



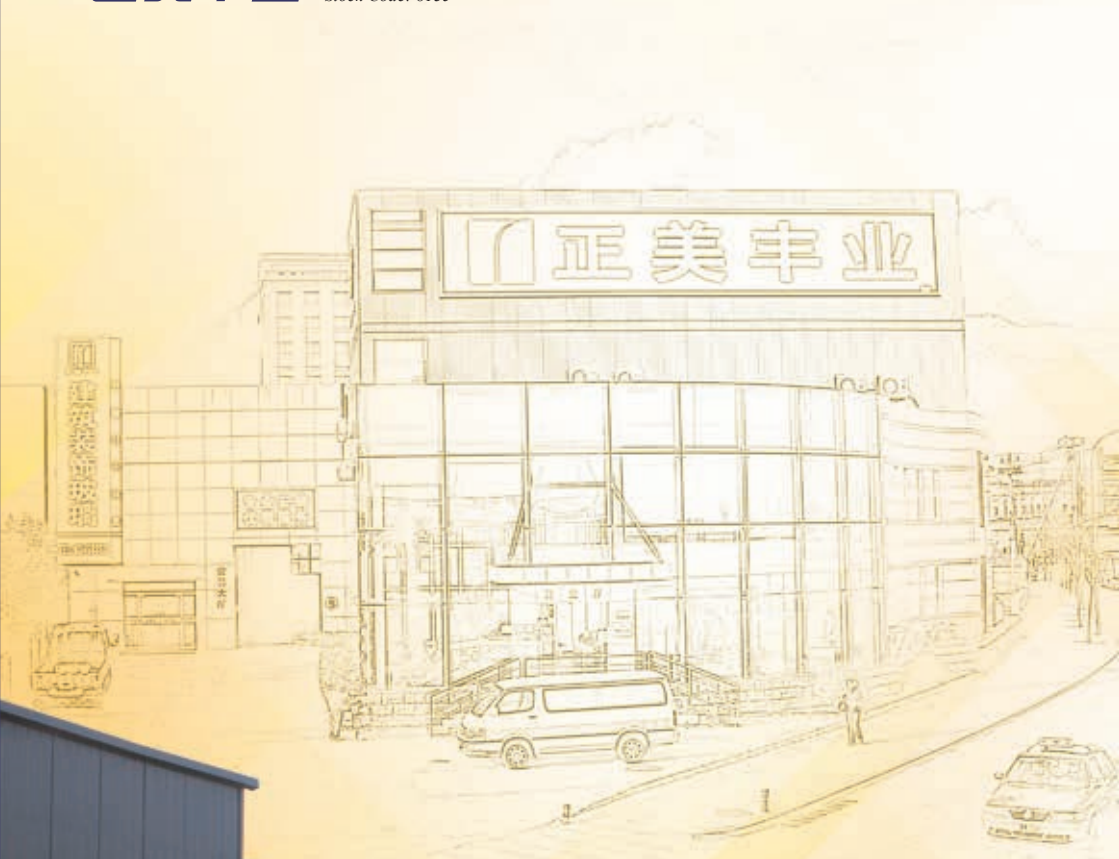
ZMFY Automobile Glass Services Limited

正美豐業汽車玻璃服務有限公司

正美丰业

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8135



Interim Report
2014



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.
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10 Chater Road
Central
Hong Kong

As to PRC law:
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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

CORPORATE INFORMATION (CONTINUED)

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

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.12 Fengbei Road
Fengtai District
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
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183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

<http://www.zmfy.com.hk>

STOCK CODE

8135

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2014

Unaudited Interim Results

The unaudited condensed consolidated results of ZMFY Automobile Glass Services Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2014, together with the comparative unaudited figures for the corresponding periods in 2013, are as follows:

| | Note | Six months ended 30 June | | Three months ended 30 June | |
|--|------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2014 (unaudited) RMB'000 | 2013 (unaudited) RMB'000 | 2014 (unaudited) RMB'000 | 2013 (unaudited) RMB'000 |
| Revenue | 6 | 62,077 | 66,822 | 37,005 | 38,196 |
| Cost of sales | 8 | (41,338) | (43,331) | (25,073) | (24,359) |
| Gross profit | | 20,739 | 23,491 | 11,932 | 13,837 |
| Other gain/(loss) | 6 | 77 | - | (194) | - |
| Selling and distribution costs | 8 | (7,795) | (8,213) | (3,903) | (4,450) |
| Administrative expenses | 8 | (7,785) | (11,452) | (3,902) | (4,874) |
| | | 5,236 | 3,826 | 3,933 | 4,513 |
| Finance income | | 97 | 24 | 20 | 12 |
| Finance cost | | (94) | (31) | (81) | (16) |
| Finance income/(cost), net | | 3 | (7) | (61) | (4) |
| Profit before income tax | | 5,239 | 3,819 | 3,872 | 4,509 |
| Income tax expense | 9 | (1,343) | (1,842) | (1,008) | (1,385) |
| Profit for the period | | 3,896 | 1,977 | 2,864 | 3,124 |
| Other comprehensive loss: | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Currency translation differences | | (21) | (179) | (238) | (52) |
| Total comprehensive income for the period | | 3,875 | 1,798 | 2,626 | 3,072 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2014

| | Note | Six months ended 30 June | | Three months ended 30 June | |
|--|------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2014 (unaudited) RMB'000 | 2013 (unaudited) RMB'000 | 2014 (unaudited) RMB'000 | 2013 (unaudited) RMB'000 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | 3,646 | 1,676 | 2,671 | 2,906 |
| Non-controlling interests | | 250 | 301 | 193 | 218 |
| | | 3,896 | 1,977 | 2,864 | 3,124 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | 3,625 | 1,497 | 2,433 | 2,854 |
| Non-controlling interests | | 250 | 301 | 193 | 218 |
| | | 3,875 | 1,798 | 2,626 | 3,072 |
| Earnings per share | | | | | |
| Basic and diluted (RMB cents) | 11 | 0.87 | 0.56 | 0.63 | 0.97 |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

| | | 30 June 2014 (unaudited) RMB'000 | 31 December 2013 (audited) RMB'000 |
|---|------|---|---|
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 20,298 | 20,573 |
| Intangible assets | 17 | 21,330 | 17,200 |
| Goodwill | 17 | 10,706 | – |
| Prepayments | 13 | 223 | 8,341 |
| | | 52,557 | 46,114 |
| Current assets | | | |
| Inventories | 15 | 41,013 | 31,949 |
| Trade and other receivables | 13 | 29,053 | 24,759 |
| Amount due from a director | | – | 58 |
| Cash and cash equivalents | | 70,415 | 52,399 |
| | | 140,481 | 109,165 |
| Total assets | | 193,038 | 155,279 |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 16 | 3,789 | 3,157 |
| Reserves | | 169,950 | 132,037 |
| | | 173,739 | 135,194 |
| Non-controlling interests | | 4,489 | 4,484 |
| Total equity | | 178,228 | 139,678 |

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2014

| | | 30 June 2014 (unaudited) RMB'000 | 31 December 2013 (audited) RMB'000 |
|--|------|---|---|
| | Note | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 7,508 | 6,212 |
| Income tax payable | | 1,253 | 2,839 |
| | | 8,761 | 9,051 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 5,049 | 5,550 |
| Deferred government grant | 14 | 1,000 | 1,000 |
| | | 6,049 | 6,550 |
| Total liabilities | | 14,810 | 15,601 |
| Total equity and liabilities | | 193,038 | 155,279 |
| Net current assets | | 131,720 | 100,114 |
| Total assets less current liabilities | | 184,277 | 146,228 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

| | Attributable to owners of the Company | | | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|---------------|-----------------|-----------------------|------------------|-------------------|----------|---------------------------|--------------|
| | Share capital | Share premium | Capital reserve | PRC statutory reserve | Exchange reserve | Retained earnings | Subtotal | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2013 | | | | | | | | | |
| (Audited) | - | - | 56,139 | 3,080 | (39) | 38,608 | 97,788 | 3,096 | 100,884 |
| Comprehensive income | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 1,676 | 1,676 | 301 | 1,977 |
| Other comprehensive loss | | | | | | | | | |
| Currency translation difference | - | - | - | - | (179) | - | (179) | - | (179) |
| Total comprehensive (loss)/income | - | - | - | - | (179) | 1,676 | 1,497 | 301 | 1,798 |
| ----- | | | | | | | | | |
| Transactions with equity owners of the Company recognised directly in equity | | | | | | | | | |
| Appropriation to PRC statutory reserve | - | - | - | 668 | - | (668) | - | - | - |
| Balance at 30 June 2013 (Unaudited) | - | - | 56,139 | 3,748 | (218) | 39,616 | 99,285 | 3,397 | 102,682 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2014

| | Attributable to equity holders of the Company | | | | | | | | Total equity RMB'000 |
|---|---|-----------------------------|-------------------------------|---------------------------------|--------------------------------|---------------------------------|---------------------|---|----------------------------|
| | 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 | |
| | | | | statutory reserve RMB'000 | Exchange reserve 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 | - | - | - | - | - | 3,646 | 3,646 | 250 | 3,896 |
| Other comprehensive loss | | | | | | | | | |
| Currency translation difference | - | - | - | - | (21) | - | (21) | - | (21) |
| Total comprehensive (loss)/ income | - | - | - | - | (21) | 3,646 | 3,625 | 250 | 3,875 |
| Transactions with equity owners of the Company recognised directly in equity | | | | | | | | | |
| Issue of new shares | 632 | 34,008 | - | - | - | - | 34,640 | - | 34,640 |
| Capitalisation of issuance costs of issue of new shares | - | 280 | - | - | - | - | 280 | - | 280 |
| Dividend paid | - | - | - | - | - | - | - | (245) | (245) |
| Appropriation to PRC statutory reserve | - | - | - | 716 | - | (716) | - | - | - |
| Balance at 30 June 2014 (Unaudited) | 3,789 | 163,514 | (47,484) | 4,945 | (78) | 49,053 | 173,739 | 4,489 | 178,228 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Net cash used in operating activities | (5,012) | (911) |
| Net cash used in investing activities | (4,597) | (1,756) |
| Net cash generated from/(used in) financing activities | 27,754 | (4,732) |
| Net increase/(decrease) in cash and cash equivalents | 18,145 | (7,399) |
| Cash and cash equivalents at beginning of the period | 52,399 | 24,389 |
| Effect of foreign exchange | (129) | (47) |
| Cash and cash equivalents at end of the period | 70,415 | 16,943 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 Glass (BVI)”) under which 2,000 new shares of Yu Sheng of USD1 each were issued to Xinyi Glass (BVI) for a consideration of RMB28,000,000. Following the issue of these new shares, which occurred in November 2011, Xinyi Glass (BVI) held 20% of the equity interest of Yu Sheng.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

1. CORPORATE INFORMATION AND REORGANISATION (CONTINUED)

(a) *General information (continued)*

On 15 January 2014, the Group's wholly owned subsidiary, Beijing Zhengmei Fengyi Automobile Service Co., Ltd. (北京正美豐業汽車服務有限公司), acquired 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.

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

(b) *Reorganisation*

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with IAS/HKAS 34. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS/HKFRSs. The condensed consolidated interim financial information 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 interim financial information 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.

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 statement 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (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 OTHER INCOME/(LOSS)

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

| | Six months ended 30 June | | Three months ended 30 June | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Revenue | | | | |
| Sales of automobile glass with installation/repair services | 56,438 | 57,403 | 33,865 | 32,199 |
| Trading of automobile glass | 5,229 | 9,419 | 2,730 | 5,997 |
| Provision of installation services of photovoltaic system | 410 | - | 410 | - |
| Total | 62,077 | 66,822 | 37,005 | 38,196 |
| Other income/(loss) | | | | |
| - Gain on disposal of property, plant and equipment | 27 | - | - | - |
| - Subsidy | 50 | - | - | - |
| - Others | - | - | (194) | - |
| Total | 77 | - | (194) | - |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. SEGMENT REPORTING

| | Beijing, Tianjin and Sanhe | | Shenyang | | Hangzhou | | Shenzhen | | Reportable segments | |
|--|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Six months ended | | Six months ended | | Six months ended | | Six months ended | | Six months ended | |
| | 30 June | | 30 June | | 30 June | | 30 June | | 30 June | |
| | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) |
| | RMB'000 | RMB'000 | 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 | 50,484 | 54,803 | 925 | 1,479 | 1,160 | 1,121 | 3,869 | - | 56,438 | 57,403 |
| Trading of automobile glass | 25,288 | 7,952 | 1,485 | 1,111 | 636 | 796 | 605 | - | 28,014 | 9,859 |
| Provision of installation services of photovoltaic system | 410 | - | - | - | - | - | - | - | 410 | - |
| Inter-segment sales | (22,513) | (272) | (95) | (135) | (173) | (33) | (4) | - | (22,785) | (440) |
| Revenue from external customers | 53,669 | 62,483 | 2,315 | 2,455 | 1,623 | 1,884 | 4,470 | - | 62,077 | 66,822 |
| Results of reportable segments | 18,390 | 22,314 | 587 | 641 | 516 | 536 | 1,246 | - | 20,739 | 23,491 |
| Depreciation | 2,012 | 1,825 | 13 | 14 | 36 | 30 | 62 | - | 2,123 | 1,869 |
| Capital expenditure | 1,733 | 1,693 | 23 | 47 | 88 | 40 | 141 | - | 1,985 | 1,780 |
| A reconciliation of results of reportable segments to profit for the period is as follows: | | | | | | | | | | |
| Results of reportable segments | | | | | | | | | 20,739 | 23,491 |
| Unallocated income | | | | | | | | | 77 | - |
| Unallocated expenses | | | | | | | | | (15,580) | (19,665) |
| | | | | | | | | | 5,236 | 3,826 |
| Finance income | | | | | | | | | 97 | 24 |
| Finance cost | | | | | | | | | (94) | (31) |
| Profit before income tax | | | | | | | | | 5,239 | 3,819 |
| Income tax expense | | | | | | | | | (1,343) | (1,842) |
| Profit for the period | | | | | | | | | 3,896 | 1,977 |
| Non-controlling interests | | | | | | | | | (250) | (301) |
| Profit attributable to equity holders of the Company | | | | | | | | | 3,646 | 1,676 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EXPENSES BY NATURE

| | Six months ended 30 June | | Three months ended 30 June | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Cost of inventories | 29,194 | 32,098 | 18,496 | 18,412 |
| Auditor's remuneration | – | 635 | – | 635 |
| Advertising and marketing | 315 | 1,012 | 278 | 501 |
| Business tax and surcharges | 1,086 | 1,648 | 686 | 1,086 |
| Staff costs (including directors' emoluments) | 13,131 | 12,184 | 7,001 | 6,228 |
| Depreciation | 2,123 | 1,869 | 1,043 | 884 |
| Amortisation | 1,070 | 858 | 641 | 429 |
| Rental | 3,133 | 2,574 | 1,548 | 1,300 |
| Fuels | 1,855 | 1,435 | 915 | 659 |
| Utilities | 517 | 566 | 220 | 270 |
| Transportation | 991 | 626 | 572 | 208 |
| Meeting and conference expenses | 435 | 921 | 20 | 192 |
| Repairs and maintenances | 575 | 632 | 172 | 279 |
| Tools and liveries | 320 | 394 | 171 | 153 |
| Office expenses | 366 | 573 | 227 | 263 |
| Professional fees | 1,015 | 555 | 597 | 221 |
| Listing expenses | – | 2,907 | – | 1,033 |
| Others | 792 | 1,509 | 291 | 930 |
| Total | 56,918 | 62,996 | 32,878 | 33,683 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. 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 period ended 30 June 2014 (30 June 2013: Nil).

All subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the period ended 30 June 2014 (30 June 2013: 25%), except for one subsidiary, named Tianjin Zhengmei Glass Technology Co., Ltd. (天津正美玻璃科技有限公司) which is subject to 18.75% PRC corporate income tax rate (30 June 2013: Nil).

| | Six months ended 30 June | | Three months ended 30 June | |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Current income tax | | | | |
| – Current period | 2,731 | 2,208 | 1,794 | 1,644 |
| – Over-provision in prior periods | (887) | (84) | (509) | – |
| Deferred income tax | (501) | (282) | (277) | (259) |
| Income tax expenses | 1,343 | 1,842 | 1,008 | 1,385 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. INCOME TAX EXPENSE (CONTINUED)

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:

| | Six months ended 30 June | | Three months ended 30 June | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Profit before income tax | 5,239 | 3,819 | 3,872 | 4,509 |
| Calculated at domestic tax rates applicable to profits in the respective countries | 1,571 | 955 | 1,161 | 1,127 |
| Expenses not deductible | 584 | 467 | 290 | 222 |
| Tax loss from which no deferred income tax asset was recognised | 75 | 504 | 66 | 36 |
| Over-provision in prior periods | (887) | (84) | (509) | – |
| Income tax expenses | 1,343 | 1,842 | 1,008 | 1,385 |

The weighted average applicable tax rate was 30% (30 June 2013: 25%). The increase is caused by a decrease in profitability of certain Group companies in respective countries.

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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 period.

In determining the number of ordinary shares in issue for the periods ended 30 June 2014 and 2013, the issue and allotment of 30,000,000 shares by the Company on 9 August 2013, and the 270,000,000 shares issued and allotted through capitalisation on 27 August 2013, were deemed to have been issued since 1 January 2012. On 16 May 2014, the Group issued 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 Glass (BVI), the aggregate number of issued shares as at 30 June 2014 is 480,000,000.

| | Six months ended 30 June | | Three months ended 30 June | |
|---|-----------------------------|---------------------|-------------------------------|---------------------|
| | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) |
| Profit attributable to owners of the Company (RMB'000) | 3,646 | 1,676 | 2,670 | 2,906 |
| Weighted average number of ordinary shares in issue (thousands) | 420,000 | 300,000 | 423,809 | 300,000 |
| Basic earnings per share (in RMB cents) | 0.87 | 0.56 | 0.63 | 0.97 |

(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 period (30 June 2013: Same).

12. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--------------------------------|---|---|
| Opening net book amount | 20,573 | 20,732 |
| Additions | 1,985 | 4,229 |
| Depreciation charge | (2,123) | (4,266) |
| Disposals | (137) | (122) |
| Closing net book amount | 20,298 | 20,573 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. TRADE AND OTHER RECEIVABLES

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|----------------------------|---|---|
| Trade and bill receivables | 21,299 | 18,149 |
| Prepayments (Note) | | |
| – Third parties | 6,722 | 13,408 |
| – Related parties | 200 | 38 |
| Other receivables | | |
| – Third parties | 641 | 654 |
| – Related parties | 414 | 851 |
| | 29,276 | 33,100 |
| Less: non-current portion | | |
| – Prepayments (Note) | (223) | (8,341) |
| Current portion | 29,053 | 24,759 |

Note: The prepayments comprise the following:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--|---|---|
| Prepayments for purchase of inventories | 3,635 | 2,096 |
| Prepayment for rental | 2,741 | 2,511 |
| Prepayment for acquisition of a subsidiary | – | 8,000 |
| Others | 546 | 839 |
| Total | 6,922 | 13,446 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. 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:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--------------|---|---|
| 0-30 days | 11,489 | 11,061 |
| 31-60 days | 4,276 | 4,929 |
| 61-90 days | 2,565 | 1,232 |
| Over 90 days | 2,969 | 927 |
| Total | 21,299 | 18,149 |

As at 30 June 2014, trade receivables of approximately RMB3,783,000 (31 December 2013: RMB974,000) were past due but not impaired. No provision was made for impairment of trade receivables. These related to a number of independent customers for whom there is no significant difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--------------|---|---|
| 61-90 days | 1,254 | 47 |
| Over 90 days | 2,529 | 927 |
| | 3,783 | 974 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. TRADE AND OTHER PAYABLES

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------------------|---|---|
| Current: | | |
| Trade payables | | |
| – Third parties | 4,321 | 1,173 |
| – related parties | – | – |
| Value-added tax payable | 567 | 1,511 |
| Salaries payable | 2,208 | 2,338 |
| Other payables and accruals | 412 | 1,190 |
| | 7,508 | 6,212 |
| Non-current: | | |
| Deferred government grant | 1,000 | 1,000 |
| Total | 8,508 | 7,212 |

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

The ageing analysis of trade payables at 30 June 2014 based on invoice date is as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--------------|---|---|
| 0-30 days | 3,363 | 1,105 |
| 31-60 days | 183 | 30 |
| 61-90 days | 142 | 38 |
| Over 90 days | 633 | – |
| Total | 4,321 | 1,173 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. INVENTORIES

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|----------------|---|---|
| Finished goods | 41,013 | 31,949 |

The cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB29,194,000 for the period ended 30 June 2014 (30 June 2013: RMB32,098,000).

16. SHARE CAPITAL

| | Note | 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 2013 | (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 2013 | | 400,000,000 | 3,157 |
| Issue of new shares | (g) | 80,000,000 | 632 |
| As at 30 June 2014 | | 480,000,000 | 3,789 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. SHARE CAPITAL (CONTINUED)

Notes:

- (a) The Company was incorporated in Cayman Islands on 8 February 2013 and therefore there was no issued share capital as 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 Glass (BVI) 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 Glass (BVI), 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 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 HKD1,000,000 (equivalent to RMB789,000) were issued at a price of HKD0.45 per share for a total cash consideration of HKD45,000,000 (equivalent to RMB35,508,000), with issuance costs amounted to RMB9,747,000. This resulted in share premium of RMB24,972,000.
- (g) On 16 May 2014, the Company duly allotted and issued 80,000,000 new ordinary shares with par value of HKD0.01 each totalling HKD800,000 (equivalent to RMB632,000) to Xinyi Glass (BVI). These new ordinary shares were issued at a price of HKD0.55 per share for a total consideration of HKD44,000,000 (equivalent to RMB34,920,000). This resulted in share premium of RMB34,288,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. BUSINESS COMBINATION

On 15 January 2014, the Group's wholly owned subsidiary, Beijing Zhengmei Fengyi Automobile Service Co., Ltd. (北京正美豐業汽車服務有限公司), acquired 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.

The fair value of assets and liabilities acquired as at 15 January 2014 are as follows:

| | Fair value | Acquiree's carrying amount |
|-----------------------------------|------------|----------------------------------|
| | RMB'000 | RMB'000 |
| Property, plant and equipment | 219 | 219 |
| Intangible assets | 5,100 | - |
| Inventories | 3,825 | 3,825 |
| Trade and other receivables | 2,157 | 2,157 |
| Bank balance and cash | 219 | 219 |
| Trade and other payables | (6,202) | (6,202) |
| Tax payable | (24) | (24) |
| Fair value of net assets acquired | 5,294 | |
| Goodwill (Note) | 10,706 | |
| Consideration | 16,000 | |

Note: In accordance with HKFRS3 (Revised) "Business Combination", the excess of difference between the consideration and the fair value of the acquired assets/liabilities is goodwill. If the consideration is lower than the fair value of the net assets of the subsidiaries acquired, the difference is recognised in the condensed consolidated statement of comprehensive income under bargain purchase gain.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18. OPERATING LEASE COMMITMENTS

As at 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---------------------------------|---|---|
| Within 1 year | 4,076 | 4,961 |
| After 1 year but within 5 years | 12,815 | 10,492 |
| Over 5 years | 5,248 | 4,780 |
| Total | 22,139 | 20,233 |

Certain leases have escalation clauses and rent-free periods.

19. CAPITAL COMMITMENTS

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

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|---|---|
| Contracted but not provided for: | | |
| – consideration for acquisition of a subsidiary | – | 8,000 |
| – consideration for acquisition of a land | 5,500 | 5,500 |
| – consideration for acquisition of 49% shareholding interest in Polaron Solartech Corp. | 5,700 | – |
| Total | 11,200 | 13,500 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20. RELATED PARTIES TRANSACTIONS

| | Note | Six months ended 30 June | | Three months ended 30 June | |
|---|------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Sales of inventories to a fellow subsidiary of Xinyi | 1,2 | 1 | 17 | - | - |
| Purchase of inventories from fellow subsidiaries of Xinyi | 1,2 | 7,481 | 7,828 | 3,010 | 4,146 |
| Rental expenses to non-controlling interest shareholders | 2 | 25 | 30 | 13 | 15 |

Notes:

- 1 During the period ended 30 June 2014, the directors are of the view that related parties of the Group include the following parties:

| Name of party | Relationship |
|--|--|
| 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 |

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21. EVENTS AFTER THE BALANCE SHEET DATE

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 photovoltaic system in Canada. On 30 June 2014, the Group entered into definitive agreements with Polaron International Inc. and Polaron Solartech Corp. in relation to the acquisition of 49% shareholding interest in Polaron Solartech Corp. at a total consideration of approximately RMB5.7 million and the completion of the acquisition took place on 10 July 2014.

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. Currently, the Group is also engaged in the provision of installation services of photovoltaic system in the PRC. As at 30 June 2014 the Group operated 28 service centres in the PRC for providing automobile glass installation/repair services. The Group's total revenue for the six months ended 30 June 2014 amounted to approximately RMB62,077,000, representing a decrease of approximately RMB4,745,000 or 7.1% as compared to that of approximately RMB66,822,000 for the corresponding period last year. Overall gross profit decreased by approximately RMB2,752,000 or 11.7% to approximately RMB20,739,000 for the six months ended 30 June 2014 from approximately RMB23,491,000 for the corresponding period last year. The gross profit margin for the current period decreased to 33.4% from 35.2% being the gross profit margin for the corresponding period last year. The total comprehensive income attributable to owners of the Company increased from approximately RMB1,676,000 for the six months ended 30 June 2013 to profit of approximately RMB3,646,000 for the six months ended 30 June 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 | |
|---|------------------|---------------|--------------|------------------|---------------|---------------|---------------------|-------------|
| | Six months ended | | | Six months ended | | | Six months ended | |
| | 30 June | | | 30 June | | | 30 June | |
| | 2014 | 2013 | | 2014 | 2013 | | 2014 | 2013 |
| (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | |
| RMB'000 | RMB'000 | | RMB'000 | RMB'000 | | % | % | |
| Sales of automobile glass with installation/repair services | 56,438 | 57,403 | (1.7) | 19,742 | 21,953 | (10.1) | 35.0 | 38.2 |
| Trading of automobile glass | 5,229 | 9,419 | (44.5) | 887 | 1,538 | (42.3) | 17.0 | 16.3 |
| Provision of installation service of photovoltaic system | 410 | - | - | 110 | - | - | 26.9 | - |
| Total | 62,077 | 66,822 | (7.1) | 20,739 | 23,491 | (11.7) | 33.4 | 35.2 |

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 90.9% (30 June 2013: 85.9%) of the Group's total revenue for the six months ended 30 June 2014. It is expected to remain as the Group's principal source of income for the foreseeable 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 RMB965,000 or 1.7% from approximately RMB57,403,000 for the six months ended 30 June 2013 to approximately RMB56,438,000 for the six months ended 30 June 2014. The decrease was mainly due to a decrease of revenue generated from 45 stores which encountered a decline of their business during the period.

Gross profit from sales of automobile glass with installation/repair services for the six months ended 30 June 2014 amounted to approximately RMB19,742,000, representing a decrease of approximately 10.1% as compared to the corresponding period last year, which was approximately RMB21,953,000. The decrease was due to a decline in sales of automobile glass with installation/repair services as previously mentioned. Gross profit margin decreased from approximately 38.2% for the six months ended 30 June 2013 to approximately 35.0% for the six months ended 30 June 2014. The decrease in gross profit margin was due to an increase in the purchase prices of automobile glass in the second quarter of 2014.

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 six months ended 30 June 2014 was approximately RMB5,229,000, representing a drop of approximately 44.5% as compared to that of approximately RMB9,419,000 for the corresponding period last year. The drop is mainly as a result of the decrease of revenue from automobile repair garages which encountered a decline of their business during the period.

Gross profit from trading of automobile glass decreased by approximately RMB651,000 or 42.3% from approximately RMB1,538,000 for the six months ended 30 June 2013 to approximately RMB887,000 in the current period. Gross profit margin increased from approximately 16.3% for the six months ended 30 June 2013 to approximately 17.0% for the six months ended 30 June 2014 which was mainly due to the increase in average selling price.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Provision of installation services of photovoltaic system

The Group has been providing installation services of photovoltaic system to the corporate customers or individuals in the PRC since the second quarter of this year. Revenue recognised for the six months ended 30 June 2014 amounted to approximately RMB410,000 and gross profit amounted to approximately RMB110,000. The gross profit margin is approximately 26.9%. The Group is now in negotiation with potential clients for several projects in relation to provision of installation services of photovoltaic system which are expected to be proceeded in the second half of 2014.

Other gain/(loss)

Other gain represents gain on disposal of property, plant and equipment and subsidy by the local government.

Selling and distribution costs

Selling and distribution costs decreased by approximately 5.1% from approximately RMB8,213,000 for the six months ended 30 June 2013 to approximately RMB7,795,000 for six months ended 30 June 2014. The decrease was mainly due to a decrease in 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, rental and meeting/conference expenses. The total administrative expenses decreased by approximately 32.0% from approximately RMB11,452,000 for the six months ended 30 June 2013 to approximately RMB7,785,000 for the six months ended 30 June 2014. The decrease was mainly due to the inclusion of listing expenses amounted to approximately RMB2,907,000 in corresponding period of last year.

Finance cost and income, net

Finance cost increased from approximately RMB31,000 for the six months ended 30 June 2013 to approximately RMB94,000 for the six months ended 30 June 2014. Finance income increased from approximately RMB24,000 for the six months ended 30 June 2013 to RMB97,000 for the six months ended 30 June 2014 was mainly the result of an increase in average monthly deposit in banks.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income tax expenses

Income tax expenses decreased by approximately 27.1% from approximately RMB1,842,000 for the six months ended 30 June 2013 to approximately RMB1,343,000 for the six months ended 30 June 2014. The decrease was mainly due to the inclusion of listing expenses by the overseas subsidiary for the six months ended 30 June which is not subject to the PRC corporate income tax.

Profit for the period

The Group recorded an increase in net profit by approximately 97.1% for the six months ended 30 June 2014 to approximately RMB3,896,000 as compared to that of RMB1,977,000 for the corresponding period last year. The increase in net profit for the period was mainly resulted from the recognition of listing expenses amounted to approximately RMB2,907,000 for the six months ended 30 June 2013.

Current Ratio

The Group's current ratio as at 30 June 2014 was approximately 16.0, as compared with approximately 12.1 as at 31 December 2013. The increase was mainly due to increase in cash at bank resulted from net proceeds received from issue of new shares and an increase of inventories during the current period.

Capital Structure

As at 30 June 2014, the Group had net assets of approximately RMB178,228,000 (31 December 2013: RMB139,678,000), comprising non-current assets of approximately RMB52,557,000 (31 December 2013: RMB46,114,000), and current assets of approximately RMB140,481,000 (31 December 2013: RMB109,165,000). The Group recorded a net current asset position of approximately RMB131,720,000 (31 December 2013: RMB100,114,000), whereas primarily consists of cash and bank equivalents of approximately RMB70,415,000 (31 December 2013: RMB52,399,000), inventories of approximately RMB41,013,000 (31 December 2013: RMB31,949,000), trade and other receivables of approximately RMB29,053,000 (31 December 2013: RMB24,759,000). Major current liabilities are trade and other payables of approximately RMB7,508,000 (31 December 2013: RMB6,212,000) and tax payable of approximately RMB1,253,000 (31 December 2013: RMB2,839,000).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources

As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately RMB70,415,000, representing a net increase of approximately RMB18,016,000 as compared to that of approximately RMB52,399,000 as at 31 December 2013. There was no gearing ratio as the Group did not have debt as at 30 June 2014 (31 December 2013: Nil). The Group satisfied their working capital needs principally from internally generated cash flow from operating activities and net proceeds from issue of 80,000,000 new shares to Xinyi Glass (BVI) during the current period. Net cash outflow used in operating activities amount to approximately RMB5,012,000 (31 December 2013: Net cash inflow RMB13,768,000). As at 30 June 2014, the Group had no bank borrowings (31 December 2013: Nil).

Pledge of Assets

As at 30 June 2014, the Group has no assets pledged for bank borrowings or for other purpose (31 December 2013: Nil).

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

Capital Commitments

As at 30 June 2014, save as disclosed in note 19 to the condensed consolidated interim financial information, 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 six months ended 30 June 2014 amounted to approximately RMB3,646,000 (30 June 2013: RMB1,676,000), representing an increase of approximately 117.5% as compared to the corresponding period of last year. Net profit margin of the Group rose from 3.0% for the six months ended 30 June 2013 to 6.3% for the current period.

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. During the six months ended 30 June 2014, the Group did not hedge any exposure in foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees and Remuneration Policy

As at 30 June 2014, the Group employed a total of 341 employees (30 June 2013: 374 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the six months ended 30 June 2014, the total staff costs (including Directors' emoluments) amounted to approximately RMB13,131,000 (30 June 2013: RMB12,184,000). The Group has adopted a share option scheme for its employees.

Significant Investments Held

As at 30 June 2014, the Group did not hold any significant investments.

Future Plans for Material Investments or Capital Assets

The Group has completed acquisition of 49% equity interest in a company located at Canada, named Polaron Solartech Corp. on 10 July 2014 with a total consideration of RMB5.7 million.

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 the Group had no other plan for material investment or capital assets as at 30 June 2014.

Material Acquisition and Disposal

Save as disclosed in the note 17 to condensed consolidated interim financial information, no material acquisition or disposal of subsidiaries and affiliated companies was entered into by the Group during the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 30 June 2014.

| Business objectives | Planned progress up to 30 June 2014 | Actual business progress up to 30 June 2014 |
|---|---|--|
| Expand the existing business of the Group by setting up new service centres in the PRC | To set up three new service centres in Beijing, Tianjin and Hangzhou | The Group has established three service centres in Beijing, Hangzhou and Tianjin since listing up to 30 June 2014 with capital spending on these new service centres amounting to approximately RMB3,200,000 (equivalent to approximately HK\$4,000,000) up to 30 June 2014, mainly covering rental deposit, purchase of fixed assets, purchase of inventories, decoration and paid-up capital. |
| Explore merger and acquisition opportunities and business collaboration opportunities with partners in the automobile glass installation/repair service industry | <p>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</p> <p>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</p> | In January 2014, the Group has completed the acquisition of 100% equity interest of a company, namely 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), part of consideration of HK\$10.9 million was funded by the proceeds of listing and the 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. |

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 30 June 2014, the net proceeds from the Share Placing had been applied as follows:

| Business objectives for the period from the LPD to 30 June 2014 as stated in the Prospectus | Planned use of proceeds | Actual use of proceeds |
|---|--|--|
| | from the LPD to 30 June 2014 as stated in the Prospectus (HK\$ million) (Note) | from the LPD to 30 June 2014 (HK\$ million) |
| 1. Setting up new service centres | 6.7 | 4.0 |
| 2. Merger, acquisitions and business collaboration | 10.9 | 10.9 |
| 3. General working capital | 2.3 | 2.3 |
| Total | 19.9 | 17.2 |

Note: This sum represents an aggregate amount of the planned use of proceeds from the LPD to 30 June 2014 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

The Group was listed on the GEM of the Stock Exchange on 3 September 2013 (the "Listing") and further issue of new shares to one of the existing shareholder, Xinyi Glass (BVI) on 16 May 2014. The funds raised from the Listing and further issue of new shares have laid a solid foundation for the future development of the Group. Looking ahead, the Group is striving 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 for the Group's services and the growth of the automobile glass installation/repair industry in the PRC, the Group plans to expand its 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 is targetting merger or acquisition opportunities 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 reinforce the Group's brand image. On 15 January 2014, the Group has completed acquisition of 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 as well as installation/repair services and the trading of automobile glass in the PRC. The total consideration for the acquisition amounted to RMB16.0 million.

Besides, the Group is also exploring other business opportunities in order to maximise the Shareholders' value. On 16 May 2014, the Group has completed the issue of 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 Glass (BVI), 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 RMB35.0 million which will be used to support (i) the project in relation to the 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group is now negotiating with several projects in relation to the provision of installation service of photovoltaic system in the PRC with potential clients which are expected to be proceeded in the second half year of 2014.

On 10 July 2014, the Group has completed acquisition of 49% equity interest in Polaron Solartech Corp. which is principally engaged in the provision of installation services of photovoltaic system in Canada. Through this investment and collaboration, the Group can obtain technical support from that company which can be beneficial to the Group's development of these services in the PRC market.

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 are aimed at boosting its reputation in providing a wide range of high quality of automobile glass with installation/repair services to customers. In order to achieve these objectives, the Group intends to enhance brand awareness through increasing advertising across a variety of media, including others, radio, advertising displays on internet as well as generating publicity through distributing press releases. The management is currently optimising the Group's resources in order to expand its existing business and capture more business opportunities to strengthen its overall growth.

Corporate Governance

Under the code provision E.1.2 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "Code"), the chairman of the Board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the code provision A.6.7 of the Code, independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Regarding the annual general meeting of the Company held on 9 May 2014 ("2014 AGM"), Ms. Natsu Kumiko, the chairman of Board was not able to attend due to her unavoidable business engagement. For the 2014 AGM and the extraordinary general meeting of the Company held on the same day, Mr. Chen Jinliang, an independent non-executive Director and the chairman of the nomination committee, was not able to attend due to his unavoidable business engagement. Notwithstanding the above, there were other Directors presented in the general meetings.

Save as disclosed above, the Directors consider that the Company has complied with the code provisions as set out in the Code throughout the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Dividends

The directors did not recommend the payment of any interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

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 issue 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 30 June 2014.

Directors’ Interests in Competing Interests

For the six months ended 30 June 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 six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

As at 30 June 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) | 45.8 |

Note:

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

Save as disclosed above, as at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 30 June 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 | 45.8 |
| Mr. Xia Chengzhen (Note 2) | Interest of spouse | 220,000,000 | 45.8 |
| Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass (BVI)") (Note 3) | Beneficial owner | 140,000,000 | 29.2 |
| Xinyi Glass Holdings Limited ("Xinyi Glass Holdings") (Note 4) | Interest in a controlled corporation | 140,000,000 | 29.2 |

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.
- (3) Xinyi Glass (BVI), a company incorporated in the BVI on 13 June 2012, held 140,000,000 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.
- (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 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by Directors throughout the period 30 June 2014.

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 six months ended 30 June 2014.

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

Hong Kong, 11 August 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.