bureau of Statistics of China, total retail sales of consumer goods in China increased from approximately RMB9.4 trillion in 2007 to approximately RMB20.7 trillion in 2012, representing an increase of approximately 17.2%, while the consumer expenditure on purchase of cars, motorcycles and other vehicles increased from approximately RMB264,275 million to approximately RMB533,160 million over the same period, representing an increase of approximately 15.1%. The number of vehicle ownership in China exceeded 100 million at the end of 2011. For the next few years, the number of vehicles will continue to maintain steady growth, bringing demand for the automobile glass installation/repair services industry.

The main market growth drivers of the automobile glass installation/repair services industry in China include (i) the potential for further growth in China's domestic automobile penetration; (ii) an increase in the pace of urbanisation in China leading to an increase in overall purchasing power; and (iii) the growth in the number of insured vehicles and hence an increase in consumer demand for after-sales services since repair/replacement fees can be partly covered by the automobile annual insurance.

Insurance companies are currently one of the major clients of the Group. With the advance of urbanisation, the insurance industry in China will be driven to develop, which means that consumer demand for automobile insurance and glass breakage insurance will also increase accordingly. These demands will radiate from developed cities into secondary cities.

Resulting from rising purchasing power and safety awareness, consumers have put more substantive requirements on the price, products and quality of automobile glass installation/repair services. Growth in safety awareness among consumers causes them to pay more attention to the quality and safety of automobile glass repair services. Specialised automobile glass installation/repair services will replace small automobile installation service providers with low standards to meet the new market expectations for higher quality. Emphasising on supply of quality automobile glass, specialized service crews, and extensive service networks, enables the Group to provide more efficient service with better quality.

For the year ended 31 December 2013, the Group's revenue from sales of automobile glass with installation/repair services increased from approximately RMB115,915,000 to approximately RMB120,991,000, representing a year-on-year growth rate of approximately 4.4% or approximately RMB5,076,000. The increase in revenue was principally attributed to the increase in average selling price of sales of automobile glass with installation/repair services. Resulting from an increase in average selling price and enhance of cost control, the Group's segment profit of sales of automobile glass with installation/repair services rose approximately 11.4% to approximately RMB47,641,000 this year from approximately RMB42,747,000 in last year; the gross profit margin increased from approximately 36.9% for last year to approximately 39.4% for the current year.

Revenue from the trading of automobile glass in 2013 increased at a rate of approximately 10.4% from RMB21,039,000 in 2012 to RMB23,223,000 in 2013, mainly as a result of the increase in average selling price during the current year. Gross profit increased at a rate of 46.1% from approximately RMB2,753,000 in 2012 to approximately RMB4,021,000 in 2013. Gross profit margin increased from approximately 13.1% in 2012 to approximately 17.3% in 2013.

The Group recorded a decrease in net profit by approximately 61.7% for the current year to approximately RMB9,302,000 as compared to that of approximately RMB15,085,000 in last year which was mainly resulted from the recognition of listing expenses amounted to approximately RMB5,923,000 and addition of directors' emoluments and professional fees after listing on the GEM of Stock Exchange on 3 September 2013. The Group's top management is putting efforts to improve productivity and operational efficiency in order to speed up the development of our business. The Group continues to tackle challenges amidst the uncertain economic environment and optimise its competitive advantages so as to improve profit margin.

Our competitive strengths are our dedicated and experienced management and high quality technical teams that have in-depth knowledge and experience in the automobile glass installation/repair industry. The Directors of the Group are optimistic about the prospects and future development of the Group.

Natsu Kumiko
Chairman

25 March 2014

Management Discussion and Analysis

INTRODUCTION

The Group is principally engaged in the sales of automobile glass with installation/repair services and trading of automobile glass in the PRC, but does not itself manufacture glass. The automobile glass installation/repair services of the Group are provided either at the service centres of the Group to walk-in customers, or by the Group's motorcade service teams at locations in the PRC to customers requiring door-to-door services. The Group is also engaged in the trading of automobile glass whereby the Group purchases the automobile glass from its automobile glass suppliers and then re-sells to industry peers and traders of automobile glass in the PRC.

As at 31 December 2013, the Group operated 22 service centres in five cities in the PRC, including Beijing, Sanhe (Hebei), Tianjin, Hangzhou and Shenyang. The Group also had over 110 motorcade service teams stationed at service centres for the provision of automobile glass installation/repair services to customers requiring door-to-door services. The Group cooperated with over 30 insurance companies by providing automobile glass with installation/repair services to individuals insured by those insurance companies. The Group provides automobile glass installation/repair services for various types of private and public motor vehicles and possesses a comprehensive collection of automobile glass catering for a wide range of motor vehicles and hence customers in the PRC. The Group's main customer types include insurance companies, corporate customers and individual customers.

BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 2013 amounted to approximately RMB144,214,000, representing an increase of approximately RMB7,260,000 or 5.3% as compared to that of approximately RMB136,954,000 in 2012. Overall gross profit increased by approximately RMB6,162,000 or 13.5% to approximately RMB51,662,000 in 2013 from approximately RMB45,500,000 in 2012. The gross profit margin in 2013 increased to 35.8% from 33.2% in 2012. The total comprehensive income attributable to owners of the Company decreased from approximately RMB14,239,000 in 2012 to approximately RMB8,646,000 in 2013.

REVIEW BY SEGMENT

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

	Revenue Year ended 31 December			**Gross Profit Year ended 31 December**			**Gross Profit Margin Year ended 31 December**	
	2013	2012		**2013**	2012		**2013**	2012
			Change			Change		
	RMB'000	RMB'000	%	**RMB'000**	RMB'000	%	**%**	%
Sales of automobile glass with installation/ repair services	**120,991**	115,915	4.4	**47,641**	42,747	11.4	**39.4**	36.9
Trading of automobile glass	**23,223**	21,039	10.4	**4,021**	2,753	46.1	**17.3**	13.1
Total	**144,214**	136,954	5.3	**51,662**	45,500	13.5	**35.8**	33.2

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 83.9% of the Group's total revenue in 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 customers requiring door-to-door services in the PRC.

Revenue from sales of automobile glass with installation/repair services increased by approximately RMB5,076,000 or 4.4% from approximately RMB115,915,000 in 2012 to approximately RMB120,991,000 in 2013. The increase was mainly due to the increase in average selling price of this segment and increase in number of corporate customers in 2013 as compared with last year.

Gross profit from sales of automobile glass with installation/repair services in 2013 amounted to approximately RMB47,641,000, representing an increase of approximately 11.4% as compared to 2012, which was approximately RMB42,747,000. Gross profit margin increased from approximately 36.9% in 2012 to approximately 39.4% in 2013. The increases in gross profit and gross profit margin were mainly due to the increase in average selling price of automobile glasses and strengthened cost control by the Group during the current year.

Trading of Automobile Glass

The Group purchases the automobile glass from its automobile glass suppliers and then re-sells to industry peers and traders of automobile glass in the PRC. Revenue from the trading of automobile glass in 2013 was approximately RMB23,223,000, representing an increase of approximately 10.4% as compared to that of approximately RMB21,039,000 in 2012, mainly as a result of the increase in average selling price during the current year.

Gross profit from trading of automobile glass increased by approximately RMB1,268,000 or 46.1% from approximately RMB2,753,000 in 2012 to approximately RMB4,021,000 in 2013. Gross profit margin increased from approximately 13.1% in 2012 to approximately 17.3% in 2013 which was mainly due to the increase in average selling price during the current year.

Other Loss

Other loss was arisen from loss on disposal of property, plant and equipment.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 28.4% from approximately RMB11,811,000 in 2012 to approximately RMB15,164,000 in 2013. The increase was mainly due to the increase in staff costs resulted from an increase in 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 year.

Administrative Expenses

The Group's administrative expenses are mainly consisted of listing expenses, auditors' remuneration, staff costs (including Directors' remunerations), legal and professional fees, depreciation, meeting and conference expenses, office expenses and rental. The total administrative expenses increased by approximately 65.4% from approximately RMB13,096,000 in 2012 to approximately RMB21,657,000 in 2013. The increase was mainly attributable to listing expenses of approximately RMB5,923,000 for 2013 as compared those of approximately RMB2,243,000 in 2012 and higher staff costs resulted from an increase in number of headcounts and addition of directors' emoluments and professional fees after listing on the GEM of the Stock Exchange on 3 September 2013.

Finance Cost and Income, Net

Finance cost increased from approximately RMB92,000 in 2012 to approximately RMB215,000 in 2013 due to exchange losses relating to cash and cash equivalents. The decrease in finance income from approximately RMB166,000 in 2012 to RMB112,000 in 2013 as a result of the decrease in cash and cash equivalents deposited in the banks of the PRC.

Income Tax Expenses

Income tax expenses decreased by approximately 3.0% from approximately RMB5,580,000 in 2012 to approximately RMB5,410,000 in 2013. The decrease was mainly due to the decrease in profit before income tax for the current year.

Profit for The Year

The Group recorded a decrease in net profit by approximately 38.3% for the current year to approximately RMB9,302,000 as compared to that of approximately RMB15,085,000 in last year. The decrease in net profit for the year was mainly resulted from the recognition of listing expenses amounted to approximately RMB5,923,000 whereas the listing expenses incurred in 2012 was approximately RMB2,243,000 and addition of directors' emoluments and professional fees after listing on the GEM of Stock Exchange on 3 September 2013.

Current Ratio

The Group's current ratio as at 31 December 2013 was 12.1, as compared with 5.3 as at 31 December 2012. The increase was mainly due to increase in cash at bank resulted from net proceeds received from listing on the GEM of Stock Exchange on 3 September 2013 and an decrease in trade payables.

Capital Structure

As at 31 December 2013, the Group had net assets of approximately RMB139,678,000 (2012: RMB100,884,000), comprising non-current assets of approximately RMB46,114,000 (2012: RMB39,449,000), and current assets of approximately RMB109,165,000 (2012: RMB83,372,000). The Group recorded a net current asset position of approximately RMB100,114,000 (2012: RMB67,569,000), whereas primarily consists of cash and bank equivalents of approximately RMB52,399,000 (2012: RMB24,389,000), inventories of approximately RMB31,949,000 (2012: RMB37,420,000), trade and other receivables of approximately RMB24,759,000 (2012: RMB21,563,000) and amount due from a Director of RMB58,000 (2012: Nil). Major current liabilities are trade and other payables of approximately RMB6,212,000 (2012: RMB9,735,000), tax payable of approximately RMB2,839,000 (2012: RMB2,112,000), amount due to a Director of nil (2012: RMB712,000) and dividend payable of nil (2012: RMB3,244,000).

Liquidity and Financial Resources

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately RMB52,399,000, representing a net increase of approximately RMB28,010,000 as compared to that of approximately RMB24,389,000 as at 31 December 2012. There was no gearing ratio as the Group did not have debt as at 31 December 2013 (2012: Nil). The Group satisfied their working capital needs principally from internally generated cash flow from operating activities and net proceeds from placing of 100,000,000 new shares by listing on the GEM of Stock Exchange on 3 September 2013. Net cash inflow generated from operating activities amount to approximately RMB13,768,000 (2012: RMB5,261,000) as a result of efficient working capital management generating a net cash surplus from operations. As at 31 December 2013, the Group had no bank borrowings (2012: Nil).

Pledge of Assets

As at 31 December 2013, the Group has no assets pledged for bank borrowings or for other purpose (2012: Nil).

Contingent Liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: Nil).

Capital Commitments

As at 31 December 2013, save as disclosed in note 26 to the consolidated financial statements, the Group did not have any significant capital commitments.

Total Comprehensive Income Attributable to Owners of the Company and Net Profit Margin

Total comprehensive income attributable to the owners of the Company for the year ended 31 December 2013 amounted to approximately RMB8,646,000 (2012: RMB14,239,000), representing a decrease of approximately 39.3% as compared to 2012. Net profit margin of the Group dropped from 11.0% in 2012 to 6.4% in 2013.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. The foreign exchange rate risk with respect to HKD is disclosed in Note 3.1. During the year ended 31 December 2013, the Group did not hedge any exposure in foreign currency risk.

Employees and Remuneration Policy

As at 31 December 2013, the Group employed a total of 357 employees (2012: 383 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year ended 31 December 2013, the total staff costs (including Directors' emoluments) amounted to approximately RMB25,232,000 (2012: RMB19,442,000). The Group has adopted a share option scheme for its employees.

Significant Investments Held

As at 31 December 2013, the Group did not hold any significant investments.

Future Plans for Material Investments or Capital Assets

As disclosed in note 29 to the consolidated financial statements, the Group has completed an acquisition of 100% equity interest in a company located at Shenzhen, named Shenzhen Xinyida Automobile Glass Company Limited (深圳信義達汽車玻璃有限公司) on 15 January 2014 with a total consideration of RMB16.0 million.

As disclosed in note 22 to the consolidated financial statements, the Group entered into an agreement with Wuqing Development Area General Corporation (天津新技術產業園區武清開發區總公司) to tender a land with total area of 20,000 sq.m in Tianjin Wuqing Development Area with cost of approximately RMB5.5 million for building a warehouse for logistic purpose, the tender will be expired in 2015. The source of funds will be financed by the Group's internal working capital.

Save as disclosed above and the business plan as disclosed in this report, the Group had no other plan for material investment or capital assets as at 31 December 2013.

Material Acquisition and Disposal

Save as disclosed below and in note 29 to the consolidated financial statements, no other material acquisition or disposal of subsidiaries and associated companies was entered into by the Group during the 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 new service centres in the PRC.

The Group also 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, Shanghai and Guangzhou which can strengthen the Group's network of service centres in such locations, increase the Group's market share and conform to the Group's brand image. On 27 December 2013, the Group entered into a sale and purchase agreement with individual third parties to acquire the 100% equity interest in Shenzhen Xinyida Automobile Glass Company Limited (深圳信義達汽車玻璃有限公司) which is located at Shenzhen and is principally engaged in the sales of automobile glass with installation/repair services and the trading of automobile glass in the PRC. The total consideration for the acquisition amounted to RMB16.0 million and the acquisition was completed in January 2014. Besides, the Group will also explore business corporation opportunities such as forming alliance or joint venture in other business in order to maximise the shareholders' value. The Group believes that the acquisition will bring synergy 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 objectives, the Group will enhance brand awareness through increasing advertising activities through various media, among others, radio, advertising displays on internet and press releases. The management of the Group is now optimising the Group's resources in order to expand the Group's existing business and capture more business opportunities such as provision of installation service of photovoltaic system, to strengthen our business growth.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply to the extent practicable, with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The Directors consider that since the listing of the shares of the Company on the GEM of the Stock Exchange on 3 September 2013 (the "Listing Date"), the Company has complied with the Code from the Listing Date up to the date of this corporate governance report. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors 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. Having made specific enquiry of 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 the directors from the Listing Date up to the date of this corporate governance report.

BOARD COMPOSITION

The Board comprises the following Directors:

Executive Directors

Ms. Xia Lu *(Chief Executive Officer)*
Mr. He Changsheng
Mr. Li Honglin

Non-Executive Directors

Ms. Natsu Kumiko *(Chairman)*
Mr. Lau Sik Yuen

Independent Non-Executive Directors

Mr. Fong William
Mr. Chen Jinliang
Mr. Ling Kit Wah Joseph

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 21 to 24 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. The Company has complied with Rules 5.05(2) of the GEM Listing Rules since the Listing Date relating to at least one of them has appropriate professional qualifications or accounting or related financial management expertise. From the Listing Date up to the date of this corporate governance report, the Company has complied with Rules 5.05A and 5.05(1) of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the Independent Non-Executive Directors. The Company considers all the Independent Non-Executive Directors to be independent.

THE BOARD

The Board is responsible for the leadership and control of, and promoting the success of the Company. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Company.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Chief Executive Officer ("CEO") is the sister-in-law of the Chairman.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "Company Secretary") and senior management of the Company, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the CEO and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the Chairman and the CEO. The roles of the Chairman and the CEO are segregated and performed by Ms. Natsu Kumiko and Ms. Xia Lu, respectively.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors or the non-executive Directors has entered into a service contract with the Company for an initial term of three years with effect from "(i) 8 February 2013 (in respect of Xia Lu), (ii) 28 February 2013 (in respect of Li Honglin, He Changsheng and Natsu Kumiko) or (iii) 9 August 2013 (in respect of Lau Sik Yuen, Fong William, Chen Jinliang and Ling Kit Wah Joseph)" which shall be renewed and extended automatically for successive terms of one year and may be terminated by either party by giving not less than three months' prior written notice at the end of the initial term or at any time thereafter. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initially term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Board Diversity Policy") from the Listing Date up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measureable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a numbers of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

As at the date of this report, the Board's composition under major diversified perspectives was summarised as follows:

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy from the Listing Date up to the date of this corporate governance report.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

From the Listing Date up to the date of this corporate governance report, the Board convened two Board meetings. There was no general meeting held from the Listing Date to the date of this corporate governance report. The following is the Directors' attendance record of the board meetings held by the Board and the general meeting of the Company:

	Number of attendance/ number of Board meetings
Ms. Natsu Kumiko	2/2
Ms. Xia Lu	2/2
Mr. He Changsheng	2/2
Mr. Li Honglin	2/2
Mr. Lau Sik Yuen	2/2
Mr. Fong William	2/2
Mr. Chen Jinliang	2/2
Mr. Ling Kit Wah Joseph	2/2

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meeting and draft agenda of each Board meeting are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection. The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors of the Company. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to the code provision A.6.5 of the Code, for the financial year ended 31 December 2013, all Directors had participated in continuous professional development in the following manner:

	Type of trainings
Ms. Natsu Kumiko	A, C
Ms. Xia Lu	A, C
Mr. He Changsheng	A, C
Mr. Li Honglin	A, C
Mr. Lau Sik Yuen	A, B, C
Mr. Fong William	A, B, C
Mr. Chen Jinliang	A, C
Mr. Ling Kit Wah Joseph	A, B, C

A: attending internal briefing session in relation to corporate governance
B: attending seminars/courses/conference to develop professional skills and knowledge
C: reading materials in relation to regulatory update

BOARD COMMITTEES

The Board has established three board committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), with written terms of reference which are available for viewing on the website of the Stock Exchange and the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Code. The primary duties of the Audit Committee are mainly to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company.

As at 31 December 2013, the Audit Committee has three members comprising Mr. Fong William (Chairman), Mr. Chen Jinliang, and Mr. Ling Kit Wah Joseph. From the Listing Date up to the date of this governance report, the Audit Committee had reviewed the final results of the Group for the year ended 31 December 2013, the annual report of the Group for the year ended 31 December 2013, the quarterly results and report for the period ended 30 September 2013. The Audit Committee had reviewed the Group's internal control system for the year. The Group's final results for the year ended 31 December 2013 had been reviewed by the Audit Committee before submission to the Board for approval. 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 disclosure have been made.

The attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Fong William	2/2
Mr. Chen Jinliang	2/2
Mr. Ling Kit Wah Joseph	2/2

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 9 August 2013 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each director and member of senior management, (ii) reviewing and evaluating the performance of individual executive directors for determining the amount of bonus (if any) payable to them, and (iii) making recommendations to the Board on remuneration packages of individual executive Directors and senior management and remuneration of non-exective Directors.

As at 31 December 2013, the Remuneration Committee has three members comprising Mr. Ling Kit Wah Joseph (Chairman), Mr. He Changsheng and Mr. Chen Jinliang. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. From the Listing Date up to the date of this corporate governance report, one meeting of the Remuneration Committee was held to review the remuneration package of the Directors and senior management of the Group.

The attendance of each member of the Remuneration Committee is contained in the following table:

	Number of attendance/ number of meeting
Mr. Ling Kit Wah Joseph	1/1
Mr. He Changsheng	1/1
Mr. Chen Jinliang	1/1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 August 2013 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on at least annually and to make recommendations on any proposed change to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors. In reviewing and recommending the appointment of new Directors, the Nomination Committee would seek to identify the competencies required to enable the Board to fulfill its responsibilities. The Nomination Committee reviews the Board's composition under diversified perspectives, and monitors the implementation of the Board Diversify Policy annually.

The Nomination Committee has three members comprising Mr. Chen Jinliang (Chairman), Mr. Fong William and Ms. Xia Lu. From the Listing Date up to the date of this corporate governance report, one meeting of the Nomination Committee was held to review the structure, composition of the Board and the succession plan for the Board. All members of the Nomination Committee attended the meeting.

The attendance of each member of the Nomination Committee is contained in the following table:

	Number of attendance/ number of meeting
Mr. Chen Jinliang	1/1
Mr. Fong William	1/1
Ms. Xia Lu	1/1

CORPORATE GOVERNANCE

The Board is entrusted with the overall responsibility of developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Company's employees and Directors; and reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

From the Listing Date up to 31 December 2013, the Board reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company to comply with the Code and the Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements and noted that the Group has complied with the relevant legal and regulatory requirements in all material respects for the year. The Board noted the non-compliance incidents in respect of certain loan transactions to a connected person and has considered and implemented new measures on internal control system. The Board also reviewed the employees manual applicable to the employees of the Company. Lastly, the Board reviewed the Company's compliance with the Code and the disclosure of the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 December 2013, the remuneration paid or payable to the auditors of the Company in respect of the statutory audit services was approximately HK$1,000,000 (equivalent to approximately RMB792,000) and non-audit services was approximately HK$2,328,000 (equivalent to approximately RMB1,844,000).

INTERNAL CONTROL

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets. The internal control system of the Group aims to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The Board has conducted review of its internal control system to ensure an effective and adequate internal control system in place. The Directors consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorized use or misappropriation, maintaining accounting records properly and ensuring the reliability of financial information.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.zmfy.com.hk and meetings with investors and analysts.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, an extraordinary general meeting of the Company ("EGM") may be convened by the Board on requisition of one or more shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meeting (the "Requisition"). Such Requisition shall be made in writing to the Directors or the Company Secretary and sent to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). For the purpose of requiring an EGM to be called by the Directors, such Requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists. The EGM shall be held within two months after the deposition of such Requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong.

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the Hong Kong share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

The Group has no significant change in constitutional documents during the year.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Ms. Xia Lu (夏路), aged 55, is the founder of the Group, and was appointed as the Director on 8 February 2013 and redesignated as an executive Director on 28 February 2013. Ms. Xia is also the chief executive officer of the Company, a member of the Nomination Committee. Ms. Xia was one of the founders of the Group and is responsible for the Group's overall strategic planning, business development, day-to-day operational management and administration. Ms. Xia graduated with a bachelor's degree at the Chinese Department of Beijing Normal College (北京師範學院中文系) in 1981, and in 1991 she also obtained a postgraduate degree in political economics (政治經濟學) from Beijing Normal University (北京師範大學). Ms. Xia has approximately 23 years of experience in the automobile glass industry. Prior to setting up the Group in 1999, Ms. Xia developed the automobile glass business through operation of an automobile glass entity where she accumulated practical operating and management experience in the automobile glass installation/repair service industry. Ms. Xia founded the Group in 1999, and has devoted herself to the continuous development of the Group and played a significant role in the growth of the Group's business. Ms. Xia is the sister-in-law of Ms. Natsu.

Mr. He Changsheng (賀長生), aged 55, is an executive Director. Mr. He is also a member of Remuneration Committee. Mr. He is responsible for managing the Group's overall operation and supervising the Group's procurement of the Group. Mr. He obtained a bachelor's degree in mechanical engineering from the Tsinghua University (Branch School) (清華大學分校) in January 1983. He was qualified as an engineer in March 1989. Mr. He has more than 10 years of experience in automobile glass and fitting industry. Mr. He joined the Group in 1999 as deputy general manager. Since then, Mr. He has devoted himself to the continuous development of the Group and played a significant role in the growth of the Group's business. Before joining the Group, Mr. He worked as division manager of the technology department of Beijing Taxi Company Third Branch (北京市出租汽車公司第三分公司) from 1983 to 1991, which was later renamed as Beijing Taxi Group Company Limited (北京市出租汽車集團有限責任公司).

Mr. Li Honglin (李洪林), aged 50, is an executive Director. Mr. Li is also the compliance officer of the Company. Mr. Li is responsible for the Group's management of the technical support department and the operation of a subsidiary in Tianjin and other branches. Mr. Li joined the Group in 1999 as the business manager. Since then, Mr. Li has devoted himself to the continuous development of the Group and played a significant role in the growth of the Group's business. Before joining the Group, Mr. Li worked in the government's food department in Beijing (崇文區(糧食部)) from 1979 to 1999. Mr. Li Honglin graduated with a high school certificate at Jizhou City High School, Hebei Province (河北冀州市中學) in 1979.

Non-executive Directors

Ms. Natsu Kumiko (夏久美子), formerly known as Ms. Kondo Kumiko (近藤久美子), aged 34, is a non-executive Director. She was appointed as the Chairman of the Board on 9 August 2013. She is also one of the controlling shareholders. Ms. Natsu is taking part in the planning of the Group's business development. She obtained an examination certificate from the Ministry of Education, Culture, Sports, Science and Technology, Japan, in September 2002. She has approximately ten years of management experience in trading industry. Ms. Natsu is the sister-in-law of Ms. Xia. Before joining the Group, Ms. Natsu carried on her own business and set up KIT Limited in 2003 engaging in trading business, she also set up KIT USA Co., Ltd. in 2011 which engaged in the media business including operating magazines, map publishing and websites.

Mr. Lau Sik Yuen (劉錫源), aged 47, is a non-executive Director. Mr. Lau was appointed to represent the shareholding interest of Xinyi Glass Holdings Limited and its subsidiaries (the "Xinyi Glass Group") in the Group. Mr. Lau graduated from Oregon State University with Bachelor of Science in business administration in September 1999. He joined Xinyi Glass Group in April 2003 and is currently the company secretary, chief financial officer and qualified accountant of Xinyi Glass Group responsible for their financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Prior to joining the Xinyi Glass Group, Mr. Lau had approximately 9 years of experience in auditing and financial accounting in Hong Kong, whereby he worked for PricewaterhouseCoopers for over five years, and was the financial controller of a subsidiary of a company listed on the Main Board for over three years. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lau also serves currently as an independent non-executive director of China Qinfa Group Ltd. and Dragon Crown Group Holdings Limited, both of which are companies listed on the Main Board. Mr. Lau was appointed as an non-executive Director on 9 August 2013.

Independent non-executive Directors

Mr. Fong William (方偉濂), aged 34, is an independent non-executive Director. Mr. Fong is also the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Fong graduated from the City University of Hong Kong with Bachelor of Business (Hons) in Accountancy in November 2003. Mr. Fong has over seven years of experience in accounting and auditing. He worked in Grant Thornton as an accountant, then senior accountant from July 2005 to November 2007, and in Ernst & Young as a manager from January 2008 to May 2010. Mr. Fong has then served as the chief financial officer and company secretary of China Kangda Food Company Limited since July 2010, a company with dual listing on the Main Board and stock market in Singapore where he is responsible for the preparation of the financial statements as well as the review and development of the effective financial policies and control procedures. Mr. Fong is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate of the Taxation Institute of Hong Kong. Mr. Fong was appointed as an independent non-executive Director on 9 August 2013

Mr. Chen Jinliang (陳金良), aged 56, is an independent non-executive Director. Mr. Chen is also the chairman of the Nomination Committee and a member of each of the Remuneration Committee and Audit Committee. Mr. Chen obtained a bachelor's degree in economics management from Beijing Municipal Party Committee College (北京市委黨校) in 1991. He then obtained a postgraduate degree in monetary banking in the Renmin University of China (中國人民大學) in March 1999. In July 2003, Mr. Chen obtained another postgraduate degree in economics management in Beijing Municipal Party Committee College (北京市委黨校). Mr. Chen has more than 8 years of experience in the retail banking industry. Mr. Chen joined China Everbright Bank (中國光大銀行) as a sub-branch manager in August 1999, and then was promoted to become the branch manager and the party secretary of China Everbright Bank (中國光大銀行) in April and August 2007, respectively, where he was responsible for overseeing the overall operations of the branch. Then he served as the Beijing branch manager of Bank of Dalian (大連銀行). After which, he has become the chairman of Beijing Hover Dragon Financial Leasing Co., Ltd. (北京飛龍融資租賃有限公司) since April 2013 till now. He was awarded National Financial Labour Award (全國金融五一勞動獎章) and National Labour Award (全國五一勞動獎章) in April 2002 and 2003, respectively. Mr. Chen was appointed as an independent non-executive Director on 9 August 2013

Mr. Ling Kit Wah Joseph (凌傑華), aged 57, is an independent non-executive Director. Mr. Ling is also the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Ling graduated from the University of Windsor with the Bachelor of Commerce (Hons) in business administration in June 1981. Mr. Ling has over 20 years' experience in investment banking, direct investment and corporate finance in Hong Kong and Asia Pacific. During the period from January 1985 to September 2000, Mr. Ling worked for various banks, including, inter alia, Citicorp Australia Limited, The Hongkong and Shanghai Banking Corporation and Internationale Nederlanden Bank N.V. in private banking division. Mr. Ling was appointed as an executive director of Singapore Hong Kong Properties Investment Ltd. (currently known as China Seven Star Shopping Ltd.), a company listed on the Main Board from October 2001 to November 2002, and then as a senior vice president of VXL Management Services Limited from March 2005 to April 2007. Then, he was appointed as an executive vice president of Pacific Star Group, a Singapore-based property investment company during the period of January 2008 to July 2009. Mr. Ling is currently an independent director of East Asia Sports International Limited, a company listed on the stock market in Korea. Mr. Ling was appointed as an non-executive Director on 9 August 2013.

SENIOR MANAGEMENT

Mr. Yu Fei (于 飛), aged 42, is the manager of the sales and marketing department of the Group. Mr. Yu has approximately 17 years of experience in the automobile glass industry. Mr. Yu joined the Group in 1996 as a manager of the marketing and insurance department of the Group. He is currently responsible for strategic planning on sales and marketing of the Group, as well as business development and insurance settlement with insurance companies. Mr. Yu obtained a bachelor's degree in corporate management from the Central University of Finance and Economics (中央財經大學), then known as Central University of Finance (中央財政金融學院) in July 1996. Mr. Yu is the nephew of Ms. Xia.

Ms. Bai Wen (白雯), aged 50, is the manager of the finance department of the Group. Ms. Bai has approximately 6 years of experience in the automobile glass industry. Ms. Bai is also a director of Beijing Zhengmei Fengyi Automobile Service Co., Ltd. (北京正美豐業汽車服務有限公司), a subsidiary of the Group. Ms. Bai joined the Group in April 2007 as an accounting manager of the financial department. She is currently responsible for managing the finance department and preparing financial statements of the Group. Ms. Bai obtained a bachelor's degree in accounting from Remin University of China (中國人民大學) in July 2000.

Mr. Lau Shing (劉成), aged 57, is the deputy general manager and capital operation manager of the Group. Mr. Lau has approximately 20 years of experience in corporate administration, financial and capital management and investment management in various industries. Mr. Lau joined the Group in July 2012 as the deputy general manager and capital operation manager and is currently responsible for strategic planning, development, budgeting, and capital operation. Mr. Lau graduated with a bachelor's degree in geological and mineral exploitation from Changchun College of Geology (長春地質學院) in January 1982. He also completed the Financial Advisers' International Qualification of the Chartered Insurance Institute in June 2008. Prior to joining the Group in July 2012, Mr. Lau worked as an assistant engineer at the Ministry of Geology and Mineral Resources (中華人民共和國地質礦產部) in July 1983 and was promoted to the position of engineer in August 1988. He then accumulated management experience in various industries such as financial services, investments and entertainment during the year of 1990 to 2001. In December 2002, Mr. Lau acted as a dealer's representative of AIG Financial Advisor Services, Limited. He then joined Tralaco Technology Limited as managing director from January 2005 to August 2007. In March 2007, he joined TG Holborn (HK) Limited as a consultant. He also subsequently acted as a representative for TG Holborn (HK) Limited which is licensed to carry out type 4 (advising on securities) regulated activity under SFO. He was appointed as one of the 32nd session council members of the Hopeh and Shantung Natives (H.K.) Association in August 2010. Mr. Lau holds 3,700,000 shares of the Company as at 31 December 2013.

Mr. Leung Ting Yuk (梁廷育), aged 39, is the chief financial officer and company secretary of the Company. Mr. Leung has over 12 years of corporate finance and accounting experience. He joined the Group as the chief financial officer in September 2012 and is currently responsible for the Group's financial management, cost accounting, treasury and company secretarial matters. Mr. Leung graduated from the University of Wollongong, Australia with a bachelor's degree in Commerce in 2000. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Prior to joining the Group, Mr. Leung worked in an accounting firm for over seven years during the period from November 2000 to January 2008, he was an audit manager when he left the firm. Mr. Leung was then employed as the chief financial officer and company secretary of China Kangda Food Company Limited, a company listed on the Main Board from January 2008 to May 2010 and China 33 Media Group Limited, a company listed on the GEM from May 2010 to October 2012. Mr. Leung currently acts as an independent non-executive Director of Yanchang Petroleum International Limited, a company listed on the Main Board.

The Directors are pleased to present their report and the audited financial statements of ZMFY Automobile Glass Services Limited (the "Company") and its Subsidiaries (together, the "Group") for the year ended 31 December 2013.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business objectives as set out in the Company's prospectus dated 27 August 2013 (the "Prospectus") with actual business progress up to 31 December 2013.

Business objectives	Planned progress up to 31 December 2013	Actual business progress up to 31 December 2013
Expand the existing business of the Group by setting up new service centres in the PRC	To set up a new service centre in Beijing	The Group has established one service centre in Hangzhou at the end of December 2013 with capital spending on the new service centre amounting to approximately RMB370,000 (equivalent to approximately HK$470,000) as at 31 December 2013, mainly covering rental deposit, purchase of fixed assets and decoration. This new service centre in Hangzhou replaced the proposed location in Beijing formerly stated in the Prospectus. Meanwhile, the Group is searching for a suitable location to establish another service centre in Beijing.
Explore merger and acquisition opportunities and business collaboration opportunities with partners in the automobile glass installation/repair service industry	To select merger or acquisition targets in the southern part of the PRC such as Shenzhen and Guangzhou – 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 To explore business cooperation opportunities such as forming alliance or joint venture with local industry partners for setting up new service centre(s) in second or third-tier cities	On 27 December 2013, the Group has entered into a sale and purchase agreement with two third-party individuals to acquire the 100% equity interest of a company, named Shenzhen Xinyida Automobile Glass Company Limited, which is located in Shenzhen and is principally engaged in the sales of automobile glass with installation/repair services and the trading of automobile glass in the PRC. The total consideration for the acquisition amounted to RMB16.0 million (equivalent to approximately HK$20.4 million), a deposit of RMB8.0 million (equivalent to approximately HK$10.2 million) was paid on 27 December 2013 and the remaining RMB8.0 million (equivalent to approximately HK$10.2 million) was paid in January 2014 upon the completion of all relevant documentation from relevant PRC authorities. An excess amount of HK$9.5 million was funded by the Group's internal working capital.
Enhance marketing activities to promote brand awareness and broaden the Group's customer base	To enhance brand awareness through increasing advertising activities through various media, including radio, advertising displays on the internet and press releases	The Group has spent RMB1.6 million (equivalent to approximately HK$2.0 million) on formulating marketing and advertising campaigns and advertising on radio to promote the Group's brand image and enhance its reputation.

USE OF PROCEEDS

On 3 September 2013, the Company issued 100,000,000 new shares by placing for listing (the "Share Placing"). All such shares issued were ordinary shares and the 100,000,000 new shares were issued at HK$0.45 per share. The net proceeds of the Share Placing received by the Company were approximately HK$32,639,000 (equivalent to approximately RMB25,761,000).

During the period from the latest practicable date (the "LPD") (as defined in the Prospectus) to 31 December 2013, the net proceeds from the Share Placing had been applied as follows:

Business objectives for the period from the LPD to 31 December 2013 as stated in the Prospectus		Planned use of proceeds from the LPD to 31 December 2013 as stated in the Prospectus (HK$ million) (Note)	Actual use of proceeds from the LPD to 31 December 2013 (HK$ million)
1.	Setting up new service centres	2.2	0.5
2.	Merger, acquisitions and business collaboration	10.9	10.2
3.	General working capital	2.3	2.0
Total		15.4	12.7

Note: This sum represents an aggregate amount of the planned use of proceeds from the LPD to 31 December 2013 as stated in the Prospectus being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.

The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of automobile glass with installation/repair services and the trading of automobile glass in the PRC. The principal activities and other particulars of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the consolidated statement of comprehensive income on pages 38 to 39.

The Directors did not recommend the payment of a dividend for the year ended 31 December 2013.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in note 21 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

CAPITALISATION OF INTEREST

The Group has no any interest capitalised during the year.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB124,645,000 (2012: Nil).

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from 8 May 2014 to 9 May 2014, both dates inclusive, during which period no transfer of shares (the "Shares") of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited financial statements in this annual report and the Prospectus is set out on page 94 of this annual report. This summary does not form part of the audited consolidated financial statements.

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 31 December 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From the Listing Date up to 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 33.8% (2012: 37.2%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 14.6% (2012: 15.7%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 48.9% (2012: 55.8%) of the total purchase for the year and goods supplied from the Group's largest supplier included therein amounted to approximately 27.5% (2012: 31.5%) of the total purchase for the year. A substantial shareholders of the Company, Xinyi Glass Holdings, through Xinyi Glass (BVI), is one of the top 5 suppliers.

Save for as disclosed above, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Participants"). The purpose of the Scheme is for the Group to reward, retain and motivate the Participants to strive for future development and expansion of the Group. The Company conditionally adopted a share option scheme (the "Scheme") on 9 August 2013 whereby the Board are authorized, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Participant. The Scheme will be valid and effective for a period of ten years commencing from the date on which the Scheme is adopted.

As at the date of this report, the total number of shares available for issue under the Scheme is 40,000,000 shares, representing 10% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "Option"), the Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares under the Scheme will be a price determined by the Board in its absolute discretion at the time of grant of the relevant Option and notified to each Participant and shall be no less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the relevant Option is granted which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant Option is granted; and (iii) the nominal value of a share of the Company.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Unless otherwise determined by the Board, there is no minimum period for which an Option must be held before it can be exercised.

Subject to the provisions of the Scheme, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the relevant class of securities of the Company in issue.

Since the adoption of the Scheme, no share options were granted, exercised, lapsed or cancelled, and as at 31 December 2013, no share options under the Scheme were outstanding.

DIRECTORS

The directors during the year and up to the date of this report were:

Executive Directors

Ms. Xia Lu *(Chief Executive Officer) (Appointed on 8 February 2013)*
Mr. Li Honglin *(Appointed on 28 February 2013)*
Mr. He Changsheng *(Appointed on 28 February 2013)*
Mr. Kevin Bulter *(Appointed on 8 February 2013 and resigned on 8 February 2013)*

Non-Executive Directors

Ms. Natsu Kumiko *(Chairman) (Appointed on 28 February 2013)*
Mr. Lau Sik Yuen *(Appointed on 9 August 2013)*

Independent Non-Executive Directors

Mr. Fong William *(Appointed on 9 August 2013)*
Mr. Chen Jinliang *(Appointed on 9 August 2013)*
Mr. Ling Kit Wah Joseph *(Appointed on 9 August 2013)*

Pursuant to Article 105(A) of the Company's article of association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of Article 105(A) of the articles of the association of the Company, Mr. Li Honglin, Mr. He Changsheng and Mr. Fong William will retire at the forthcoming annual general meeting, Mr. Li Honglin, Mr. He Changsheng and Mr. Fong William, being eligible, will offer themselves for re-election at the annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 21 to 24 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors and non-executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from "(i) 8 February 2013 (in respect of Xia Lu), (ii) 28 February 2013 (in respect of Li Honglin, He Changsheng and Natsu Kumiko) or (iii) 9 August 2013 (in respect of Lau Sik Yuen, Fong William, Chen Jinliang and Ling Kit Wah Joseph)", all of which shall be automatically reserved and extended for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice at the end of the initial term or at any time thereafter.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years commencing from 9 August 2013, all of which shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' written notice. The appointments are subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 8 to the consolidated financial statements of this annual report, none of the Directors or controlling shareholders had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party from the Listing Date up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2013, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders and their respective associates (as defined in the 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 with the Group.

NON-COMPETE UNDERTAKING

On 9 August 2013, the Company has entered into a Deed of Non-competition Undertaking with Ms. Natsu Kumiko (the "Ms. Natsu") and Lu Yu Global Limited (the "Lu Yu") (collectively, the "controlling shareholders"), in favour of the Group pursuant to which each of the controlling shareholders irrevocably and unconditionally covenants and undertakes with the Company that, during the period from the Listing Date and up to the date of this report on which the controlling shareholders and/or her/its associates cease to beneficially own (i) more than 30% of the issued share capital of the Company or (ii) any interests in the direct or indirect corporate shareholders of the Company which in turn beneficially own more than 30% of the issued share capital of the Company, each of the controlling shareholders shall not, and shall procure that none of her/its associates shall, directly or indirectly, establish, invest, involve in, manage, operate or otherwise hold any right or interest, directly or indirectly, in the business of provision of automobile glass installation/repair services and the trading of automobile glass in the PRC, and such other business conducted or carried on by the Group from time to time within the PRC and such other places as the Group may conduct or carry on business from time to time.

The Deed of Non-compete Undertaking has become effective from the Listing Date.

The Company has received the confirmation from the controlling shareholders in respect of their compliance with the terms of the Deed of Non-compete Undertaking from the Listing Date up to the date of this report.

The Independent Non-Executive Directors had reviewed and confirmed that the controlling shareholders have complied with the Deed of Non-compete Undertaking and the Deed of Non-compete Undertaking has been enforced by the Company in accordance with its terms from the Listing Date up to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 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 and its associated corporations (within the meanings 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 in rule 5.46 of the GEM Listing Rules, were as follows:

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

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

Note:

(1) Lu Yu Global Limited (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 Kumiko and Ms. Natsu Kumiko is a non-executive Director and the Chairman of the Company. Ms. Natsu Kumiko 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 31 December 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 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 the Shares and underlying Shares of the Company

Name of shareholder	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 of 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 Automobile Glass (BVI) Company Limited. (the "Xinyi Glass (BVI)"), a company incorporated in the BVI on 13 June 2002 and an investment holding company, is wholly and beneficially owned by Xinyi Glass Holdings.

(4) Xinyi Glass Holdings Limited (the "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 31 December 2013, the Directors are 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 12 to 20 of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. No option was granted, exercised or lapsed under the share option scheme of the Company for the year ended 31 December 2013.

The remuneration of the senior management (including the Directors) of the Group by band for the year ended 31 December 2013 is set out below:

Remuneration bands	**Number of senior management**
Nil to RMB781,250 (HKD Nil to HKD1,000,000)	3
RMB781,251 to RMB1,171,875 (HKD1,000,001 to HKD1,500,000)	1
	4

Further details of the Directors' remuneration and the five highest paid employees are set out in note 8 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group for the year ended 31 December 2013 are set out in note 28 to the consolidated financial statements. Save for the purchase of inventories from fellow subsidiaries of Xinyi (which is further summarised in the paragraph headed "Continuing Connected Transaction" below) and interest income on loans to a director (which is summarised in the paragraph headed "Connected Transaction" below), all other related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the purchase of inventories from the fellow subsidiaries of Xinyi.

CONTINUING CONNECTED TRANSACTIONS

Xinyi Glass Holdings was indirectly interested in 15% of the share capital of the Company, the transactions entered into by the Group with Xinyi Glass Holdings and its subsidiaries (the "Xinyi Glass Group") constituted non-exempt continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Details of such continuing connected transactions and the principal terms of the relevant agreement are set out below:

On 1 January 2013, the Group entered into a framework supply agreement with Xinyi Glass (Tianjin) Co., Ltd. (as amended and supplemented by a supplemental agreement dated 17 June 2013, together, the "Supply Agreement") pursuant to which, Xinyi Glass Group has agreed to supply automobile glass (the "Xinyi Goods") to the Group upon request from time to time, for a term of three (3) years commencing from 1 January 2013 and ending on 31 December 2015.

The supply of the Xinyi Goods by Xinyi Glass Group to the Group shall be made upon request by the Group from time to time. Purchase orders will be made by the Group with detailed terms and conditions specifying the type of goods, the specifications, the quantity and the selling price which shall be determined by the parties with reference to the prevailing market price of the relevant type of goods supplied and on the basis that the terms (including, among others, the selling prices) shall be no less favourable to the Group than the terms available from the independent third parties for same or similar goods. The maximum aggregate annual amount (inclusive of tax) of the purchase price payable by the Group to Xinyi Glass Group in respect of the supply of the Xinyi Goods under the Supply Agreement should not exceed the applicable limits of RMB26.0 million, RMB28.0 million and RMB31.0 million for the year ended 31 December 2013 and years ending 31 December 2014 and 2015, respectively. The amount of total purchases (inclusive of tax) from Xinyi Glass Group for the year ended 31 December 2013 under the Supply Agreement amounted to approximately RMB19,568,000.

Confirmation of independent non-executive Directors of the Company

The Independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions:

(1) have been entered into in the ordinary and usual course of business of the Group;

(2) have been entered into either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(3) have been entered into in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) have not exceeded the annual cap for the year ended 31 December 2013 as disclosed in the Prospectus.

Confirmation of auditors of the Company

PricewaterhouseCoopers, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Paragraph 20.38 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

On 4 October 2013, the Group's wholly-owned subsidiary, Beijing Zhengmei Fengye Automobile Glass Installation Co., Ltd. (the "Beijing Zhengmei Installation") entered into a loan agreement with an executive Director of the Group (the "Borrower"), pursuant to which Beijing Zhengmei Installation conditionally agreed to make loan in the amount of RMB5,500,000 available to the Borrower for a term of three months at an interest rate of 6.44% per annum.

On 12 November 2013, the Group's wholly-owned subsidiary, Beijing Zhengmei Fengye Automobile Service Co., Ltd. (the "Beijing Zhengmei Service") entered into a loan agreement with the Borrower, pursuant to which Beijing Zhengmei Service conditionally agreed to make loan in the amount of RMB500,000 available to the Borrower for a term of two months at an interest rate of 6.44% per annum.

Each of the loans generated interest income for the Company within a short period of time, and was beneficial to the Group. The above loans in aggregate amount of RMB6,000,000 have been repaid by the Borrower on 27 December 2013 and the outstanding interest has been repaid by the Borrower after the year end.

The Company has failed to comply with the announcement requirement under Rule20.47 of the GEM Listing Rules on a timely manner. The Company has published the relevant announcement on 24 March 2014 and has considered and implemented new measures on interested control system.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 29 to the consolidated financial statements, the Group has no significant events after the reporting period.

AUDITORS

PricewaterhouseCoopers was the reporting accountants of the Company for the purpose of the listing of the Company's shares on the GEM of the Stock Exchange. The financial statements of the Company have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Xia Lu
Executive Director

Hong Kong, 25 March 2014

羅兵咸永道

TO THE SHAREHOLDERS OF ZMFY AUTOMOBILE GLASS SERVICES LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ZMFY Automobile Glass Services Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 38 to 93, which comprises the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2014

Consolidated Statement of Comprehensive Income

	Note	**2013 RMB'000**	2012 RMB'000
Revenue	5	**144,214**	136,954
Cost of sales	7	**(92,552)**	(91,454)
Gross profit		**51,662**	45,500
Other loss	6	**(26)**	(2)
Selling and distribution costs	7	**(15,164)**	(11,811)
Administrative expenses	7	**(21,657)**	(13,096)
		14,815	20,591
Finance income	9	**112**	166
Finance cost	9	**(215)**	(92)
Finance (cost)/income, net	9	**(103)**	74
Profit before income tax		**14,712**	20,665
Income tax expense	10	**(5,410)**	(5,580)
Profit for the year		**9,302**	15,085
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(18)**	(128)
Total comprehensive income for the year		**9,284**	14,957

	Note	2013 RMB'000	2012 RMB'000
Profit attributable to:			
Owners of the Company		**8,664**	14,367
Non-controlling interests		**638**	718
		9,302	15,085
Total comprehensive income attributable to:			
Owners of the Company		**8,646**	14,239
Non-controlling interests		**638**	718
		9,284	14,957
Earnings per share attributable to owners of the Company for the year (expressed in RMB cents per share)			
Basic earnings per share	11	**2.60**	4.79
Diluted earnings per share	11	**2.60**	4.79
Dividends	12	**–**	12,402

The notes on pages 46 to 93 are integral parts of these consolidated financial statements.

Consolidated Balance Sheet

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**20,573**	20,732
Intangible assets	14	**17,200**	18,717
Prepayments	18	**8,341**	–
		46,114	39,449
Current assets			
Inventories	17	**31,949**	37,420
Trade and other receivables	18	**24,759**	21,563
Amount due from a director	28(b)	**58**	–
Cash and cash equivalents	19	**52,399**	24,389
		109,165	83,372
Total assets		**155,279**	122,821
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	20	**3,157**	–
Reserves	21	**132,037**	97,788
		135,194	97,788
Non-controlling interests	24	**4,484**	3,096
Total equity		**139,678**	100,884

	Note	**2013 RMB'000**	2012 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	22	**6,212**	9,735
Amount due to a director	28(b)	**–**	712
Dividend payable		**–**	3,244
Income tax payable		**2,839**	2,112
		9,051	15,803
Non-current liabilities			
Deferred tax liabilities	23	**5,550**	6,134
Deferred government grant	22	**1,000**	–
		6,550	6,134
Total liabilities		**15,601**	21,937
Total equity and liabilities		**155,279**	122,821
Net current assets		**100,114**	67,569
Total assets less current liabilities		**146,228**	107,018

The consolidated financial statements on pages 38 to 93 were approved by the Board of Directors on 25 March 2014 and signed on its behalf.

Xia Lu
Director

He Changsheng
Director

The notes on pages 46 to 93 are integral parts of these consolidated financial statements.

Balance Sheet

	Note	**2013 RMB'000**	2012 RMB'000
ASSETS			
Non-current asset			
Investments in subsidiaries	15	**117,367**	–
Current assets			
Prepayments and other receivables	18	**89**	–
Cash and cash equivalents	19	**11,972**	–
		12,061	–
Total assets		**129,428**	–
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	20	**3,157**	–
Reserves	21	**124,645**	–
Total equity		**127,802**	–
LIABILITIES			
Current liabilities			
Trade and other payables	22	**746**	–
Amount due to a subsidiary	28(b)	**880**	–
		1,626	–
Total equity and liabilities		**129,428**	–
Net current assets		**10,435**	–
Total assets less current liabilities		**127,802**	–

The consolidated financial statements on pages 38 to 93 were approved by the Board of Directors on 25 March 2014 and signed on its behalf.

Xia Lu
Director

He Changsheng
Director

The notes on pages 46 to 93 are integral parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Share premium (Note 21) RMB'000	Other reserves (Note 21) RMB'000	Retained earnings (Note 21) RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company						
Balance at 1 January 2012		–	–	29,317	38,545	67,862	2,378	70,240
Comprehensive income								
Profit for the year		–	–	–	14,367	14,367	718	15,085
Other comprehensive loss								
Currency translation differences		–	–	(128)	–	(128)	–	(128)
Total comprehensive (loss)/income		–	–	(128)	14,367	14,239	718	14,957
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		–	–	1,902	(1,902)	–	–	–
Dividends paid	12	–	–	–	(12,402)	(12,402)	–	(12,402)
Balance at 31 December 2012		–	–	59,180	38,608	97,788	3,096	100,884

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Share premium (Note 21) RMB'000	Other reserves (Note 21) RMB'000	Retained earnings (Note 21) RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company						
Balance at 1 January 2013		–	–	59,180	38,608	97,788	3,096	100,884
Comprehensive income								
Profit for the year		–	–	–	8,664	8,664	638	9,302
Other comprehensive loss								
Currency translation differences		–	–	(18)	–	(18)	–	(18)
Total comprehensive (loss)/income		–	–	(18)	8,664	8,646	638	9,284
Transactions with equity owners of the Company recognised directly in equity								
Share issued pursuant to Group Reorganisation and Capitalisation	20	2,368	104,254	(106,622)	–	–	–	–
Shareholder's contributions		–	–	2,999	–	2,999	–	2,999
Issuance of shares upon placing, net of share issuing expenses	20	789	24,972	–	–	25,761	–	25,761
Appropriation to PRC statutory reserve		–	–	1,149	(1,149)	–	–	–
Dividends paid		–	–	–	–	–	(230)	(230)
Increase in share capital of subsidiaries		–	–	–	–	–	980	980
Balance at 31 December 2013		3,157	129,226	(43,312)	46,123	135,194	4,484	139,678

The notes on page 46 to 93 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	2013 RMB'000	2012 RMB'000
Net cash generated from operations	27	**19,035**	15,011
Income tax paid		**(5,267)**	(9,750)
Net cash generated from operating activities		**13,768**	5,261
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		**(4,229)**	(5,265)
Proceeds from disposal of property, plant and equipment	27	**96**	62
Prepayment for the acquisition of a subsidiary	18	**(8,000)**	–
Interest received	9	**54**	166
Proceeds from government grant	22	**1,000**	–
Net cash used in investing activities		**(11,079)**	(5,037)
Cash flows from financing activities			
Repayment of bank borrowing		**–**	(1,050)
Dividends paid	12, 24	**(3,474)**	(9,158)
Prepayment of share issuance costs	18	**–**	(1,606)
Proceeds from issuance of shares upon placing, net		**25,761**	13,988
Repayment of amount due to a director and her close family members	28(d)	**(712)**	(16,761)
Increase in loans to a director	28(d)	**(6,000)**	–
Repayment of loans from a director	28(d)	**6,000**	–
Proceeds from non-controlling interest for capital injection of subsidiaries		**980**	–
Shareholder's contribution	21(b)	**2,999**	28,089
Interest paid	9	**–**	(92)
Net cash generated from financing activities		**25,554**	13,410
Net increase in cash and cash equivalents		**28,243**	13,634
Cash and cash equivalents at beginning of the year		**24,389**	10,755
Effect of foreign exchange		**(233)**	–
Cash and cash equivalents at end of the year	19	**52,399**	24,389

The notes on pages 46 to 93 are integral parts of these consolidated financial statements.

1 Corporate information, reorganisation and basis of presentation

(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's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 3 September 2013.

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of automobile glass with installation/repair services and the trading of automobile glass in the People's Republic of China (the "PRC") (the "Listing Business"). The Company and its subsidiaries are collectively known as "the Group" in these consolidated financial statements.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2014.

Prior to the Listing Business being acquired by Ms. Natsu Kumiko ("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 Automobile") under which 2,000 new shares of Yu Sheng of USD1 each were issued to Xinyi Automobile for a consideration of RMB28,000,000. Following the issuance of these new shares, which occurred in November 2011, Xinyi Automobile held 20% of the equity interest of Yu Sheng.

1 Corporate information, reorganisation and basis of presentation *(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 Automobile 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 Automobile, 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.

Particulars of the subsidiaries are disclosed in Note 15.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and has been prepared under the historical cost convention.

The preparation of 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed that the adoption of HKFRS 10 does not have any significant impact on the Group as all subsidiaries within the Group satisfy the requirements of control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group has disclosed the material non-controlling interests in Note 24.

Amendment to HKFRSs 10, 11 and 12, 'Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities: Transition Guidance' provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

(b) Revised standards and new interpretations to existing standards that are mandatory for the financial year beginning 1 January 2013 but they are either not relevant or have no significant impact to the Group's operations:

HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HKFRS 1 (Amendments)	First Time Adoption on Government Loans
HKFRS 7 (Amendments)	Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities
HKFRS 11	Joint Arrangements
HKFRS 13	Fair Value Measurement
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) New/revised standards that have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been adopted by the Group:

HKAS 19 (Amendments)	Employee Benefits on Defined Benefit Plans
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures
HKFRS 9	Financial Instruments – Classification and measurement of financial assets and financial liabilities
HKFRS 9	Financial Instruments (Hedge accounting, and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Consolidation for Investment Entities
HKFRS 14	Regulatory Deferral Accounts
HK(IFRIC)-Int 21	Levies
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The Group has commenced, but not yet completed, an assessment of the impact of the applicable amendments on its results of operations and financial positions.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method 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 to the former owners of the acquiree 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. 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 recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Business combinations *(Continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 consolidated statement of comprehensive income.

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

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and the chief financial officer who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") since majority of the Group's operation are carried out in RMB. The Company's functional currency is HK dollars ("HKD") since majority of the activities of the Company are conducted in HKD.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within "Finance income, net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other loss, net" in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of the lease term or 5 years
Motor vehicles	5 years
Office equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Summary of significant accounting policies *(Continued)*

2.5 Property, plant and equipment *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other loss, net" in the consolidated statement of comprehensive income.

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of businesses represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

The Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination is recognised immediately in the consolidated statement of comprehensive income.

(b) Trademark

Trademark acquired in a business combination are recognised at fair value at the acquisition date. Trademark has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark over its estimated useful life of 20 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the expected life of the customer relationship for 7 years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies *(Continued)*

2.8 Financial assets

(a) Classification of financial assets

The Group classifies its financial assets as loan and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.12 and 2.13).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 Summary of significant accounting policies *(Continued)*

2.10 Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises of the automobile glass. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities for less than three months or less.

2 Summary of significant accounting policies *(Continued)*

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2 Summary of significant accounting policies *(Continued)*

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies *(Continued)*

2.19 Employee benefits

(a) Pension obligations

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group's contributions to the MPF Scheme are expensed as incurred and are reduced by the employer's voluntary contribution forfeited from the MPF Scheme by those employees who leave the scheme prior to vesting fully in the contributions.

PRC

The Group companies in the PRC participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employee in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle or transfer the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies *(Continued)*

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services performed and goods sold, stated net of discounts, returns and value-added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The Group bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of automobile glass is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

Revenue from the provision of automobile glass installation/repair services is recognised when services are provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.22 Government grants

Grants from the government are recognised at their fair value in the consolidated statement of comprehensive income where there is a reasonable assurance that the grant will be received and the Group has complied with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the landlord are classified as operating leases. Payments made under operating leases (net of any incentives received from the landlord) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow interest rate risk and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange rate risk

The Group is exposed to foreign exchange translation risk with respect to HKD. Foreign exchange risk arises mainly from recognised assets and liabilities.

At 31 December 2013, if HKD had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the year would have been approximately RMB790,000 (2012: Nil) lower/higher mainly as a result of foreign exchange losses/gains on translation of bank deposits.

The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from cash at bank. Cash at bank at variable rates expose the Group to cash flow interest rate risk.

The Group does not have significant cash flow interest rate risk and fair value interest rate risk.

(c) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents and trade and other receivables. The carrying amounts of these balances on the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2013, 20% (2012: 26%) of the Group's cash at banks were deposited in financial institutions with no credit rating provided by Standard and Poor's. During the year ended 31 December 2013, the Group transferred majority of the Group's cash at bank to financial institutions located in the PRC with a minimum rating of "A-" or above and only maintained sufficient deposit in these financial institutions without credit rating in order to satisfy the payments which required to be settled through these bank accounts. Management does not expect any losses arising from non-performance by these counterparties as at the balance sheet date.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

The table below shows the details of bank deposit balances maintained at different banks at the respective balance sheet dates:

	Ratings	**2013** **RMB'000**	2012 RMB'000
Ratings provided by Standard and Poor's (Note)			
China Construction Bank Corporation	A	**11,865**	12,183
Industrial and Commercial Bank of China Limited	A	**362**	369
Bank of Communications Co., Ltd.	A-	**569**	119
Bank of China	A	**16,097**	287
Beijing Rural Commercial Bank	N/A	**9,553**	4,641
Hongkong and Shanghai Banking Corporation Limited	A+	**12,655**	5,011
Others	N/A	**886**	1,557
Total cash at banks		**51,987**	24,167

Note: The rating represents long-term credit rating provided by Standard and Poor's, an internationally recognised credit rating agency. A rating within the "A" category is related to banks with strong capacity to meet financial commitments as defined under the rating regime of Standard and Poor's.

Trade receivables of the Group as at 31 December 2013 represent amounts due from various insurance companies and other customers who all have no recent history of default. Debtors of the Group may be affected by the unfavorable economic conditions, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 December 2013, the Group had a concentration of credit risk given that the largest 5 trade debtors accounted for 40% (2012: 42%) of the Group's total year end trade receivables balance. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

The Group performs periodic credit evaluations of its customers. The Group's experience in collection of trade and other receivables falls within the recorded allowances and management is of the opinion that provision for uncollectible receivables is not necessary.

Management considers the credit risk on other receivables is minimal after considering the financial conditions of these counterparties. Management has performed assessment over the recoverability of these balances and do not expect any losses from non-performance by these companies.

(d) Liquidity risk

The Group's primary cash requirements have been the payment for operating costs and purchase of inventories. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents in the short and long term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year or on demand 2013 RMB'000	Within 1 year or on demand 2012 RMB'000
Trade and other payables	**2,363**	6,124
Amount due to a director	**–**	712
Dividend payable	**–**	3,244
	2,363	10,080

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain a net cash position.

The Group's management considers capital comprises consolidated capital and reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

3 Financial risk management *(Continued)*

3.3 Fair value estimation

All the financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2013. Given these terms, it is not meaningful to disclose the fair value of such balances.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and depreciation expenses of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

(b) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. The recoverable amounts have been determined based on fair value less cost to sell calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continuing use of the asset in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount; (iv) whether there is any assets are being obsolescence or any plan to discontinue or restructure; and (v) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4 Critical accounting estimates and judgements *(Continued)*

(c) Leasehold improvements on leased premises

The Group operates service centers, warehouses and office buildings on leased premises in the PRC which are located on collectively-owned land that are not permitted to be sold, transferred or leased to others for the non-agricultural use. The unauthorised and illegal occupancy of the said lands may result in land return order, demolition order, confiscation of the existing buildings and facilities constructed on the said land. Management considered that such problem is unlikely to cause any interruption or termination of the leases or to have a material effect on the carrying amounts of the related leasehold improvements of RMB3,864,888 (2012: RMB4,121,381) as at 31 December 2013. Moreover, the controlling shareholder of the Company has agreed to keep the Group indemnified for any losses that the Group may suffer from any failure of the Group's subsidiaries in obtaining licence or permit to use the related properties. Accordingly, no impairment for such leasehold improvements is considered necessary to be made according to the Group's accounting policies.

(d) Estimated write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Provisions are made for inventories where events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgement and estimates. Where the estimate is different from the original amount, such difference will impact the carrying value of inventories and net realisable value for the periods in which such estimate is changed. In addition, management has assessed the realisability of the inventories and considers that the provision for inventories impairment is adequate and reasonable at each balance sheet date.

(e) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. The assessment is based on the credit history of its clients and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(f) Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

5 Segment reporting

The chief operating decision-maker ("CODM") has been identified as the Executive Directors and the Chief Financial Officer collectively. CODM reviews the Group's internal reporting in order to assess performance and allocate resources.

Management determines its operating segments based on the reports reviewed by CODM that are used to make strategic decisions. These reports include segment revenue and segment results. Operating segment result represents the gross profit that is reviewed by the CODM. Unallocated expenses represent other loss, net, selling and distribution costs and administrative expenses.

CODM considers the business from a geographical aspect. Presentation of information on the basis of operating segments and segment revenue is based on the geographical presence of customers. Segment assets and liabilities are not regularly reported to the Group's CODM and therefore information of reportable segment assets and liabilities is not presented in the consolidated financial statements.

As at 31 December 2013, the Group's non-current assets were entirely held in the PRC. For the years ended 31 December 2013, revenue from the Group's largest customer amounted to approximately 15% (2012: 16%) of the Group's total revenue.

	Beijing, Tianjin and Sanhe		**Shenyang**		**Hangzhou**		**Reportable segments Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover-revenue from:								
Sales of automobile glass with installation/repair services	**115,334**	111,330	**3,082**	2,067	**2,575**	2,518	**120,991**	115,915
Trading of automobile glass	**21,893**	14,774	**2,420**	4,051	**1,893**	5,613	**26,206**	24,438
Inter-segment sales	**(2,014)**	(1,724)	**(700)**	(224)	**(269)**	(1,451)	**(2,983)**	(3,399)
Revenue from external customers	**135,213**	124,380	**4,802**	5,894	**4,199**	6,680	**144,214**	136,954
Results of reportable segments	**49,178**	42,925	**1,357**	1,800	**1,127**	775	**51,662**	45,500
Depreciation	**4,157**	3,100	**39**	25	**70**	55	**4,266**	3,180
Capital expenditure	**3,662**	5,265	**252**	–	**315**	–	**4,229**	5,265

5 Segment reporting *(Continued)*

A reconciliation of results of reportable segments to profit for the year is as follows:

	2013 RMB'000	2012 RMB'000
Results of reportable segments	**51,662**	45,500
Unallocated income	**–**	–
Unallocated expenses	**(36,847)**	(24,909)
	14,815	20,591
Finance income	**112**	166
Finance cost	**(215)**	(92)
Profit before income tax	**14,712**	20,665
Income tax expense	**(5,410)**	(5,580)
Profit for the year	**9,302**	15,085
Non-controlling interests	**(638)**	(718)
Profit attributable to owners of the Company	**8,664**	14,367

6 Other loss

	2013 RMB'000	2012 RMB'000
Loss on disposal of property, plant and equipment	**(26)**	(2)

7 Expenses by nature

	2013 **RMB'000**	2012 RMB'000
Cost of inventories (Note 17)	**69,125**	69,917
Auditor's remuneration	**1,207**	1,065
Advertising and marketing	**1,631**	1,044
Business tax and surcharges	**3,284**	2,745
Staff costs (including directors' emoluments) (Note 8)	**25,232**	19,442
Depreciation (Note 13)	**4,266**	3,180
Amortisation (Note 14)	**1,517**	1,517
Rental	**5,298**	5,052
Fuels	**2,854**	3,501
Utilities	**964**	1,099
Transportation	**1,517**	1,279
Meeting and conference expenses	**1,339**	1,165
Tools and liveries	**916**	594
Office expenses	**1,266**	794
Listing expenses	**5,923**	2,243
Others	**3,034**	1,724
	129,373	116,361

8 Employee benefit expenses (including directors' emoluments)

	2013 **RMB'000**	2012 RMB'000
Salaries, wages and other benefits	**21,609**	16,414
Contributions to defined contribution retirement, other social security plans and housing fund	**3,623**	3,028
	25,232	19,442

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in the defined contribution retirement benefit schemes and other social security plans, including pension, medical and other welfare benefits organised by the local authority whereby the PRC subsidiaries are required to make contributions to the schemes based on certain percentages of the eligible employees' salaries.

The local government authority is responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement, housing fund and other post-retirement benefits of employees other than the contributions described above.

8 Employee benefit expenses (including directors' emoluments) *(Continued)*

(a) Directors' emoluments

The remuneration of each director of the Company paid/payable by the Group for 31 December 2013 and 2012 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance and discretionary bonuses RMB'000	Employer's contribution to pension plan RMB'000	Total RMB'000
Year ended 31 December 2013					
Executive directors					
Xia Lu (Chief Executive Officer)	**47**	**218**	**–**	**–**	**265**
He Changsheng	**16**	**71**	**–**	**12**	**99**
Li Honglin	**16**	**69**	**–**	**12**	**97**
Non-executive directors					
Natsu Kumiko (Chairman)	**38**	**–**	**–**	**–**	**38**
Lau Sik Yuen	**38**	**–**	**–**	**–**	**38**
Independent non-executive directors					
Fong William	**38**	**–**	**–**	**–**	**38**
Chen Jinliang	**38**	**–**	**–**	**–**	**38**
Ling Kit Wah Joseph	**38**	**–**	**–**	**–**	**38**
Total	**269**	**358**	**–**	**24**	**651**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance and discretionary bonuses RMB'000	Employer's contribution to pension plan RMB'000	Total RMB'000
Year ended 31 December 2012					
Executive directors					
Xia Lu (Chief Executive Officer)	–	186	29	9	224
He Changsheng	–	75	55	12	142
Li Honglin	–	66	69	12	147
Total	–	327	153	33	513

During the years ended 31 December 2013 and 2012, none of the directors waived the remuneration and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

8 Employee benefit expenses (including directors' emoluments) *(Continued)*

(b) Individuals with highest emoluments

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2013 and 2012 include three directors, respectively whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals during the years ended 31 December 2013 and 2012 are as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, wages and other benefits	**1,233**	404
Contributions to defined contribution retirement plans	**137**	40
	1,370	444

During the years ended 31 December 2013 and 2012, none of the five individuals with highest emoluments waived the remuneration and there were no amounts paid or payable by the Group to them as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments fell within the following band:

	2013	2012
Nil – RMB781,250 (HKD Nil – HKD1,000,000)	**1**	2
RMB781,251 – RMB1,171,875 (HKD1,000,001 – HKD1,500,000)	**1**	–

9 Finance (cost)/income, net

	2013 **RMB'000**	2012 RMB'000
Finance cost:		
Interest expense on borrowing which is wholly repayable within 5 years	**–**	(92)
Exchange losses relating to cash and cash equivalents	**(215)**	–
	(215)	(92)
Finance income:		
Interest income on bank deposits	**54**	166
Interest income on loan to a director (Note 28)	**58**	–
	112	166
Finance (cost)/income, net	**(103)**	74

10 Income tax expense

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands.

There is no assessable profit subject to Hong Kong profits tax for the year ended 31 December 2013 (2012: Nil).

Subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2013 (2012: 25%).

	2013	2012
	RMB'000	RMB'000
Current income tax		
– Current year	**6,640**	7,266
– Over-provision in prior years	**(646)**	(620)
Deferred income tax (Note 23)	**(584)**	(1,066)
Income tax expenses	**5,410**	5,580

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate applicable to profits in the respective countries as follows:

	2013	2012
	RMB'000	RMB'000
Profit before income tax	**14,712**	20,665
Calculated at domestic tax rates applicable to profits in the respective countries	**4,458**	5,466
Expenses not deductible	**1,336**	734
Tax loss for which no deferred income tax asset was recognised	**262**	–
Over-provision in prior years	**(646)**	(620)
Income tax expense	**5,410**	5,580

The weighted average applicable tax rate was 30% (2012: 26%). The increase is caused by a decrease in profitability of certain Group companies in respective countries.

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

In determining the number of ordinary shares in issue for the years ended 31 December 2013 and 2012, the issue and allotment of 30,000,000 shares by the Company on 9 August 2013 (Note 20), and the 270,000,000 shares issued and allotted through capitalisation on 27 August 2013 (Note 20), were deemed to have been issued since 1 January 2012.

	2013	2012
Profit attributable to owners of the Company (RMB'000)	**8,664**	14,367
Weighted average number of ordinary shares in issue (thousands)	**332,603**	300,000
Basic earnings per share (in RMB cents)	**2.60**	4.79

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2012: same).

12 Dividends

At a board meeting of Yu Sheng held on 15 August 2012 and 25 December 2012, the directors recommended the payment of dividends of RMB9,402,220 and RMB3,000,000, respectively. Dividend of RMB9,157,888 was paid on 29 October 2012 and dividend of RMB3,244,332 was recognised as dividend payable as at 31 December 2012 and was paid on 15 March 2013. The Directors do not recommend the payment of dividend for the year ended 31 December 2013.

13 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Year ended 31 December 2012					
Opening net book amount	9,407	3,093	5,319	892	18,711
Additions	–	3,360	1,306	599	5,265
Depreciation charge (Note 7)	(476)	(818)	(1,619)	(267)	(3,180)
Disposals	–	–	(64)	–	(64)
Closing net book amount	8,931	5,635	4,942	1,224	20,732
Year ended 31 December 2012					
Cost	9,566	6,564	6,270	1,563	23,963
Accumulated depreciation	(635)	(929)	(1,328)	(339)	(3,231)
Net book amount	8,931	5,635	4,942	1,224	20,732
Year ended 31 December 2013					
Opening net book amount	**8,931**	**5,635**	**4,942**	**1,224**	**20,732**
Additions	**–**	**2,092**	**1,918**	**219**	**4,229**
Depreciation charge (Note 7)	**(477)**	**(1,717)**	**(1,716)**	**(356)**	**(4,266)**
Disposals	**–**	**–**	**(122)**	**–**	**(122)**
Closing net book amount	**8,454**	**6,010**	**5,022**	**1,087**	**20,573**
Year ended 31 December 2013					
Cost	**9,566**	**8,656**	**7,801**	**1,782**	**27,805**
Accumulated depreciation	**(1,112)**	**(2,646)**	**(2,779)**	**(695)**	**(7,232)**
Net book amount	**8,454**	**6,010**	**5,022**	**1,087**	**20,573**

Depreciation expenses for the year ended 31 December 2013 of RMB2,334,804, RMB956,623 and RMB974,200 were included in cost of sales, selling and distribution costs and administrative expenses, respectively.

Depreciation expenses for the year ended 31 December 2012 of RMB1,630,450, RMB924,737 and RMB624,552 were included in cost of sales, selling and distribution costs and administrative expenses, respectively.

14 Intangible assets

	Trademark RMB'000	Customer relationships RMB'000	Total RMB'000
Year ended 31 December 2012			
Opening net book amount	14,982	5,252	20,234
Amortisation (Note 7)	(758)	(759)	(1,517)
Closing net book amount	14,224	4,493	18,717
At 31 December 2012			
Cost	15,150	5,505	20,655
Accumulated amortisation	(926)	(1,012)	(1,938)
Net book amount	14,224	4,493	18,717
Year ended 31 December 2013			
Opening net book amount	**14,224**	**4,493**	**18,717**
Amortisation (Note 7)	**(758)**	**(759)**	**(1,517)**
Closing net book amount	**13,466**	**3,734**	**17,200**
At 31 December 2013			
Cost	**15,150**	**5,505**	**20,655**
Accumulated amortisation	**(1,684)**	**(1,771)**	**(3,455)**
Net book amount	**13,466**	**3,734**	**17,200**

15 Investment in subsidiaries

	2013 **RMB'000**	2012 RMB'000
Unlisted shares, at cost	**106,622**	–
Amount due from a subsidiary	**10,745**	–
	117,367	–

15 Investment in subsidiaries *(Continued)*

Particulars of the subsidiaries as at 31 December 2013 are shown as follows:

Name of company	Place of incorporation/ registration and operation	Issued and paid-in capital/ registered capital	Equity interest held by the Company Directly	Equity interest held by the Company Indirectly	Principal activities
Yu Sheng Investments Limited	British Virgin Islands	USD10,000	100%	–	Investment holding
Chang Hong Investments (HK) Limited 長洪投資(香港)有限公司	Hong Kong	HKD1	–	100%	Investment holding
Beijing Zhengmei Fengye Automobile Service Co., Ltd. 北京正美豐業汽車服務有限公司	Beijing, PRC	RMB50,000,000	–	100%	Sales of automobile glass
Beijing Zhengmei Fengye Automobile Glass Installation Co., Ltd. 北京正美豐業汽車玻璃安裝有限公司	Beijing, PRC	RMB500,000	–	100%	Installation service of automobile glass
Hangzhou Zhengmei Automobile Glass Co., Ltd. 杭州正美汽車玻璃 有限公司	Hangzhou, PRC	RMB3,000,000	–	100%	Sales of automobile glass; installation service of automobile glass
Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd. 正美豐業(天津)汽車玻璃有限公司	Tianjin, PRC	RMB2,000,000	–	51%	Sales of automobile glass; installation service of automobile glass
Zhengmei Haida (Tianjin) Automobile Glass Sales Co., Ltd 正美海達(天津)汽車玻璃銷售有限公司 (Formerly known as Tianjin Haida Chengxing Automobile Glass Co., Ltd. 天津市海達誠興汽車玻璃有限公司)	Tianjin, PRC	RMB2,000,000	–	51%	Sales of automobile glass; installation service of automobile glass
Shenyang Zhengmei Automobile Glass Co., Ltd. 瀋陽正美汽車玻璃有限公司	Shenyang, PRC	RMB2,000,000	–	51%	Sales of automobile glass; installation service of automobile glass
Sanhe Zhengmei Automobile Glass Sales Co., Ltd. 三河市正美汽車玻璃銷售有限公司	Hebei, PRC	RMB100,000	–	100%	Sales of automobile glass; installation service of automobile glass
Tianjin Zhengmei Glass Technology Co., Ltd. 天津正美玻璃科技有限公司	Tianjin, PRC	HKD2,000,000	–	100%	Sales of automobile glass

Amount due from a subsidiary represents equity funding by the Company to the respective subsidiary and is measured in accordance with the Company's accounting policy for investment in subsidiaries.

16 Financial instruments by category

The Group's and the Company's financial instruments include the following:

	Loan and receivables			
	Group		**Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and other receivables	**19,654**	17,226	**89**	–
Cash and cash equivalents	**52,399**	24,389	**11,972**	–
Amount due from a director	**58**	–	**–**	–
	72,111	41,615	**12,061**	–

	Financial liabilities at amortised costs			
	Group		**Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and other payables	**2,363**	6,124	**746**	–
Amount due to a director	**–**	712	**–**	–
Dividend payable	**–**	3,244	**–**	–
Amount due to a subsidiary	**–**	–	**880**	–
	2,363	10,080	**1,626**	–

17 Inventories

	2013	2012
	RMB'000	RMB'000
Finished goods	**31,949**	37,420

The cost of inventories recognised as expense in "cost of sales" amounted to RMB69,125,191 for the year ended 31 December 2013 (2012: RMB69,916,599).

18 Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bill receivables	**18,149**	17,018	**–**	–
Prepayments (Note)				
– Third parties	**13,408**	4,337	**89**	–
– Related parties (Note 28)	**38**	–	**–**	–
Other receivables				
– Third parties	**654**	208	**–**	–
– Related parties (Note 28)	**851**	–	**–**	–
	33,100	21,563	**89**	–
Less: non-current portion				
– Prepayments	**(8,341)**	–	**–**	–
Current portion	**24,759**	21,563	**89**	–

Note: The prepayments comprise the following:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayment for purchase of inventories	**2,096**	413	**–**	–
Prepayment for share issuance costs	**–**	1,606	**–**	–
Prepayment for rental	**2,511**	1,371	**–**	–
Prepayment for acquisition of a subsidiary (Note 29)	**8,000**	–	**–**	–
Others	**839**	947	**89**	–
	13,446	4,337	**89**	–

18 Trade and other receivables *(Continued)*

The majority of the Group's sales are with credit terms of 60 to 90 days and the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
0 – 30 days	**11,061**	7,976
31 – 60 days	**4,929**	3,515
61 – 90 days	**1,232**	2,614
Over 90 days	**927**	2,913
Total	**18,149**	17,018

As at 31 December 2013, trade receivables of RMB973,703 (2012: RMB2,925,759) were past due but not impaired. No provision was made for impairment of trade receivables. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
61 – 90 days	**47**	13
Over 90 days	**927**	2,913
Total	**974**	2,926

Trade and other receivables balances are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**33,011**	19,957	**–**	–
HKD	**89**	1,606	**89**	–
Total	**33,100**	21,563	**89**	–

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above. The Group does not hold any collateral over these balances. The credit quality of trade and other debtors that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. All debtors are existing customers with no default in the past.

The carrying amounts of trade and other receivables approximate their fair values.

19 Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**412**	222	**–**	–
Cash at bank	**51,987**	24,167	**11,972**	–
Total	**52,399**	24,389	**11,972**	–

The conversion of Renminbi denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**23,945**	19,379	**–**	–
HKD	**28,454**	5,010	**11,972**	–
Total	**52,399**	24,389	**11,972**	–

20 Share capital

		2013		2012	
	Note	**Number of shares**	**RMB'000**	Number of shares	RMB'000
Authorised:					
Ordinary shares of HKD0.01 each	(c)	**780,000,000**	**6,094**	–	–
Issued and fully paid:					
As at 1 January	(a)	**–**	**–**	–	–
Issue of new shares upon incorporation of the Company	(b)	**1**	**–**	–	–
Shares issued pursuant to Reorganisation	(d)	**29,999,999**	**237**	–	–
Shares issued pursuant to the capitalisation issue	(e)	**270,000,000**	**2,131**	–	–
New shares issued upon listing	(f)	**100,000,000**	**789**	–	–
As at 31 December		**400,000,000**	**3,157**	–	–

Notes:

(a) The Company was incorporated in Cayman Islands on 8 February 2013 and therefore there was no issued share capital at 31 December 2012.

(b) Upon incorporation of the Company, the authorised share capital was HKD390,000 divided into 39,000,000 ordinary shares of HKD0.01 each. 1 share was issued on incorporation at par.

(c) On 9 August 2013, the shareholders resolved to increase the authorised share capital of the Company from HKD390,000 to HKD7,800,000 (equivalent to RMB6,093,750), by the creation of an additional of 741,000,000 shares at par value of HKD0.01 each.

(d) 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 Automobile and as consideration, the Company issued and allotted 23,999,999 and 6,000,000 new shares of the Company at HKD0.01 each at par to Lu Yu and Xinyi Automobile, respectively, credited as fully paid through deducting share premium.

(e) Pursuant to the Shareholders' Resolution dated 9 August 2013, the Company capitalised an amount of HKD2,700,000 equivalent to approximately RMB2,131,000, standing to the credit of its share premium account in paying up in full at par 270,000,000 shares. The new ordinary shares issued rank pari passu with the existing shares in all respects.

(f) On 3 September 2013, in connection with the placing of shares of the Company, an aggregate of 100,000,000 new ordinary shares with par value of HKD0.01 each, totalling HK$1,000,000 (equivalent to approximately RMB789,000), were issued at a price of HKD0.45 per share for a total cash consideration of HKD45,000,000 (equivalent to approximately RMB35,508,000), with issuance costs amounted to RMB9,747,000. This resulted in share premium of RMB24,972,000.

21 Reserves

The reserves of the Group as at 31 December 2013 are analysed as follows:

		Group					
		Attributable to owners of the Company					
	Note	**Share premium** RMB'000	**Capital reserve** RMB'000	**PRC statutory reserve** RMB'000	**Exchange reserve** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000
Balance at 1 January 2012		–	28,050	1,178	89	38,545	67,862
Comprehensive income							
Profit for the year		–	–	–	–	14,367	14,367
Other comprehensive loss							
Currency translation differences		–	–	–	(128)	–	(128)
Total comprehensive (loss)/income		–	–	–	(128)	14,367	14,239
Transactions with equity owners of the Company recognised directly in equity							
Shareholder's contributions	(b)	–	28,089	–	–	–	28,089
Appropriation to PRC statutory reserve	(a)	–	–	1,902	–	(1,902)	–
Dividends	12	–	–	–	–	(12,402)	(12,402)
Balance at 31 December 2012		–	56,139	3,080	(39)	38,608	97,788
Balance at 1 January 2013		**–**	**56,139**	**3,080**	**(39)**	**38,608**	**97,788**
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**–**	**8,664**	**8,664**
Other comprehensive loss							
Currency translation differences		**–**	**–**	**–**	**(18)**	**–**	**(18)**
Total comprehensive (loss)/income		**–**	**–**	**–**	**(18)**	**8,664**	**8,646**
Transactions with equity owners of the Company recognised directly in equity							
Shares issued pursuant to Group Reorganisation	20 (d)&(e)	**104,254**	**(106,622)**	**–**	**–**	**–**	**(2,368)**
Shareholder's contributions	(b)	**–**	**2,999**	**–**	**–**	**–**	**2,999**
Issuance of shares upon placing, net of share issuing expenses	20(f)	**24,972**	**–**	**–**	**–**	**–**	**24,972**
Appropriation to PRC statutory reserve	(e)	**–**	**–**	**1,149**	**–**	**(1,149)**	**–**
Balance at 31 December 2013		**129,226**	**(47,484)**	**4,229**	**(57)**	**46,123**	**132,037**

21 Reserves *(Continued)*

The reserves of the Company as at 31 December 2013 are analysed as follows:

		Company Attributable to owners of the Company					
	Note	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2012		–	–	–	–	–	–
Comprehensive loss							
Loss for the year		–	–	–	–	–	–
Total comprehensive loss for the year		–	–	–	–	–	–
Balance at 31 December 2012		–	–	–	–	–	–
Balance at 1 January 2013		–	–	–	–	–	–
Comprehensive loss							
Loss for the year		–	–	–	–	(7,590)	(7,590)
Other comprehensive income							
Currency translation differences		–	–	10	–	–	10
Total comprehensive income/(loss)		–	–	10	–	(7,590)	(7,580)
Transactions with equity owners of the Company recognised directly in equity							
Shares issued pursuant to Group Reorganisation	20(d)	104,254	–	–	–	–	104,254
Shareholder's contributions	(b)	–	2,999	–	–	–	2,999
Issuance of shares upon placing, net of share issuing expenses		24,972	–	–	–	–	24,972
Balance at 31 December 2013		129,226	2,999	10	–	(7,590)	124,645

21 Reserves *(Continued)*

(a) PRC statutory reserve

As required by the relevant PRC rules and regulation, the Group is required to transfer 10% of its profit after tax to statutory reserve until the reserve balance reaches 50% of the registered capital. Appropriations to the reserves were approved by the respective boards of directors and made before distribution of dividend to the shareholders.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(b) Capital reserve

As at 1 January 2012, the capital reserve represented the excess amount of consideration received from Xinyi over the par value of the newly issued shares of Yu Sheng in relation to the acquisition of 20% of equity interest in Yu Sheng.

During the year ended 31 December 2012, Ms. Natsu Kumiko, the controlling shareholder of ZMFY injected capital of HKD34,549,038 (equivalent to RMB28,088,648) into a subsidiary of the Group to satisfy its capital contribution requirement.

During the year ended 31 December 2013, Ms. Natsu Kumiko, the controlling shareholder of ZMFY has reimbursed the listing expenses of HKD3,800,000 (equivalent to RMB2,999,241) to the Group as a result of the selling of her existing shares of the Group upon listing.

22 Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current:				
Trade payables				
– Third parties	**1,173**	3,363	**–**	–
– Related parties (Note 28(b))	**–**	1,829	**–**	–
Value-added tax payable	**1,511**	1,212	**–**	–
Salaries payable	**2,338**	2,399	**–**	–
Accrued listing expenses	**–**	233	**–**	–
Other payables and accruals	**1,190**	699	**746**	–
	6,212	9,735	**746**	–
Non-current:				
Deferred government grant (Note)	**1,000**	–	**–**	–
Total	**7,212**	9,735	**746**	–

Note:

On 19 December 2013, the Group entered into an agreement with Wuqing Development Area General Corporation (天津新技術產業園區武清開發區總公司) to tender a land with total area of 20,000 sq.m in Tianjin Wuqing Development Area with cost of approximately RMB5.5 million. The Group has not yet acquired the piece of land as at 31 December 2013. The Group is awarded with a government grant of RMB3.1 million for the construction of infrastructure on this piece of land and the Group received RMB1.0 million from Wuqing Development Area General Corporation on 31 December 2013 and this amount has been recognised as deferred government grant. For the remaining RMB2.1 million, 50% will be received within 30 working days when the Group settles the land cost of RMB5.5 million; and remaining 50% will be received within 7 working days when the construction of infrastructure is completed.

Payment terms granted by suppliers are within 60 days since the invoice date or cash on delivery.

The ageing analysis of trade payables at 31 December 2013 based on invoice date is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
0 – 30 days	**1,105**	4,291
31 – 60 days	**30**	834
61 – 90 days	**38**	37
Over 90 days	**–**	30
Total	**1,173**	5,192

22 Trade and other payables *(Continued)*

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**6,397**	9,040	**–**	–
HKD	**809**	695	**746**	–
USD	**6**	–	**–**	–
Total	**7,212**	9,735	**746**	–

23 Deferred taxation

	Group	
	2013	2012
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	**332**	272
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(4,960)**	(5,415)
– to be settled within 12 months	**(922)**	(991)
	(5,882)	(6,406)
Deferred income tax liabilities (net)	**(5,550)**	(6,134)

The net movement on the deferred tax account is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
At the beginning of year	**(6,134)**	(7,200)
Credited to the consolidated statement of comprehensive income (Note 10)	**584**	1,066
At the end of year	**(5,550)**	(6,134)

23 Deferred taxation *(Continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accruals RMB'000	Other receivable RMB'000	Government grant RMB'000	Depreciation allowances RMB'000	Intangible assets RMB'000	Withholding tax RMB'000	Fair value gain on property, plant and equipment RMB'000	Total RMB'000
At 1 January 2012	512	(100)	–	(702)	(5,058)	(1,240)	(612)	(7,200)
Credited/(charged) to the consolidated statement of comprehensive income (Note 10)	(240)	(100)	–	(113)	379	1,090	50	1,066
At 31 December 2012	272	(200)	–	(815)	(4,679)	(150)	(562)	(6,134)
At 1 January 2013	**272**	**(200)**	**–**	**(815)**	**(4,679)**	**(150)**	**(562)**	**(6,134)**
Credited/(charged) to the consolidated statement of comprehensive income (Note 10)	**60**	**200**	**(185)**	**(70)**	**379**	**150**	**50**	**584**
At 31 December 2013	**332**	**–**	**(185)**	**(885)**	**(4,300)**	**–**	**(512)**	**(5,550)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2013, the Group had potential deferred tax assets not recognised amounting to approximately RMB688,960 (2012: RMB427,164) in respect of tax losses as it is uncertain whether these tax losses will be utilised in the foreseeable future. These cumulative tax losses of RMB4,175,515 (2012: RMB2,588,872) can be carried forward indefinitely.

As at 31 December 2013, deferred income tax liabilities of RMB13,463,217 (2012: RMB9,161,040) have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries. Such amounts are permanently reinvested.

24 Non-controlling interest

The total non-controlling interest for the year ended 31 December 2013 is RMB4,483,659 (2012: RMB3,096,125), of which RMB969,676 (2012: RMB862,212) is attributed to Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd. and RMB1,574,095 (2012: RMB1,049,947) is attributed to Zhengmei Haida (Tianjin) Automobile Glass Sales Co., Ltd. (Formerly known as "Tianjin Haida Chengxing Automobile Glass Co., Ltd.") and RMB1,939,888 (2012: RMB1,183,966) is attributed to Shenyang Zhengmei Automobile Glass Co., Ltd..

Significant restrictions

Cash and short-term deposits of RMB1,652,170 (2012: RMB548,414) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd.		Zhengmei Haida (Tianjin) Automobile Glass Sales Co., Ltd. (Formerly known as "Tianjin Haida Chengxing Automobile Glass Co., Ltd.")		Shenyang Zhengmei Automobile Glass Co., Ltd.	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current						
Assets	**2,169**	2,039	**3,231**	2,196	**3,839**	2,506
Liabilities	**(543)**	(737)	**(455)**	(266)	**(171)**	(167)
Total current net assets	**1,626**	1,302	**2,776**	1,930	**3,668**	2,339
Non-current						
Assets	**353**	458	**452**	212	**291**	77
Liabilities	**–**	–	**(16)**	–	**–**	–
Total non-current net assets	**353**	458	**436**	212	**291**	77
Net assets	**1,979**	1,760	**3,212**	2,142	**3,959**	2,416

24 Non-controlling interests *(Continued)*

Summarised income statement

	Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd.		Zhengmei Haida (Tianjin) Automobile Glass Sales Co., Ltd (Formerly known as Tianjin Haida Chengxing Automobile Glass Co., Ltd.)		Shenyang Zhengmei Automobile Glass Co., Ltd.	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**4,023**	3,404	**5,016**	4,770	**5,502**	6,118
Profit before income tax	**274**	162	**737**	791	**751**	927
Income tax (expense)/income	**(55)**	12	**(196)**	(187)	**(209)**	(239)
Post-tax profit	**219**	174	**541**	604	**542**	688
Total comprehensive income	**219**	174	**541**	604	**542**	688
Total comprehensive income allocated to non-controlling interests	**107**	85	**265**	296	**266**	337
Dividend paid to non-controlling interests	**–**	–	**230**	–	**–**	–

24 Non-controlling interests *(Continued)*

Summarised cash flows

	Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd.		Zhengmei Haida (Tianjin) Automobile Glass Sales Co., Ltd. (Formerly known as "Tianjin Haida Chengxing Automobile Glass Co., Ltd.")		Shenyang Zhengmei Automobile Glass Co., Ltd.	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	**219**	94	**481**	311	**(51)**	(104)
Income tax paid	**(34)**	–	**(193)**	(231)	**(226)**	(251)
Net cash generated from/(used in) operating activities	**185**	94	**288**	80	**(277)**	(355)
Net cash used in investing activities	**(43)**	(21)	**(329)**	(163)	**(250)**	–
Net cash (used in)/generated from financing activities	**–**	(9)	**530**	(1)	**1,000**	–
Net increase/(decrease) in cash and cash equivalents	**142**	64	**489**	(84)	**473**	(355)
Cash and cash equivalents at beginning of the year	**286**	222	**108**	192	**154**	509
Cash and cash equivalent at end of the year	**428**	286	**597**	108	**627**	154

The information above is the amount before inter-company eliminations.

25 Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**4,961**	4,108	**–**	–
After 1 year but within 5 years	**10,492**	7,505	**–**	–
Over 5 years	**4,780**	6,893	**–**	–
Total	**20,233**	18,506	**–**	–

Certain leases have escalation clauses and rent-free periods.

26 Capital commitments

Capital commitments outstanding at the balance sheet date not provided for are as follows.

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted but not provided for				
– Consideration for acquisition of a subsidiary	**8,000**	–	**–**	–
– Consideration for acquisition of a land (Note 22)	**5,500**	–	**–**	–
	13,500	–	**–**	–

27 Note to consolidated statement of cash flows

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Profit before income tax		**14,712**	20,665
Adjustments for:			
Depreciation of property, plant and equipment	13	**4,266**	3,180
Amortisation of intangible assets	14	**1,517**	1,517
Provision for slow moving inventories		**(3)**	–
Interest income	9	**(112)**	(166)
Interest expense	9	**215**	92
Loss on disposal of property, plant and equipment (Note)		**26**	2
		20,621	25,290
Changes in working capital:			
Increase in trade and other receivables		**(3,537)**	(4,929)
Decrease/(increase) in inventories		**5,474**	(9,676)
(Decrease)/increase in trade and other payables		**(3,523)**	4,326
Net cash generated from operations		**19,035**	15,011

Note:

Proceeds from disposal of property, plant and equipment

	2013 RMB'000	2012 RMB'000
Net book amount (Note 13)	**122**	64
Loss on disposal of property, plant and equipment	**(26)**	(2)
Proceeds from disposal of property, plant and equipment	**96**	62

28 Related parties transactions

As at 31 December 2013, the Group regards Lu Yu, a company incorporated in the British Virgin Islands, as the ultimate holding company. The ultimate controlling shareholder of the Group is Ms. Natsu Kumiko, sister-in-law of Ms. Xia Lu, who holds 55% (2012: 80%) of the equity interests of the Group.

During the year ended 31 December 2013, the directors are of the view that related parties of the Group include the following parties:

Name of party	Relationship
Shareholders:	
Lu Yu Global Limited	Ultimate Holding Company
Ms. Natsu Kumiko	Ultimate Controlling Shareholder and director of the Company
Xinyi Automobile Glass (BVI) Company Limited ("Xinyi")	Non-controlling shareholder
Fellow subsidiaries of non-controlling shareholder:	
信義汽車玻璃(深圳)有限公司上海分公司	Fellow Subsidiary of Xinyi
信義玻璃(天津)有限公司	Fellow Subsidiary of Xinyi
信義汽車部件(東莞)有限公司	Fellow Subsidiary of Xinyi
信義汽車玻璃(深圳)有限公司天津分公司	Fellow Subsidiary of Xinyi
信義汽車部件(蕪湖)有限公司	Fellow Subsidiary of Xinyi
信義汽車玻璃(深圳)有限公司	Fellow Subsidiary of Xinyi
Directors:	
Ms. Xia Lu	Director of the Company
Mr. He Changsheng	Director of the Company
Mr. Li Honglin	Director of the Company
Ms. Natsu Kumiko	Director of the Company
Mr. Lau Sik Yuen	Director of the Company
Mr. Fong William	Director of the Company
Mr. Chen Jinliang	Director of the Company
Mr. Ling Kit Wah Joseph	Director of the Company

28 Related parties transactions *(Continued)*

(a) Transactions with related parties

Group

	2013 RMB'000	2012 RMB'000
Sales of inventories to a fellow subsidiary of Xinyi (Note)	**23**	–
Purchases of inventories from fellow subsidiaries of Xinyi (Note)	**19,568**	20,930
Interest income on loan to a director (Note)	**58**	–
Rental expenses paid to non-controlling interest shareholders (Note)	**55**	80

Note: Transactions are conducted in the ordinary course of business at prices and terms based on mutual agreement.

(b) Balances with related parties

Group

	2013 RMB'000	2012 RMB'000
Amount due from a director	**58**	–
Amounts due to fellow subsidiaries of Xinyi	**–**	1,829
Amount due to a director	**–**	712
Prepayment to a fellow subsidiary of Xinyi	**13**	–
Prepayment to a non-controlling interest	**25**	–
Receivable from fellow subsidiaries of Xinyi	**851**	–

Company

	2013 RMB'000	2012 RMB'000
Amount due to a subsidiary	**880**	–

The amount due to a subsidiary is unsecured, interest-free and repayable on demand. The balance is denominated in RMB. The carrying amount approximates its fair value.

28 Related parties transactions *(Continued)*

(c) Key management personnel compensation

The Group defines directors as key management personnel and remuneration for key management personnel, including amounts paid to the Group's directors, are disclosed in Note 8(a) and 8(b).

(d) Movement of balance with a director and her close family members

	Group	
	2013	2012
	RMB'000	RMB'000
At the beginning of the year	**712**	17,302
Payment to a director and her close family members	**(712)**	(16,761)
Loans to a director (Note)	**(6,000)**	–
Repayment of loans from a director	**6,000**	–
Interest income	**(58)**	–
Exchange differences	**–**	171
At the end of the year	**(58)**	712
Maximum amount due from a director during the year	**6,000**	–

Note:

Loans to a director during the year are unsecured and interest bearing at 6.44% per annum. The loans of RMB5.5 million and RMB0.5 million are repayable within 3 months and 2 months respectively. The loans are denominated in RMB.

29 Events after the balance sheet date

On 27 December 2013, the Group entered into a sale and purchase agreement with third parties to acquire the 100% equity interest Shenzhen Xinyida Automobile Glass Company Limited (深圳信義達汽車玻璃有限公司) which is located at Shenzhen and is principally engaged in the sales of automobile glass with installation/repair services and the trading of automobile glass in the PRC. The total consideration for the acquisition amounted to RMB16.0 million, a deposit of RMB8.0 million was paid in December 2013 and the remaining of RMB8.0 million was paid in January 2014 upon the completion of the acquisition on 15 January 2014. Management is in the process of assessing the financial impact to the consolidated financial statements including performing purchase price allocation exercise in accordance with HKFRS 3 (Revised) "Business Combination".

On 28 January 2014, a wholly-owned subsidiary of the Group, Tianjin Zhengmei Glass Technology Co., Ltd. (天津正美玻璃科技有限公司) newly established a wholly-owned subsidiary located at Tianjin, named Tianjin Fengye New Energy Technology Co., Ltd. (天津豐業新能源科技有限公司) (the "Tianjin Fengye Energy") for the purpose of development and provision of new energy engineering and installation services. The company will be principally engaged in the provision of installation service of photovoltaic system in the PRC. The share capital of Tianjin Fengye Energy is RMB3.0 million.

Pursuant to the loan agreement dated 3 January 2014, the Group has granted a loan of RMB4.0 million to a director. The loan is unsecured, interest bearing at 6.44% per annum and repayable within 3 months. The loan is denominated in RMB. The director settled the loan fully on 21 January 2014.

Five Year Financial Summary

The financial information for the years ended 31 December 2010 and 2009 was not disclosed as the consolidated financial statements for the Group have not been prepared for these years. The audited results of the Group for the years ended 31 December 2013 and 2012 and the audited assets and liabilities of the Group as at 31 December 2013 and 2012 are those set out in the published financial statements for the years ended 31 December 2013 and 2012, respectively.

RESULTS

	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Revenue	**144,214**	136,954	45,446
Profit before tax	**(14,712)**	20,665	43,686
Income tax	**(5,410)**	(5,580)	(3,742)
Profit for the year	**9,302**	15,085	39,944
Attributable to:			
Owners of the Company	**8,664**	14,367	39,723
Non-controlling interests	**638**	718	221
	9,302	15,085	39,944

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Total assets	**155,279**	122,821	106,418
Total liabilities	**(15,601)**	(21,937)	(36,177)
Non-controlling interests	**(4,484)**	(3,096)	(2,378)
	135,194	97,788	67,863

The summary above does not form part of the audited consolidated financial statements.