



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



2014
First Quarterly Report



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This report, for which the directors (the “Directors”) of ZMFY Automobile Glass Services Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014

First Quarterly Results

The unaudited condensed consolidated results of ZMFY Automobile Glass Services Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2014, together with the comparative unaudited figures for the corresponding periods in 2013, are as follows:

	Notes	Three months ended 31 March	
		2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue	6	28,626	25,072
Cost of sales		(18,972)	(16,265)
Gross profit		9,654	8,807
Other gain		–	271
Selling and distribution costs		(3,763)	(3,892)
Administrative expenses		(6,578)	(3,883)
		(687)	1,303
Finance income		12	77
Finance cost		(15)	(13)
Finance (cost)/income, net		(3)	64
(Loss)/profit before income tax		(690)	1,367
Income tax expense	7	(457)	(335)
(Loss)/profit for the period		(1,147)	1,032
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(127)	217
Total comprehensive (loss)/income for the period		(1,274)	1,249

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2014

	Notes	Three months ended 31 March	
		2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
(Loss)/profit attributable to:			
Owners of the Company		(1,230)	975
Non-controlling interests		83	57
		(1,147)	1,032
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(1,357)	1,192
Non-controlling interests		83	57
		(1,274)	1,249
(Loss)/earnings per share			
Basic and diluted (RMB cents)	9	(0.41)	0.24



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC			Retained earnings RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
				statutory reserve RMB'000	Exchange reserve RMB'000					
Balance at 1 January 2013 (Audited)	-	-	56,139	3,080	(39)	38,608	97,788	3,096	100,884	
Comprehensive (loss)/ profit for the period	-	-	-	-	-	(1,230)	(1,230)	83	(1,147)	
Other comprehensive loss										
Currency translation difference	-	-	-	-	(127)	-	(127)	-	(127)	
Total comprehensive (loss)/profit	-	-	-	-	(127)	(1,230)	(1,357)	83	(1,274)	
Transactions with equity owners of the Company recognised directly in equity										
Appropriation to PRC statutory reserve	-	-	-	139	-	(139)	-	-	-	
Balance at 31 March 2013 (Unaudited)	-	-	56,139	3,219	(166)	37,239	96,431	3,179	99,610	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended 31 March 2014

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	PRC			Retained earnings	Non-controlling interests	Total equity
				statutory reserve	Exchange reserve	Subtotal			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2014 (Audited)	3,157	129,226	(47,484)	4,229	(57)	46,123	135,194	4,484	139,678
Comprehensive income									
Profit for the period	-	-	-	-	-	975	975	57	1,032
Other comprehensive income									
Currency translation difference	-	-	-	-	217	-	217	-	217
Total comprehensive income	-	-	-	-	217	975	1,192	57	1,249
Transactions with equity owners of the Company recognised directly in equity									
Appropriation to PRC statutory reserve	-	-	-	236	-	(236)	-	-	-
Balance at 31 March 2014 (Unaudited)	3,157	129,226	(47,484)	4,465	160	46,862	136,386	4,541	140,927



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

(a) *General information*

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

The Company’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 the condensed consolidated financial statements.

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

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

On 20 August 2011, Yu Sheng and Lu Yu entered into a share subscription agreement with Xinyi Automobile Glass (BVI) Company Limited (“Xinyi 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 issue of these new shares, which occurred in November 2011, Xinyi Automobile held 20% of the equity interest of Yu Sheng.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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.

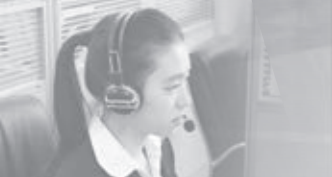
2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated financial statements are applied consistent with those applied in the Group's audited consolidated financial statements for the year ended 31 December 2013.

3. BASIS OF PREPARATION

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

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. BASIS OF CONSOLIDATION

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

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. ADOPTION OF NEW AND REVISED HKFRSS

In the current period, the Group has adopted a number of new and revised standards, interpretations and amendments (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2014. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior periods/years.

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

6. REVENUE AND SEGMENT REPORTING

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

	Three months ended 31 March	
	2013 RMB’000 (unaudited)	2014 RMB’000 (unaudited)
Sales of automobile glass with installation/repair services	25,204	22,573
Trading of automobile glass	3,422	2,499
Total	28,626	25,072



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. REVENUE AND SEGMENT REPORTING (CONTINUED)

	Beijing, Tianjin and Sanhe		Shenyang		Hangzhou		Shenzhen		Reportable segments	
	Three months ended		Three months ended		Three months ended		Three months ended		Three months ended	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:										
Sales of automobile glass with installation/repair services	24,045	19,709	678	472	481	532	-	1,860	25,204	22,573
Trading of automobile glass	2,999	12,027	538	614	233	192	-	173	3,770	13,006
Inter-segment sales	(308)	(10,373)	(40)	(47)	-	(87)	-	-	(348)	(10,507)
Revenue from external customers	26,736	21,363	1,176	1,039	714	637	-	2,033	28,626	25,072
Results of reportable segments	9,175	7,789	277	262	202	184	-	572	9,654	8,807
Depreciation	962	1,010	7	6	14	17	-	16	983	1,049
Capital expenditure	258	189	-	15	-	48	-	-	258	252
A reconciliation of results of reportable segments to (loss)/profit for the period is as follows:										
Results of reportable segments									9,654	8,807
Unallocated income									-	271
Unallocated expenses									(10,341)	(7,775)
									(687)	1,303
Finance income									12	77
Finance costs									(15)	(13)
(Loss)/profit before income tax									(690)	1,367
Income tax expense									(457)	(335)
(Loss)/profit for the period									(1,147)	1,032
Non-controlling interests									(83)	(57)
(Loss)/profit attributable to owners of the Company									(1,230)	975



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%. One newly established subsidiary of the Group is entitled to 25% reduction in corporate income tax starting from its first year of profitable operations. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Island during the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

8. DIVIDENDS

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings per share for the three months ended 31 March 2014 and 2013 is based on the profit/(loss) for the period attributable to owners of the Company of approximately RMB975,000 (three months ended 31 March 2013: (RMB1,230,000)) and the weighted average number of approximately 400,000,000 (three months ended 31 March 2013: 300,000,000) ordinary shares of the Company in issue for the period ended 31 March 2014. There were no dilutive potential ordinary shares in existence for the three months ended 31 March 2014 and 2013 and therefore the diluted earnings/(loss) per share amounts are the same as the basic earnings/(loss) per share.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The principal business of the Group included sales of automobile glass with installation/repair services and trading of automobile glass. The Group's total revenue for the three months ended 31 March 2014 amounted to approximately RMB25,072,000, representing an decrease of approximately RMB3,555,000 or 12.4% as compared to that of approximately RMB28,626,000 for the corresponding period last year. Overall gross profit decreased by approximately RMB847,000 or 8.8% to approximately RMB8,807,000 for the three months ended 31 March 2014 from approximately RMB9,654,000 for the corresponding period last year. The gross profit margin for the current period increased to 35.1% from 33.7% being the gross profit margin for the corresponding period last year. The total comprehensive income attributable to owners increased from loss of approximately RMB1,230,000 for the three months ended 31 March 2013 to profit of approximately RMB975,000 for the three months ended 31 March 2014.

REVIEW BY SEGMENT

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

	Revenue		Change	Gross Profit		Change	Gross Profit Margin	
	Three months ended			Three months ended			Three months ended	
	31 March			31 March			31 March	
	2013	2014		2013	2014		2013	2014
(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	%	(unaudited)	(unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000		%	%
Sales of automobile glass with installation/repair services	25,204	22,573	(10.4)	9,108	8,325	(8.6)	36.1	36.9
Trading of automobile glass	3,422	2,499	(27.0)	546	482	(11.7)	16.0	19.3
Total	28,626	25,072	(12.4)	9,654	8,807	(8.8)	33.7	35.1



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales of automobile glass with installation/repair services

Revenue from sales of automobile glass with installation/repair services was the main source of revenue, representing approximately 90.0% of the Group's total revenue for the three months ended 31 March 2014. 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 decreased by approximately RMB2,631,000 or 10.4% from approximately RMB25,204,000 for the three months ended 31 March 2013 to approximately RMB22,573,000 for the three months ended 31 March 2014. The decrease was mainly due to a decrease of revenue generated from 4S stores which encountered a decline of their business during the period.

Gross profit from sales of automobile glass with installation/repair services for the three months ended 31 March 2014 amounted to approximately RMB8,325,000, representing a decrease of approximately 8.6% as compared to the corresponding period last year, which was approximately RMB9,108,000. The decrease was due to a decrease in sales of automobile glass with installation/repair services as mentioned above. Gross profit margin increased from approximately 36.1% for the three months ended 31 March 2013 to approximately 36.9% for the three months ended 31 March 2014. The increase in gross profit margin was attributable to the strengthened cost control measures adopted by the Group during the period.

Trading of Automobile Glass

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

Revenue from the trading of automobile glass for the three months ended 31 March 2014 was approximately RMB2,499,000, representing a decrease of approximately 27.0% as compared to that of approximately RMB3,422,000 for the corresponding period last year, mainly as a result of the decrease of revenue from automobile repair garages which encountered a decline of their business during the period.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gross profit from trading of automobile glass decreased by approximately RMB64,000 or 11.7% from approximately RMB546,000 for the three months ended 31 March 2013 to approximately RMB482,000 in the current period. Gross profit margin increased from approximately 16.0% for the three months ended 31 March 2013 to approximately 19.3% for the three months ended 31 March 2014 which was mainly due to the increase in average selling price in this segment.

Other gain

Other gain represents dividend income from one of the non wholly-owned subsidiaries.

Selling and distribution costs

Selling and distribution costs slightly increased by approximately 3.4% from approximately RMB3,763,000 for the three months ended 31 March 2013 to approximately RMB3,892,000 for three months ended 31 March 2014. The increase was mainly due to an increase of promotion costs during the current period.

Administrative expenses

The Group's administrative expenses are mainly consisted of professional fees, staff costs (including Directors' remunerations), depreciation and rental. The total administrative expenses decreased by approximately 41.0% from approximately RMB6,578,000 for the three months ended 31 March 2013 to approximately RMB3,883,000 for the three months ended 31 March 2014. The decrease was mainly due to the inclusion of listing expenses amounted to RMB2,200,000 in corresponding period of last year.

Finance cost and income

Finance cost decreased slightly from approximately RMB15,000 for the three months ended 31 March 2013 to approximately RMB12,000 for the three months ended 31 March 2014. Finance income increased from approximately RMB12,000 for the three months ended 31 March 2013 to RMB77,000 for the three months ended 31 March 2014 was mainly the result of an increase in average monthly deposit in banks.



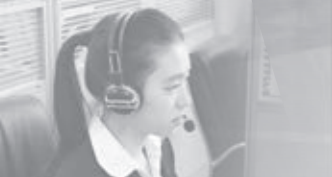
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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. Depending on the demand on the services of the Group and the growth of the automobile glass installation/repair industry in the PRC, the Group plans to expand the existing business by setting up new service centres to provide automobile glass installation/repair services 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 (深圳市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 a 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 to strengthen our business growth.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

An ordinary resolution was passed at the Company's extraordinary general meeting held on 9 May 2014 to issue 80,000,000 new ordinary shares (equivalent to 20% of the issued share capital of the Company immediately before the issue of the new shares) to Xinyi Automobile Glass (BVI) Company Limited, a wholly-owned subsidiary of Xinyi Glass Holdings Limited, at a subscription price of HK\$0.55 per share. The aggregate net proceeds amounted to approximately RMB43.4 million which will be used to support (i) the project in relation to provision of installation service of photovoltaic system, (ii) the business development of Shenzhen Xinyida Automobile Glass Company Limited and (iii) setting up of warehouse and logistics centre of the Group.

On 8 May 2014, the Group entered into non-legally binding memorandums of understanding with Polaron Solartech Corp. and Polaron International Inc. respectively in respect of the possible investment of 49% equity interest in Polar Solartech Corp. which is principally engaged in the provision of installation services of solar system in Canada. Up to the date of this report, no definitive agreements have been entered into between the Group and the abovementioned parties.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any significant contingent liabilities.

CORPORATE GOVERNANCE

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

Interests of the Compliance Adviser

As notified by Quam Capital Limited ("Quam Capital"), the compliance adviser of the Company, except for the compliance adviser agreement entered into between the Company and Quam Capital dated 13 August 2013 and the financial adviser agreement entered into between the Company and Quam Capital in relation to a connected transaction in relation to subscription of new shares by a substantial shareholder as disclosed in the announcement of the Company dated 28 March 2014, neither Quam Capital nor its directors, employees or associates had any interests in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Directors' Interests in Competing Interests

For the three months ended 31 March 2014, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective associates (as defined under GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

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

During the three months ended 31 March 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 March 2014, 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 meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules, were as follows:

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

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

Note:

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed above, as at 31 March 2014, 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 March 2014, 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 Automobile Glass (BVI) Company Limited ("Xinyi Glass (BVI)") (Note 3)	Beneficial owner	140,000,000	35.0
Xinyi Glass Holdings Limited ("Xinyi Glass Holdings") (Note 4)	Interest in a controlled corporation	140,000,000	35.0

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 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 Chengzhen is deemed to be interested in the Shares in which Ms. Natsu is interested.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Xinyi Glass (BVI), a company incorporated in the BVI on 13 June 2012, held 60,000,000 shares as at the date of this report. Xinyi Glass (BVI) is an investment holding company and is wholly and beneficially owned by Xinyi Glass Holdings. On 28 March 2014, Xinyi Glass (BVI) and the Company entered into a subscription agreement, pursuant to which the Company conditionally agreed to allot and issue, and Xinyi Glass (BVI) conditionally agreed to subscribe for, 80,000,000 shares in cash at the price of HK\$0.55 per share. Details of such transaction have been disclosed in the announcement of the Company dated 28 March 2014 and the circular of the Company dated 22 April 2014. As at the date of this report, the completion of the transaction contemplated under the subscription agreement has not taken place.
- (4) Xinyi Glass Holdings is a company holding all the issued shares of Xinyi Glass (BVI) and is therefore deemed to be interested in 140,000,000 shares held by Xinyi Glass (BVI).

Save as disclosed above, as at 31 March 2014, the Directors were not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by Directors throughout the period under review.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Audit Committee

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and 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 system of the Company. The Audit Committee has three members comprising Mr. Fong William (Chairman), Mr. Ling Kit Wah Joseph and Mr. Chen Jinliang. The Audit Committee has reviewed the unaudited results of the Group for the three months ended 31 March 2014.

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

Hong Kong, 12 May 2014

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