



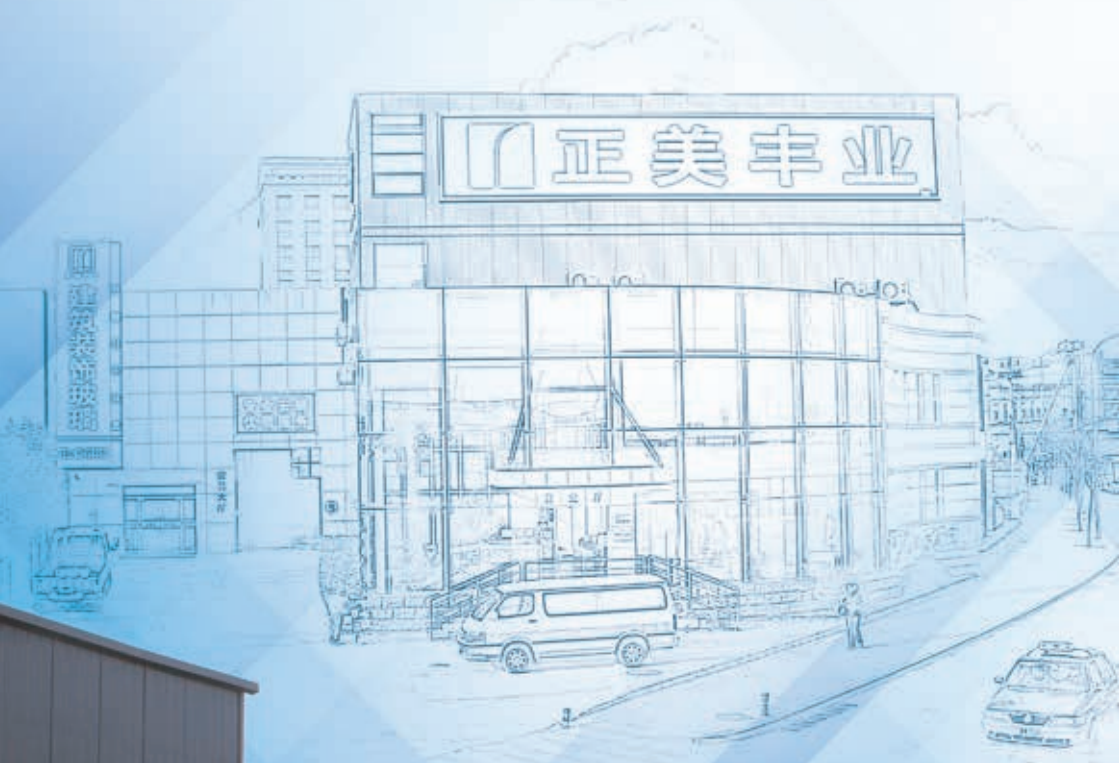
正美丰业

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



Interim Report
2015



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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 GEM 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.*



Contents

Corporate Information	03-04
Condensed Consolidated Statement of Comprehensive Income	05-06
Condensed Consolidated Balance Sheet	07-08
Condensed Consolidated Statement of Changes in Equity	09-10
Condensed Consolidated Statement of Cash Flows	11
Notes to Condensed Consolidated Interim Financial Information	12-25
Management Discussion and Analysis	26-44

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Directors

Ms. Natsu Kumiko
Mr. Xia Xiufeng
(*Chairman and alternate to Ms. Natsu Kumiko*)

Independent Non-Executive Directors

Mr. Chen Jinliang
Mr. Han Shaoli
Mr. Jiang Bin

LEGAL ADVISERS

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COMPLIANCE ADVISER

Quam Capital Limited

AUTHORISED REPRESENTATIVES

Ms. Xia Lu
Mr. Sum Sui Lun

COMPANY SECRETARY

Mr. Sum Sui Lun
HKICPA, CPA Australia

COMPLIANCE OFFICER

Mr. Li Honglin

AUDIT COMMITTEE MEMBERS

Mr. Jiang Bin (*Chairman*)
Mr. Chen Jinliang
Mr. Han Shaoli

CORPORATE INFORMATION (CONTINUED)

REMUNERATION COMMITTEE MEMBERS

Mr. Han Shaoli (*Chairman*)
Mr. Chen Jinliang
Mr. He Changsheng

NOMINATION COMMITTEE MEMBERS

Mr. Chen Jinliang (*Chairman*)
Mr. Jiang Bin
Ms. Xia Lu

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PRINCIPAL BANKERS

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STOCK CODE

8135

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

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 2015, together with the comparative unaudited figures for the corresponding periods in 2014, are as follows:

	Note	Six months ended 30 June		Three months ended 30 June	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Revenue	6	53,709	62,077	30,755	37,005
Cost of sales	8	(42,207)	(41,338)	(23,147)	(25,073)
Gross profit		11,502	20,739	7,608	11,932
Other gain/(loss)	6	282	77	278	(194)
Selling and distribution costs	8	(11,497)	(7,795)	(6,399)	(3,903)
Administrative expenses	8	(18,955)	(7,785)	(9,910)	(3,902)
		(18,668)	5,236	(8,423)	3,933
Finance income		56	97	25	20
Finance cost		(39)	(94)	(21)	(81)
Finance income/(cost), net		17	3	4	(61)
Change of loss of investment accounted for using the equity method		(502)	-	(335)	-
(Loss)/Profit before income tax		(19,153)	5,239	(8,754)	3,872
Income tax credit/(expense)	9	120	(1,343)	(127)	(1,008)
(Loss)/Profit for the period		(19,033)	3,896	(8,881)	2,864
Other comprehensive loss: Items that may be reclassified subsequently to profit or loss:					
Change in value of available-for-sale investment		(262)	-	(262)	-
Currency translation differences		(1,238)	(21)	(868)	(238)
Total comprehensive (loss)/income for the period		(20,533)	3,875	(10,011)	2,626

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2015

	Note	Six months ended 30 June		Three months ended 30 June	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
(Loss)/Profit attributable to:					
Equity holders of the Company		(18,822)	3,646	(8,831)	2,671
Non-controlling interests		(211)	250	(50)	193
		(19,033)	3,896	(8,881)	2,864
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(20,322)	3,625	(9,961)	2,433
Non-controlling interests		(211)	250	(50)	193
		(20,533)	3,875	(10,011)	2,626
(Loss)/Earnings per share					
Basic and diluted (RMB cents)	11	(3.51)	0.87	(1.63)	0.63

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Note	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	19,656	19,619
Intangible assets		31,152	32,323
Investment accounted for using the equity method		4,001	4,817
Prepayments and other receivables	13	70,466	70,466
		125,275	127,225
Current assets			
Inventories	15	41,902	38,001
Trade and other receivables	13	30,038	30,638
Available-for-sale investment		–	262
Cash and cash equivalents		43,506	54,821
		115,446	123,722
Total assets		240,721	250,947
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	4,393	4,193
Reserves		210,350	219,037
		214,743	223,230
Non-controlling interests		5,257	5,468
Total equity		220,000	228,698

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2015

	Note	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	14	9,366	10,557
Amount due to a director		454	600
Income tax payable		271	9
		10,091	11,166
Non-current liabilities			
Deferred government grant	14	1,000	1,000
Deferred tax liabilities		6,035	6,623
Convertible bonds	17	3,595	3,460
		10,630	11,083
Total liabilities		20,721	22,249
Total equity and liabilities		240,721	250,947
Net current assets		105,355	112,556
Total assets less current liabilities		230,630	239,781

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to equity holders 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 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										
Issuance of new shares, net proceed	640	34,280	-	-	-	-	34,920	-	34,920	
Dividend paid	-	-	-	-	-	-	-	(245)	(245)	
Appropriation to PRC statutory reserve	-	-	-	716	-	(716)	-	-	-	
Balance at 30 June 2014										
(Unaudited)	3,797	163,506	(47,484)	4,945	(78)	49,053	173,739	4,489	178,228	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2015

	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	Convertible bonds RMB'000	Available-for-sale investment RMB'000	Exchange reserve RMB'000				
Balance at 1 January 2015 (Audited)	4,193	207,155	(47,484)	4,658	22,169	262	(780)	33,057	223,230	5,468	228,698
Comprehensive income											
Loss for the period	-	-	-	-	-	-	-	(18,822)	(18,822)	(211)	(19,033)
Other comprehensive loss											
Change in value of available-for-sale investment	-	-	-	-	-	(262)	-	-	(262)	-	(262)
Currency translation difference	-	-	-	-	-	-	(1,238)	-	(1,238)	-	(1,238)
Total comprehensive (loss)/income	-	-	-	-	-	(262)	(1,238)	(18,822)	(20,322)	(211)	(20,533)
Transactions with equity owners of the Company recognised directly in equity											
Issuance of new shares, net proceed	200	11,635	-	-	-	-	-	-	11,835	-	11,835
Appropriation to PRC statutory reserve	-	-	-	31	-	-	-	(31)	-	-	-
Balance at 30 June 2015 (Unaudited)	4,393	218,790	(47,484)	4,689	22,169	-	(2,018)	14,204	214,743	5,257	220,000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended	
	30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	(19,485)	(5,012)
Net cash used in investing activities	(2,594)	(4,597)
Net cash generated from financing activities	11,687	27,754
Net (decrease)/increase in cash and cash equivalents	(10,392)	18,145
Cash and cash equivalents at beginning of the period	54,821	52,399
Effect of foreign exchange	(923)	(129)
Cash and cash equivalents at end of the period	43,506	70,415

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

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 is an investment holding company and its subsidiaries are principally engaged in the sales of automobile glass with installation/repair services, the trading of automobile glass and provisions of installation service of photovoltaic system in the People’s Republic of China (the “**PRC**”). The Company and its subsidiaries are collectively known as “the Group” in the condensed consolidated financial statements.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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 audited consolidated financial statements for the year ended 31 December 2014.

3. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and has been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and the debt component of the convertible bonds which are carried at fair value. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (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 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.

5. ADOPTION OF NEW AND REVISED HKFRSs

The Group has adopted the following revised HKFRSs issued by the HKICPA for the first time for the condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010 – 2012 Cycle	Amendments to numbers of HKFRSs
Annual Improvements 2011 – 2013 Cycle	Amendments to numbers of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on the condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue				
Sales of automobile glass with installation/repair services	49,825	56,438	28,834	33,865
Trading of automobile glass	3,080	5,229	1,640	2,730
Provision of installation services of photovoltaic system	804	410	281	410
Total	53,709	62,077	30,755	37,005
Other income/(loss)				
– (Loss)/Gain on disposal of property, plant and equipment	(59)	27	(48)	–
– Subsidy	–	50	–	–
– Others	341	–	326	(194)
Total	282	77	278	(194)

7. SEGMENT REPORTING

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

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

	Northern China (excluding Shenyang)		Shenyang		Hangzhou		Shenzhen		Reportable segments	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Turnover-revenue from:										
Sales of automobile glass with installation/repair services	44,689	50,484	654	925	814	1,160	3,668	3,869	49,825	56,438
Trading of automobile glass	18,896	25,288	486	1,485	482	636	393	605	20,257	28,014
Provision of installation services of photovoltaic system	804	410	-	-	-	-	-	-	804	410
Inter-segment sales	(17,052)	(22,513)	(97)	(95)	(11)	(173)	(17)	(4)	(17,177)	(22,785)
Revenue from external customers	47,337	53,669	1,043	2,315	1,285	1,623	4,044	4,470	53,709	62,077
Results of reportable segments	10,030	18,390	57	587	144	516	1,271	1,246	11,502	20,739
Depreciation	2,336	2,012	49	13	60	36	53	62	2,498	2,123
Amortisation	758	758	-	-	-	-	413	312	1,171	1,070
Capital expenditure	2,721	1,733	-	23	-	88	44	141	2,765	1,985
A reconciliation of results of reportable segments to (loss)/profit for the period is as follows:										
Results of reportable segments									11,502	20,739
Unallocated income									282	77
Unallocated expenses									(30,452)	(15,580)
									(18,668)	5,236
Finance income									56	97
Finance cost									(39)	(94)
Share of loss of investment accounted for using equity method									(502)	-
(Loss)/Profit before income tax									(19,153)	5,239

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EXPENSES BY NATURE

	Six months ended		Three months ended	
	30 June		30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Cost of inventories	27,543	29,194	15,882	18,496
Advertising and marketing	1,549	315	1,178	278
Business tax and surcharges	839	1,086	500	686
Staff costs (including directors' emoluments)	17,431	13,131	8,863	7,001
Depreciation	2,498	2,123	1,222	1,043
Amortisation	1,171	1,070	586	641
Rental	3,703	3,133	1,837	1,548
Fuels	1,609	1,855	761	915
Utilities	518	517	147	220
Transportation	1,073	991	613	572
Meeting and conference expenses	1,937	435	855	20
Repairs and maintenances	525	575	320	172
Tools and liveries	655	320	281	171
Office expenses	768	366	428	227
Professional fees	7,158	1,015	4,288	597
Sales commission expenses	2,542	-	1,530	-
Others	1,140	792	165	291
Total	72,659	56,918	39,456	32,878

9. INCOME TAX EXPENSE

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 period (Six months ended 30 June 2014: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

All subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the period ended 30 June 2015 (Six months ended 30 June 2014: 25%). The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands during the period (Six months ended 30 June 2014: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. INCOME TAX EXPENSE (CONTINUED)

	Six months ended 30 June		Three months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Current income tax				
– Current period	506	2,731	456	1,794
– Over-provision in prior periods	(39)	(887)	(39)	(509)
Deferred income tax	(587)	(501)	(290)	(277)
Income tax credit/(expenses)	(120)	1,343	127	1,008

10. DIVIDENDS

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2015 (Six months ended 30 June 2014: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the results attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June		Three months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	(18,822)	3,646	(8,831)	2,671
Weighted average number of ordinary shares in issue (thousands)	536,492	420,000	542,912	423,809
Basic (loss)/earnings per share (in RMB cents)	(3.51)	0.87	(1.63)	0.63

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares include the convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net (loss)/profit is adjusted to eliminate the interest expense less the tax effect.

Diluted loss per share for the six months ended 30 June 2015 is the same as the basic loss per share as the conversion of potential dilutive ordinary shares in relation to convertible bonds would have an anti-dilutive effect to the basic loss per share.

Diluted earnings per share for the six months ended 30 June 2014 is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Opening net book amount	19,619	20,573
Acquisition of a subsidiary	–	219
Additions	2,765	4,116
Depreciation charge	(2,498)	(5,020)
Disposals	(230)	(269)
Closing net book amount	19,656	19,619

13. TRADE AND OTHER RECEIVABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade and bill receivables	16,205	16,388
Prepayments (Note)		
– Third parties	83,299	82,396
– Related parties	–	66
Deposit and other receivables (Note)		
– Third parties	1,000	2,254
	100,504	101,104
Less: non-current portion		
– Prepayments (Note)	(69,466)	(69,466)
– Deposit	(1,000)	(1,000)
Current portion	30,038	30,638

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Note: The prepayments, deposits and other receivables comprise the following:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Prepayments for purchase of inventories	6,921	6,886
Prepayment for rental	2,746	2,805
Deposit for acquisition of a property	69,466	69,466
Others	4,166	3,305
	83,299	82,462

The majority of the Group's sales are with credit terms of 60 to 150 days and the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0-30 days	8,051	8,067
31-60 days	2,166	3,613
61-90 days	1,752	1,967
Over 90 days	4,236	2,741
Total	16,205	16,388

As at 30 June 2015, trade receivables of approximately RMB4,210,000 (31 December 2014: RMB2,141,000) were past due but not impaired. No provision was made for impairment of trade receivables (31 December 2014: Nil). 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
61-90 days	196	58
Over 90 days	4,014	2,083
Total	4,210	2,141

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. TRADE AND OTHER PAYABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Current:		
Trade payables		
– Third parties	1,213	925
– Related parties	52	157
Value-added tax payable	1,449	1,855
Salaries payable	2,470	4,672
Receipt in advance	3,025	110
Other payables and accruals	1,157	2,838
	9,366	10,557
Non-current:		
Deferred government grant	1,000	1,000
Total	10,366	11,557

Note: Payment terms granted by suppliers are within 90 days since the invoice date or cash on delivery.

The ageing analysis of trade payables at 30 June 2015 based on invoice date is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0-30 days	991	537
31-60 days	98	369
61-90 days	75	63
Over 90 days	101	113
Total	1,265	1,082

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. INVENTORIES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Finished goods	41,902	38,001

The cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB27,543,000 for the six months ended 30 June 2015 (Six months ended 30 June 2014: RMB29,194,000).

16. SHARE CAPITAL

	Note	Number of shares	RMB'000
Authorised:			
Ordinary shares of HK\$0.01 each		780,000,000	6,094
Issued and fully paid:			
As at 1 January 2014		400,000,000	3,157
Issuance of new shares	(a)	80,000,000	640
Exercise of convertible bonds issued by the Company	(b)	50,000,000	396
As at 31 December 2014		530,000,000	4,193
Issuance of new shares	(c)	25,000,000	200
As at 30 June 2015		555,000,000	4,393

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. SHARE CAPITAL (CONTINUED)

Notes:

- (a) On 28 March 2014, the Company and Xinyi Glass (BVI) entered into a subscription agreement pursuant to which both parties agreed that Xinyi Glass (BVI) subscribe 80,000,000 ordinary shares of HK\$0.01 each in the Company. On 16 May 2014, Xinyi Glass (BVI) completed the subscription of shares at a price of HK\$0.55 per share for a total consideration of approximately HK\$44,000,000 (equivalent to RMB35,222,000) with issuance costs amounted to approximately HK\$350,000 (equivalent to RMB280,000).
- (b) On 14 November 2014, the Company and an independent third party entered into a sale and purchase agreement to purchase a property at a consideration of RMB48,000,000, which was satisfied by the issuance of convertible bonds by the Company. The convertible bonds were convertible into 54,690,647 conversion shares as detailed in Note 17. On 17 November 2014, the holder completed the conversion of 50,000,000 shares at the conversion price of HK\$1.112 per share.
- (c) On 30 April 2015, the Company and an independent third party entered into a subscription agreement pursuant to which both parties agreed that the subscriber subscribe 25,000,000 ordinary shares of HK\$0.01 each in the Company. On 15 May 2015, the subscriber completed the subscription of shares at a price of HK\$0.601 per share for a total consideration of approximately HK\$15,025,000 (equivalent to RMB12,020,000) with issuance costs amounted to approximately HK\$231,000 (equivalent to RMB185,000).

17. CONVERTIBLE BONDS

On 14 November 2014, the Company issued 1% convertible bonds of HK\$60,816,000 (equivalent to RMB48,000,000) convertible into 54,690,647 shares at HK\$1.112 per share in exchange for the deposit in relation to the acquisition of a property. The bonds mature three years from the issue date at the nominal value of HK\$60,816,000 (equivalent to RMB48,000,000) or can be converted into shares at the holder's option at HK\$1.112 per share. The fair value of the liability component and equity conversion component were assessed by an independent valuer and determined at the Board of Directors' approval date of the convertible bonds.

On 17 November 2014, the holder of the convertible bonds has completed the conversion of 50,000,000 shares at the conversion price of HK\$1.112 per share, and the fair value of the equity component of approximately RMB7,773,000 and fair value of liability component of approximately RMB36,250,000 were transferred to share capital of approximately RMB396,000 and share premium of approximately RMB43,627,000.

As at 30 June 2015, the fair value of the convertible bonds is approximately RMB3,595,000 (31 December 2014: RMB3,460,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18. OPERATING LEASE COMMITMENTS

As at 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 1 year	3,704	3,973
After 1 year but within 5 years	11,536	13,677
Over 5 years	6,744	7,159
Total	21,984	24,809

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Authorised but not contracted for:		
– Consideration for leasehold improvement in a property	3,000	3,000
	3,000	3,000
Contracted but not provided for:		
– Consideration for acquisition of a land	4,500	4,500
	4,500	4,500

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20. RELATED PARTIES TRANSACTIONS

	Note	Six months ended 30 June		Three months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Sales of inventories to a fellow subsidiary of Xinyi	1,2	39	1	11	-
Purchase of inventories from fellow subsidiaries of Xinyi	1,2	4,823	7,481	2,884	3,010
Rental expenses to non-controlling interest shareholders	2	25	25	13	13

Notes:

- 1 During the period ended 30 June 2015, 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
東莞奔迅汽車玻璃有限公司 (原信義汽車部件(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
信義光伏產業(安徽)控股有限公司	Fellow Subsidiary of Xinyi
深圳市信義房地產開發有限公司	Fellow Subsidiary of Xinyi

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20. RELATED PARTIES TRANSACTIONS (CONTINUED)

Notes: (CONTINUED)

1 (CONTINUED)

Name of party	Relationship
Directors:	
Ms. Xia Lu	Director of the Company
Mr. He Changsheng	Director of the Company
Mr. Li Honglin	Director of the Company
Ms. Natsu Kumiko	Director of the Company
Mr. Chen Jinliang	Director of the Company
Mr. Jiang Bin (Appointed on 13 February 2015)	Director of the Company
Mr. Han Shaoli (Appointed on 13 February 2015)	Director of the Company
Mr. Fong William (Resigned on 5 January 2015)	Director of the Company

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

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 and provision of installation services of photovoltaic system in the PRC. As at 30 June 2015, the Group operated 29 service centres in the PRC for providing automobile glass installation/repair services. The Group's total revenue for the six months ended 30 June 2015 amounted to approximately RMB53,709,000, representing a decrease of approximately RMB8,368,000 or 13.5% as compared to that of approximately RMB62,077,000 for the corresponding period last year. Overall gross profit decreased by approximately RMB9,237,000 or 44.5% to approximately RMB11,502,000 for the six months ended 30 June 2015 from approximately RMB20,739,000 for the corresponding period last year. The gross profit margin for the current period decreased to approximately 21.4% from approximately 33.4% being the gross profit margin for the corresponding period last year. The total comprehensive loss attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB20,322,000, while the total comprehensive income attributable to owners of the company was approximately RMB3,625,000 for the six months ended 30 June 2014.

REVIEW BY SEGMENT

	Northern China (excluding Shenyang)			Shenyang			Hangzhou			Shenzhen			Total		
	Six months ended 30 June			Six months ended 30 June			Six months ended 30 June			Six months ended 30 June			Six months ended 30 June		
	2015	2014	Change	2015	2014	Change	2015	2014	Change	2015	2014	Change	2015	2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	47,337	53,669	(11.8)	1,043	2,315	(54.9)	1,285	1,623	(20.8)	4,044	4,470	(9.5)	53,709	62,077	(13.5)
Gross profit	10,030	18,390	(45.5)	57	587	(90.3)	144	516	(72.1)	1,271	1,246	2	11,502	20,739	(44.5)
Gross profit margin	21.2%	34.3%		5.5%	25.4%		11.2%	31.8%		31.4%	27.9%		21.4%	33.4%	

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Northern China (excluding Shenyang) segment includes Beijing, Tianjin, Sanhe and revenue generated from these areas represents approximately 88.1% of the Group's total revenue. Revenue from the Northern China segment decreased by approximately 11.8% from approximately RMB53,669,000 to approximately RMB47,337,000 for the six months ended 30 June 2015. The decrease was mainly attributable to decrease in revenue from trading of automobile glass to industry peers and traders, and automobile repair garages located in Beijing which encountered a decline of their businesses. Gross profit decreased by approximately 45.5% from approximately RMB18,390,000 to approximately RMB10,030,000 and gross profit margin decreased from approximately 34.3% to approximately 21.2% for the six months ended 30 June 2015. This is mainly attributable to more customers preferring the imported automobile glass with higher price and quality instead of domestic products, yet the insurance companies maintained the insurance claim amount in spite of the price differences that caused the gross profit of sales of automobile glass with installation/repair services to decrease. Moreover, a decrease in average selling price of trade of automobile glass arising from keen competition in the Beijing market also caused the gross profit and gross profit margin to decrease.

Revenue of the Shenyang segment decreased by approximately 54.9% from approximately RMB2,315,000 to approximately RMB1,043,000 for the six months ended 30 June 2015. The gross profit decreased by approximately 90.3% from approximately RMB587,000 to approximately RMB57,000 and gross profit margin decreased from approximately 25.4% to approximately 5.5% for the six months ended 30 June 2015. The decrease in the gross profit and gross profit margin of the Shenyang segment was mainly attributable to the decrease in revenue from the sales of automobile glass with installation/repair service business and trading of automobile glass, whereas the related cost of sales decreased with lesser proportion since some costs, such as staff costs, rental and utilities, did not proportionately decrease with revenue.

Revenue of the Hangzhou segment decreased by approximately 20.8% from approximately RMB1,623,000 to approximately RMB1,285,000 for the six months ended 30 June 2015. This was mainly due to decline of both sales and trading of automobile glass resulted from keen competition in the Hangzhou area. Gross profit decreased by approximately 72.1% from approximately RMB516,000 to approximately RMB144,000 resulted from a reduction in average selling price of trading of automobile glass because of keen competition. Gross profit margin decreased from approximately 31.8% to approximately 11.2% and is mainly due to decrease in both sales and trading of automobile glass whereas the related costs decreased with lesser proportion, such as rental, salary and utilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The revenue from the Shenzhen segment amounted to approximately RMB4,044,000 for the six months ended 30 June 2015, which represents a decrease of approximately 9.5% as compared to that of approximately RMB4,470,000 for the corresponding period last year. The decrease was mainly due to decrease in sales of automobile glass with installation/repair service business. Gross profit amounted to approximately RMB1,271,000 with gross profit margin of approximately 31.4% and is slightly higher than the corresponding period last year of approximately 27.9%.

Other Gain/(Loss)

Other gain mainly represents the guarantee profits of CAD49,000 (equivalent to RMB255,000) reimbursed by the major shareholder of investment in joint venture.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 47.5% from approximately RMB7,795,000 for the six months ended 30 June 2014 to approximately RMB11,497,000 for six months ended 30 June 2015. The increase was mainly due to an increase of advertising and marketing expense, selling staff's salaries and commission on a new sales incentive plan during the current period.

Administrative Expenses

The Group's administrative expenses mainly consisted of professional fees, staff costs (including Directors' remunerations), depreciation, rental and meeting/conference expenses. The total administrative expenses increased by approximately 143.5% from approximately RMB7,785,000 for the six months ended 30 June 2014 to approximately RMB18,955,000 for the six months ended 30 June 2015. The increase was mainly due to the substantial legal and financial consultancy fees of approximately RMB3,155,000 incurred by the Group in this reporting period in relation to, inter alia, its existing legal proceedings in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region. In addition, the increase in administrative expenses also included staff salaries and benefit of approximately RMB1,871,000; meeting and conference expenses of approximately RMB1,502,000; and other professional fees of approximately RMB2,988,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance Cost and Income, net

Finance cost decreased from approximately RMB94,000 for the six months ended 30 June 2014 to approximately RMB39,000 for the six months ended 30 June 2015. Finance income decreased from approximately RMB97,000 for the six months ended 30 June 2014 to approximately RMB56,000 for the six months ended 30 June 2015, which was mainly the result of a decrease in average monthly deposit in banks.

Share of Losses of Investment Accounted for Using the Equity Method

It represents share of losses of the investment of 49% equity interest in a joint venture entity, namely Polaron Solartech Corp. which is located in Canada, of approximately RMB502,000 for the current period.

Income Tax Expenses

The Group recorded income tax credit of approximately RMB120,000 for the six months ended 30 June 2015, compared with income tax expenses of approximately RMB1,343,000 for the six months ended 30 June 2014. The income tax credit was mainly a result of deferred income tax credited to the consolidated statement of comprehensive income during the period ended 30 June 2015.

Loss for the period

The Group recorded a loss of approximately RMB19,033,000 for the six months ended 30 June 2015, as compared to a profit of approximately RMB3,896,000 for the six months ended 30 June 2014. The decrease mainly resulted from the decrease in gross profit of sales of automobile glass with installation/repair services and the significant decrease in gross profit from trading of automobile glass to the industry peers and traders of automobile glass and automobile repair garages in Beijing during the period. Moreover, additions of significant professional fees to financial advisers and legal consultants also reduced the net profit of the Group.

Current Ratio

The Group's current ratio as at 30 June 2015 was approximately 11.4, and is relatively stable compared with that as at 31 December 2014 of approximately 11.1.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure

As at 30 June 2015, the Group had net assets of approximately RMB220,000,000 (31 December 2014: approximately RMB228,698,000), comprising non-current assets of approximately RMB125,275,000 (31 December 2014: approximately RMB127,225,000), and current assets of approximately RMB115,446,000 (31 December 2014: approximately RMB123,722,000). The Group recorded a net current asset position of approximately RMB105,355,000 (31 December 2014: approximately RMB112,556,000), which is primarily consisted of cash and bank equivalents of approximately RMB43,506,000 (31 December 2014: approximately RMB54,821,000), inventories of approximately RMB41,902,000 (31 December 2014: approximately RMB38,001,000), and trade and other receivables of approximately RMB30,038,000 (31 December 2014: RMB30,638,000). Major current liabilities are trade and other payables of approximately RMB9,366,000 (31 December 2014: approximately RMB10,557,000) and tax payable of approximately RMB271,000 (31 December 2014: approximately RMB9,000).

Liquidity and Financial Resources

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB43,506,000, representing a net decrease of approximately RMB11,315,000 as compared to that of approximately RMB54,821,000 as at 31 December 2014. The gearing ratio of the Group as at 30 June 2015 is 1.6% (31 December 2014: 1.5%). The Group satisfied their working capital needs principally from internally generated cash flow from operating activities and net proceeds from the issue of 25,000,000 new shares to a third party during the current period. Net cash outflow used in operating activities was approximately RMB19,485,000 (31 December 2014: approximately RMB15,720,000). As at 30 June 2015, the Group had no bank borrowings (31 December 2014: Nil).

Convertible Bonds

On 14 November 2014, the Company issued 1% convertible bonds of HK\$60,816,000 (equivalent to RMB48,000,000) convertible into 54,690,647 shares at HK\$1.112 per share in exchange for the deposit in relation to the acquisition of a property. The bonds mature three years from the issue date at the nominal value of HK\$60,816,000 (equivalent to RMB48,000,000) or can be converted into shares at the holder's option at HK\$1.112 per share. On 17 November 2014, the holder of the convertible bonds has completed the conversion of 50,000,000 shares at the conversion price of HK\$1.112 per share and the remaining convertible bonds with a value of approximately RMB3,595,000 as at 30 June 2015 (31 December 2014: approximately RMB3,460,000) can be convertible into 4,690,647 shares.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Pledge of Assets

As at 30 June 2015, the Group has no assets pledged for bank borrowings or for other purpose (31 December 2014: Nil).

Contingent Liabilities

On 24 December 2014, Xinyi Automobile Glass (BVI) Company Limited (“**Xinyi Glass (BVI)**”) issued an originating summons (the “**Originating Summons**”) and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region against the Company, the vendor of the Daqing property, the holder of the convertible bonds, the existing executive and non-executive Directors and certain existing and former independent non-executive Directors, with respect to the acquisition of a property in Daqing (the “**Daqing Acquisition**”). Pursuant to the Originating Summons, Xinyi Glass (BVI) has concerns that the terms of the acquisition agreement (the “**Daqing Acquisition Agreement**”) may not serve the best interests of the Company and the shareholders as a whole and it has doubt on the legality surrounding the Daqing Acquisition. Accordingly, Xinyi Glass (BVI) seeks the following orders:

- (i) the Daqing Acquisition Agreement to be declared void or, in the alternative, voidable;
- (ii) the convertible bonds issued to satisfy the consideration of the Daqing Acquisition, the conversion shares already allotted and issued to the vendor of the Daqing property as at the date of the Originating Summons be declared void or, in the alternative, voidable;
- (iii) in the event that the Daqing Acquisition Agreement and the convertible bonds are declared voidable, the Company and the vendor be compelled to terminate and/or rescind the same; and
- (iv) in the alternative, damages from the existing executive and non-executive Directors and certain existing and former independent non-executive Directors.

Management has consulted the PRC and Hong Kong legal advisers of the Company in response to the Originating Summons. The Directors have thoroughly revisited the situations based on their advices, and considered that the demands (i) to (iii) are unattainable and demand (iv) does not impact the Company nor the Group. Accordingly, the Directors considered that the pending litigation will not have material adverse impact to the consolidated financial statements as at 31 December 2014 and 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Commitments

As at 30 June 2015, save as disclosed in note 19 to the condensed consolidated interim financial information, the Group did not have any significant capital commitments.

Total Comprehensive (Loss)/Income Attributable to Owners of the Company and Net (Loss)/Profit Margin

Total comprehensive loss attributable to owners of the Company for the six months ended 30 June 2015 was approximately RMB20,322,000, compared with the total comprehensive income attributable to owners of the Company of approximately RMB3,625,000 for the six months ended 30 June 2014. Net loss margin of the Group for the six months ended 30 June 2015 was approximately 35.4%, compared with the net profit margin of approximately 6.3% for the six months ended 30 June 2014.

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 2015, the Group did not hedge any exposure in foreign currency risk.

Employees and Remuneration Policy

As at 30 June 2015, the Group employed a total of 423 employees (30 June 2014: 341 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 2015, the total staff costs (including Directors' emoluments) amounted to approximately RMB17,431,000 (30 June 2014: RMB13,131,000). The Group has adopted a share option scheme (the "**Scheme**") for its employees. Since the adoption of the Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 30 June 2015, no share options under the Scheme were outstanding.

Significant Investments Held

As at 30 June 2015, the Group did not hold any significant investments (31 December 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Future Plans for Material Investments or Capital Assets

On 19 December 2013, the Group entered into an agreement with Wuqing Development Area General Corporation (天津新技術產業園區武清開發區總公司) to tender a land with a total area of 20,000 sq.m in Tianjin Wuqing Development Area at a 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.

On 19 October 2014, the Group entered into a sale and purchase agreement (the "**Daqing Acquisition Agreement**") to acquire a property with a 4-storey commercial complex located in Sa'ertu District, Daqing City, Heilongjiang Province, China with a total gross floor area of approximately 4,445 square meters at a consideration of RMB48,000,000 settled through the issuance of convertible bonds which were convertible into 54,690,647 conversion shares (the "**Daqing Acquisition**"). On 17 November 2014, the bonds holder has completed the conversion of 50,000,000 shares and 4,690,647 conversion shares has not yet been converted as at the date of this report. The property will be used to set up a new service centre and warehouse which is in line with the Group's strategy of expanding its business operations in China and could allow the Group to secure a prime and strategic location to expand its sales network.

Save as disclosed above, the Group had no other plan for material investment or capital assets as at 30 June 2015.

Material Acquisition and Disposal

The Group did not have any major acquisition and disposal events during the six months ended 30 June 2015.

Subsequent Events after the Reporting Period

Subscription of new shares under general mandate

On 27 May 2015 (after trading hours), the Company entered into a subscription agreement with Long Set Investments Limited (the "**Subscriber**"), pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 106,000,000 subscription shares (the "**Subscription Shares**") at a subscription price of HK\$76,532,000, which is based on the subscription price of HK\$0.722 per Subscription Share.

The Subscription Shares are to be issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the shareholders passed on 12 May 2015 whereby the Directors have been duly authorised to allot and issue new shares not exceeding 20% of the total issued share capital of the Company as at 12 May 2015. As such, the allotment and issue of the Subscription Shares are not subject to additional shareholders' approval.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As additional time is required for the fulfillment of the conditions precedent of the subscription agreement, after arm's length negotiations between the Company and the Subscriber, the Company and the Subscriber entered into a supplemental agreement on 29 July 2015 to extend the time set out in the subscription agreement for fulfillment of the conditions precedent to 29 August 2015 or such later date as may be agreed between the Company and the Subscriber.

Please refer to the announcements of the Company dated 27 May 2015 and 29 July 2015 for further details.

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 2015:

Business objectives	Planned progress up to 30 June 2015	Actual business progress up to 30 June 2015
Expand the existing business of the Group by setting up new service centres in the PRC	To set up new service centres in Beijing (3), Tianjin (2), Hangzhou (1) and Shenyang (1)	The Group has established one service centre in Hangzhou, two service centres in Beijing and one new service centre in Tianjin up to 30 June 2015 with aggregate capital spending on these four service centres amounting to approximately RMB7,230,000 (equivalent to approximately HK\$9,100,000) up to 30 June 2015, mainly covering purchase of inventories, rental deposit, decoration, and purchase of fixed assets. One of the newly set up service centres in Beijing in 2014 replaced the proposed location in Tianjin formerly stated in the Prospectus. The Group proposed to set up a new service centre in Daqing to replace the proposed location in Shenyang formerly stated in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business objectives	Planned progress up to 30 June 2015	Actual business progress up to 30 June 2015
<p>Explore merger and acquisition opportunities and business collaboration opportunities with partners in the automobile glass installation/repair service industry</p>	<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>	<p>On 15 January 2014, the Group has completed the acquisition of 100% equity interest in 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 China. The total consideration for the acquisition amounted to RMB16.0 million (equivalent to approximately HK\$20.4 million). An excess amount of HK\$9.5 million was funded by the Group's internal working capital.</p>
<p>Enhance marketing activities to promote brand awareness and broaden the Group's customer base</p>	<p>To enhance brand awareness through increasing advertising activities through various media, including radio, advertising displays on the internet and press releases</p>	<p>The Group has spent approximately RMB736,000 (equivalent to approximately HK\$925,000) for advertising on radio to promote the Group's brand image and enhance its reputation.</p>

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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the period from the latest practicable date (the “LPD”) (as defined in the Prospectus) to 30 June 2015, the net proceeds from the Share Placing had been applied as follows:

Business objectives for the period from the LPD to 30 June 2015 as stated in the Prospectus	Planned use of proceeds from the LPD to 30 June 2015 (HK\$ million) (Note)	Actual use of proceeds from the LPD to 30 June 2015 (HK\$ million)
1. Setting up new service centres	15.7	9.1
2. Merger, acquisitions and business collaboration	10.9	10.9
3. General working capital	2.3	2.3
Total	28.9	22.3

Note: This sum represents an aggregate amount of the planned use of proceeds from the LPD to 30 June 2015 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.

PROSPECTS

The Group was listed on the GEM of the Stock Exchange on 3 September 2013 (the “Listing”) and further issued new shares to one of the existing shareholders, 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.

On 15 May 2015, the Company issued 25,000,000 new shares to Eastern Wealth Development Limited (the “Subscription”). The net proceeds arising from the Subscription amounted to approximately HK\$14.5 million and the Company will apply the net proceeds to develop the mobile phone and internet sales platform for the promotion of the Group’s businesses in accordance with the intended use of proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 27 May 2015, The Company entered into a subscription agreement with Long Set Investments Limited, pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 106,000,000 subscription shares at a subscription price of HK\$76,532,000 (the "**New Subscription**"). The net proceeds arising from the New Subscription amounted to approximately HK\$72.5 million and the Company intends to apply the net proceeds to promote the mobile phone and internet sales platform to be developed in the regions in the PRC where the Group's services have not yet covered. In addition, the Company proposed to set up new service centres in the regions in the PRC lacking automobile glass installation/repair services or where such skills are not yet well-developed for the promotion of the Group's automobile glass installation/repair services.

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. After the establishment of the mobile phone and internet sales platform, the Group will promote the platform in the regions in PRC where the Group's services have not yet covered and invite independent automobile glass installation/repair companies or service providers in such regions to join the Group's developed mobile phone and internet sales platform and cooperate with the Group in setting up an automobile glass service chain store network.

During the period, the Group has entered into a significant photovoltaic system installation services contract of RMB30,000,000 in the PRC, which is one of the biggest rooftop photovoltaic systems in Beijing. The Group expected this project will be commenced in the third quarter of 2015.

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 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 among 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Corporate Governance

- (1) Pursuant to Rules 5.05(1), 5.05(2), 5.05A, 5.28 and 5.34 of the GEM Listing Rules and code provision A.5.1 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the “Code”), (i) the Board is required to have at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise, and represent at least one-third of the Board; (ii) the audit committee should be chaired by an independent non-executive Director and comprise a minimum of three members, at least one of whom is an independent non-executive Director meeting the requirement set out in Rule 5.05(2) of the GEM Listing Rules; (iii) the remuneration committee must be chaired by an independent non-executive Director and comprise a majority of independent non-executive Directors; and (iv) the nomination committee should comprise a majority of independent non-executive Directors.

Mr. Ling Kit Wah Joseph resigned as an independent non-executive Director, a member of the audit committee and the chairman of the remuneration committee of the Company with effect from 20 October 2014. Mr. Fong William resigned as an independent non-executive Director, a member of the nomination committee and the chairman of the audit committee of the Company with effect from 5 January 2015. Upon the resignations of Mr. Ling Kit Wah Joseph and Mr. Fong William, the Company could not comply with Rules 5.05(1), 5.05(2), 5.05A, 5.28 and 5.34 of the GEM Listing Rules and code provision A.5.1 of the Code.

Pursuant to Rules 5.06, 5.33 and 5.36 of the GEM Listing Rules, the Company had to appoint new independent non-executive Directors to replace the vacancies within three months after the respective resignation of Mr. Ling Kit Wah Joseph and Mr. Fong William. The Company had applied for a waiver from strict compliance with Rules 5.05(1), 5.05A, 5.28 and 5.34 of the GEM Listing Rules and was granted the waiver and an extension of the grace period under Rules 5.06, 5.33 and 5.36 of the GEM Listing Rules on the condition that the proposed independent non-executive Director appointments will be completed on or before 27 February 2015. The Company appointed Mr. Han Shaoli and Mr. Jiang Bin as independent non-executive Directors to replace the vacancies on 13 February 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (2) Pursuant to Rule 5.14 of the GEM Listing Rules, the Company must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is capable of discharging the functions of company secretary.

Mr. Leung Ting Yuk resigned as the company secretary with effect from 17 February 2015. Upon Mr. Leung Ting Yuk's resignation, the position of company secretary fell vacant. The Company appointed Mr. Sum Sui Lun as company secretary to replace the vacancy on 2 March 2015.

- (3) Pursuant to code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting.

Regarding the annual general meeting of the Company held on 12 May 2015, Ms. Natsu Kumiko, the chairman of the Board was not able to attend due to her unavoidable business engagement. Notwithstanding the above, there were other Directors present 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.

Dividends

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2015 (30 June 2014: 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 to a substantial shareholder as disclosed in the announcement of the Company dated 28 March 2014, neither Quam Capital nor its directors, employees or close 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 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Directors' Interests in Competing Interests

For the six months ended 30 June 2015, 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 close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

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

During the six months ended 30 June 2015, 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 30 June 2015, 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 in Rule 5.46 of the GEM Listing Rules, were as follows:

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

Name of Director	Nature of interest	Number of shares held	Approximate percentage of shareholding (%)
Ms. Natsu	Interest in a controlled corporation	220,000,000 (Note 1)	39.64

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Note:

- (1) Lu Yu Global Limited (“**Lu Yu**”), a company incorporated in the British Virgin Islands (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. Ms. Natsu is deemed to be interested in the 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 2015, none of the Directors and chief executives 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 in 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 30 June 2015, 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 shares held	Approximate percentage of shareholding (%)
Lu Yu (Note 1)	Beneficial owner	220,000,000	39.64
Mr. Xia Chengzhen (Note 2)	Interest of spouse	220,000,000	39.64
Xinyi Automobile Glass (BVI) Company Limited (“ Xinyi Glass (BVI) ”) (Note 3)	Beneficial owner	120,360,000	21.69
Xinyi Glass Holdings Limited (“ Xinyi Glass Holdings ”) (Note 4)	Interest in a controlled corporation	120,360,000	21.69

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of shareholder	Nature of interest	Number of shares held	Approximate percentage of shareholding (%)
Allied Group Limited (Note 5)	Interest in a controlled corporation	106,000,000	19.10
Lee Seng Huang (Note 5)	Interest in a controlled corporation	106,000,000	19.10
Lee Seng Hui (Note 5)	Interest in a controlled corporation	106,000,000	19.10
Lee Su Hwei (Note 5)	Interest in a controlled corporation	106,000,000	19.10
SHK Hong Kong Industries Limited (Note 5)	Interest in a controlled corporation	106,000,000	19.10
Aleta Global Limited (“ Aleta ”) (Note 6)	Beneficial owner	4,690,647	0.85
Wang Yao Ming (Note 7)	Other	50,000,000	9.01
薛呈祥 (Xue Chengxiang*) (Note 8)	Person having a security interest in shares	54,690,647	9.85

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 holds 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 and an investment holding company, 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 the 120,360,000 shares held by Xinyi Glass (BVI).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (5) Information is extracted from the corporate substantial shareholder notices filed by Allied Group Limited and SHK Hong Kong Industries Limited on 29 May 2015, and the individual substantial shareholder notices filed by Mr. Lee Seng Huang, Mr. Lee Seng Hui and Ms. Lee Su Hwei on 29 May 2015, respectively.
- (6) Pursuant to the corporate substantial shareholder notice filed by Aleta on 27 November 2014, the interests include 4,690,647 shares in long position, which were held in physically settled unlisted derivatives.
- (7) Pursuant to the individual substantial shareholder notice filed by Wang Yao Min on 27 November 2014, the interests include 4,690,647 shares in long position, which were held in physically settled unlisted derivatives.
- (8) Pursuant to the individual substantial shareholder notice filed by 薛呈祥 (Xue Chengxiang*) on 27 November 2014, the interests include 4,690,647 shares in long position, which were held in physically settled unlisted derivatives.

* *For identification purpose only*

Save as disclosed above, as at 30 June 2015, the Directors were not aware of any other persons (other than Directors or chief executives 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 5.48 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 ended 30 June 2015.

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. Jiang Bin (Chairman), Mr. Han Shaoli and Mr. Chen Jinliang. The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 June 2015.

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

Hong Kong, 11 August 2015

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 (Mr. Xia Xiufeng as her alternate) and Mr. Xia Xiufeng (Chairman); and the independent non-executive Directors are Mr. Chen Jinliang, Mr. Han Shaoli and Mr. Jiang Bin.