Annual Report
2015

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

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

 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 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

DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr Xia Xiufeng *(Chairman)*
Mr. Liu Mingyong
Mr. Lo Chun Yim

Independent Non-Executive Directors

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

LEGAL ADVISERS

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As to PRC law:
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Certified Public Accountants
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111 Connaught Road Central
Hong Kong

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
Mr. Liu Mingyong

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

Corporate Information

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKERS

China Construction Bank
Beijing Rural Commercial Bank

HONG KONG SHARE REGISTRAR

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WEBSITE ADDRESS

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STOCK CODE

8135

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of ZMFY Automobile Glass Services Limited (the "**Company**"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015.

PERFORMANCE AND REVIEW

For the year ended 31 December 2015, the revenue of the Group amounted to approximately RMB131,193,000 as compared to approximately RMB135,193,000 in the previous year, representing a decrease of approximately 3.0%. The total comprehensive loss for the year attributable to owners of the Company amounted to approximately RMB88,557,000 (2014: approximately RMB13,098,000).

The Group recorded a decrease in revenue in the past two years due to the following reasons:

(i) The Group has approximately 90% of its revenue generated in Beijing and Tianjin cities. Changes in local economy, competition and governmental policies and other circumstances in Beijing and Tianjin cities will have a material adverse effect upon our business. In the past few years, the municipal governments of Beijing and Tianjin have issued a number of regulations to ease traffic congestion and for the prevention and remediation of air pollution.

In Beijing, starting from 1 January 2014, new vehicles ownership quantity is limited to 150,000 per annum for a period of four years (From 1 January 2011 to 31 December 2013: 240,000 per annum). In Tianjin, starting from 1 January 2015, new vehicles ownership quantity is limited to 100,000 per annum for a period of five years. These policies have limited the vehicles ownership growth in our major operation cities.

On 11 October 2008, the Beijing municipal government introduced an alternate automobile license plate system to ease traffic congestion in the downtown area. Under this system, on every weekday, approximately 20% of the vehicles in Beijing are prohibited from being operated on roads in the downtown area, depending on the last digit on the vehicle's license plate. Starting from 1 March 2014, the Tianjin municipal government introduced the same policy. In 2015, during the periods of APEC Conference, military parade, Beijing IAAF World Championships and air pollution red alert, the Beijing municipal government had imposed stricter regulations to prohibit approximately 50% of vehicles from being operated on roads in Beijing. At the same time, both Beijing and Tianjin subway networks coverage have been enlarged gradually, many vehicles owners now prefer using public transportation instead of driving. These lead to the decline of vehicle utilisation in Beijing and Tianjin cities and has adverse effect on our existing market.

(ii) Competition in the automobile glass installation market has been intensified because certain 4S stores, who were previously our customers, now also provide automobile glass installation services. 4S stores have the advantage to provide automobile glass installation service to customers during their routine vehicle repair and maintenance services rendered. In addition, 4S stores obtain support from their licensed vehicle manufacturers/dealers for purchasing original glass at a competitive price. As many 4S stores have now entered into the automobile glass installation market, this resulted in a decrease in our services demand and decreased profit margin for most players in the industry.

(iii) Insurance companies now encourage their clients to repair instead of replace the damaged automobile glass by providing discount on their premium upon policy renewal. Although we provide both automobile glass installation and repair services, the average revenue generated from each glass installation service is about 6 times of that of glass repair services. This has significant impact on the existing market players.

BUSINESS PROSPECT AND LOOKING FORWARD

The Group is principally engaged in the sales of automobile glass with installation/repair services and trading of automobile glass in China, but does not itself manufacture glass. The automobile glass installation/repair services of the Group are provided either at the service centres of the Group to walk-in customers, or by the Group's motorcade service teams at locations in China to customers requiring door-to-door services. The Group is also engaged in the trading of automobile glass whereby the Group purchases the automobile glass from its automobile glass suppliers and then re-sells to industry peers and traders of automobile glass in China. Currently, the Group is also engaged in the provision of installation services of photovoltaic system in China and has completed several photovoltaic system installation services projects in Beijing, Shenzhen, Liaoning and Sichuan for the past two years.

As at 31 December 2015, the Group has 29 service centres in six cities in China, including Beijing, Sanhe (Hebei), Tianjin, Hangzhou, Shenyang (the Group's subsidiary situated therein has become an associated company since 21 December 2015) and Shenzhen. The Group also had over 110 motorcade service teams stationed at service centres for the provision of automobile glass installation/repair services to customers requiring door-to-door services. The Group cooperated with over 30 insurance companies by providing automobile glass with installation/repair services to individuals insured by those insurance companies. The Group provides automobile glass installation/repair services for various types of private and public motor vehicles and possesses a comprehensive collection of automobile glass catering for a wide range of motor vehicles and hence customers in China. The Group's main customer types include insurance companies, corporate customers and individual customers.

On 15 May 2015 and 2 September 2015, the Company allotted and issued 25,000,000 shares and 106,000,000 shares to two independent third parties respectively. The net proceeds arising from these two subscriptions amounted to approximately HK$63.5 million and the Company is applying the net proceeds to develop a mobile phone and internet sales platform for the promotion of the Group's business and for general working capital.

Depending on the demand for the Group's services and the growth of the automobile glass installation/repair industry in the PRC, the Group is striving to strengthen its position in the automobile glass installation/repair service industry in Beijing and Tianjin, and further explore its business operation in Daqing. 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.

APPRECIATION

On behalf of the Board, I am grateful for the perseverance and resilience of our staff in such a difficult time and would like to give thanks to all of them for their unswerving efforts. I also take this opportunity to express hearty gratitude to all shareholders, investors and business partners for their patience, understanding and continued support during this adverse period of time.

Xia Xiufeng
Chairman

22 March 2016

BUSINESS REVIEW

The Group is principally engaged in the sales of automobile glass with installation/repair services and trading of automobile glass in China. The Group's total revenue for the year ended 31 December 2015 amounted to approximately RMB131,193,000, representing a decrease of approximately RMB4,000,000 or 3.0% as compared to that of approximately RMB135,193,000 in 2014. Overall gross profit decreased by approximately RMB12,706,000 or 34.3% to approximately RMB24,322,000 in 2015 from approximately RMB37,028,000 in 2014. The gross profit margin in 2015 decreased to approximately 18.5% from approximately 27.4% in 2014. The total comprehensive loss attributable to owners of the Company was increased by 576.1% to approximately RMB88,557,000 (2014: RMB13,098,000).

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

	Revenue Year ended 31 December			**Gross Profit Year ended 31 December**			**Gross Profit Margin Year ended 31 December**	
	2015	2014		**2015**	2014		**2015**	2014
			Change			Change		
	RMB'000	RMB'000	%	**RMB'000**	RMB'000	%	**%**	%
Sales of automobile glass with installation/repair services	**108,336**	119,682	(9.5)	**22,899**	35,158	(34.9)	**21.1**	29.4
Trading of automobile glass	**12,856**	10,969	17.2	**999**	1,161	(14.0)	**7.8**	10.6
Provision of installation services of photovoltaic system	**10,001**	4,542	120.2	**424**	709	(40.2)	**4.2**	15.6
Total	**131,193**	135,193	(3.0)	**24,322**	37,028	(34.3)	**18.5**	27.4

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 82.6% of the Group's total revenue in 2015 (2014: 88.5%). 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 China.

Revenue from sales of automobile glass with installation/repair services decreased by approximately RMB11,346,000 or 9.5% from approximately RMB119,682,000 in 2014 to approximately RMB108,336,000 in 2015. The decrease was mainly due to the intensified market competition and certain level of automobile glass installation demand being replaced by automobile glass repair.

Gross profit from sales of automobile glass with installation/repair services in 2015 amounted to approximately RMB22,899,000 (2014: RMB35,158,000), representing a decrease of approximately 34.9% as compared to 2014. Gross profit margin decreased from approximately 29.4% in 2014 to approximately 21.1% in 2015. The decrease in gross profit and gross profit margin is mainly attributable to more customers preferring the original automobile glass with higher price instead of homogenous 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. In addition, some indirect fixed costs such as salaries and wages, depreciation costs and rental, increased the average cost of sales, which in turn also brought down the gross profit margin together with the decrease of sales of automobile glass installation/repair services.

Trading of Automobile Glass

Trading of automobile glass refers to the Group purchasing automobile glass from its automobile glass suppliers and then re-selling the same to industry peers and traders of automobile glass in China. Revenue from the trading of automobile glass in 2015 was approximately RMB12,856,000 (2014: RMB10,969,000), representing an increase of approximately 17.2% as a result of the bulk sales of long aged products.

Gross profit from trading of automobile glass decreased by approximately RMB162,000 or 14% from approximately RMB1,161,000 in 2014 to approximately RMB999,000 in 2015. Gross profit margin decreased from approximately 10.6% in 2014 to approximately 7.8% in 2015 which was mainly due to the reduction in selling price of long aged products.

Review by segment

	Northern China (excluding Shenyang)			Shenyang			Hangzhou			Shenzhen			Total		
	2015 RMB'000	2014 RMB'000	Change %	**Period ended 21 December 2015 RMB'000**	2014 RMB'000	Change %	**2015 RMB'000**	2014 RMB'000	Change %	**2015 RMB'000**	2014 RMB'000	Change %	**2015 RMB'000**	2014 RMB'000	Change %
Revenue	**118,033**	119,252	(1.0)	**1,448**	3,867	(62.6)	**2,396**	2,955	(18.9)	**9,316**	9,119	2.2	**131,193**	135,193	(3.0)
Gross Profit	**21,534**	32,760	(34.3)	**27**	940	(97.1)	**148**	854	(82.7)	**2,613**	2,474	5.6	**24,322**	37,028	(34.3)
Gross profit margin	**18.2%**	27.5%		**1.9%**	24.3%		**6.2%**	28.9%		**28.0%**	27.1%		**18.5%**	27.4%	

The Northern China (excluding Shenyang) segment includes Beijing, Tianjin, Sanhe (Hebei) and revenue generated from these areas represents 90% of the Group's total revenue. Revenue from the Northern China (excluding Shenyang) segment decreased by approximately 1.0% from approximately RMB119,252,000 in 2014 to approximately RMB118,033,000 for the year ended 31 December 2015. The decrease was mainly attributable to the intensified market competition, decrease in revenue from trading of automobile glass and certain level of automobile glass installation demand being replaced by automobile glass repair. Gross profit decreased by approximately 34.3% from approximately RMB32,760,000 in 2014 to approximately RMB21,534,000 in 2015 and gross profit margin decreased from approximately 27.5% in 2014 to approximately 18.2% for the year ended 31 December 2015. This is mainly attributable to more customers preferring the original automobile glass with higher price instead of homogenous 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. In addition, some indirect fixed costs such as salaries and wages, depreciation costs and rental, increased the average cost of sales, which in turn also brought down the gross profit margin together with the decrease of sales of automobile glass installation/repair services.

On 21 December 2015, the Group disposed 2% of its equity interest in Shenyang Zhengmei Automobile Glass Co., Ltd. ("**Shenyang Zhengmei**") from previously 51% to 49% and the control was ceased accordingly. As a result, the account of Shenyang Zhengmei was deconsolidated from the date that control was ceased. Revenue of the Shenyang segment for the period ended 21 December 2015 decreased by approximately 62.6% from approximately RMB3,867,000 in 2014 to approximately RMB1,448,000 for the period ended 21 December 2015. The gross profit decreased by approximately 97.1% from approximately RMB940,000 in 2014 to approximately RMB27,000 for the period ended 21 December 2015 and gross profit margin decreased from approximately 24.3% in 2014 to approximately 1.9% for the period ended 21 December 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; however, 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 18.9% from approximately RMB2,955,000 in 2014 to approximately RMB2,396,000 for the year ended 31 December 2015. This was mainly due to the decline of both sales and trading of automobile glass as a result of keen competition in the Hangzhou area. Gross profit decreased by 82.7% from approximately RMB854,000 in 2014 to approximately RMB148,000 in 2015 as a result of the reduction in average selling price of trading of automobile glass because of keen competition. Gross profit margin decreased from approximately 28.9% in 2014 to approximately 6.2% for the year ended 31 December 2015. The decrease in the gross profit and gross profit margin of the Hangzhou segment is mainly due to decrease in both sales and trading of automobile glass whereas the related costs, such as rental, staff costs and utilities, decreased with lesser proportion.

The revenue from the Shenzhen segment amounted to approximately RMB9,316,000 for the year ended 31 December 2015, which represents a slight increase of approximately 2.2% as compared to that of RMB9,119,000 for the year ended 31 December 2014. Gross profit amounted to approximately RMB2,613,000 for the year ended 31 December 2015, with gross profit margin of approximately 28.0% and is slightly higher than that of approximately 27.1% for the year ended 31 December 2014.

Other (Loss)/Gain, Net

Other (loss)/gain, net mainly represent provision for impairment on property, plant and equipment of approximately RMB27,135,000 and provision for impairment on intangible assets of approximately RMB19,833,000. Details of such impairment are disclosed in notes 13 and 14 to the consolidated financial statements.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 56.0% from approximately RMB17,852,000 in 2014 to approximately RMB27,846,000 in 2015. The increase was mainly due to the increase in advertising and marketing expenses of approximately RMB3,715,000, selling staff's salaries of approximately RMB1,190,000 and sales agency fee of approximately RMB4,143,000.

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including Directors' remunerations), depreciation, amortisation, rental and meeting/conference expenses. The total administrative expenses increased by approximately 38.8% from approximately RMB29,398,000 in 2014 to approximately RMB40,813,000 in 2015. The increase was mainly due to the increase in staff salaries and benefit of approximately RMB5,097,000, meeting and conference expenses of approximately RMB1,928,000, and professional fees of approximately RMB2,531,000.

Impairment Loss on Daqing Property

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, the PRC (the "**Daqing Property**") with a total gross floor area of approximately 4,445 square meters at a consideration of RMB48,000,000 which was settled through the issuance of convertible bonds convertible into 54,690,647 conversion shares (the "**Daqing Acquisition**"). The fair value of the convertible bonds was approximately RMB69,466,000 which was assessed by an independent valuer and determined at the Board approval date of the convertible bonds. As the Daqing Property was yet registered to the local authority in 2014, the corresponding amount of RMB69,466,000 was treated as a prepayment under non-current assets as at 31 December 2014. During the year, an impairment loss of RMB21,614,000 was recognised in other loss/gain, net to write down the carrying amount of the Daqing Property to its recoverable amount of RMB46,490,000 as a result of the significant economic slowdown in Daqing. The recoverable amount of the Daqing Property, as at 31 December 2015, was assessed by an independent valuer, by using direct comparison approach estimated with reference to similar assets adjusted for differences in condition. Details of such impairment are disclosed in note 13 to the consolidated financial statements.

Impairment Loss on Intangible Assets and Property, Plant and Equipment

As the Group recorded a decline in profitability during the year, management considers that there is indication for impairment for its non-financial assets, whilst the Daqing Property has been separately assessed as set out above. For the purpose of impairment testing, goodwill, trademark, customer relationships and property, plant and equipment (excluding the Daqing Property) are allocated to the cash generating unit ("**CGU**"). The recoverable amounts of CGUs are determined by value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. In order to determine the recoverable amounts of the CGUs, management made reference to the valuation report, issued by an independent valuer and identified impairment loss on intangible assets and property, plant and equipment of approximately RMB19,833,000 and approximately RMB5,521,000 respectively. Details of such impairment are disclosed in notes 13 and 14 to the consolidated financial statements.

Finance Income, Net

The increase in finance income, net from approximately RMB294,000 in 2014 to RMB326,000 in 2015 was mainly a result of recognisation of exchange gain on a inter-company loan repayment. All financial cost represent the interest expense on convertible bonds.

Share of Loss of Investment in Joint Venture

The Company held 49% equity interest in a joint venture entity, namely Polaron Solartech Corp. ("**Polaron**"), which is located in Canada and is engaged in the provision of installation services of solar system in Canada. On 12 November 2015, the Group has disposed all equity interest in Polaron and shared its operating loss of approximately RMB25,000 for the period ended 12 November 2015.

Share of Loss of Investment in an Associate

On 21 December 2015, the Group has disposed 2% of its equity interest in Shenyang Zhengmei from 51% to 49% and the control in Shenyang Zhengmei was ceased and Shenyang Zhengmei has now become an associated company of the Group. As a result, the Group's share of its operating loss was approximately RMB33,000 for the period from 21 December 2015 to 31 December 2015.

Income Tax Credit

The Group recorded income tax credit of approximately RMB5,001,000 for the year ended 31 December 2015, as compared with income tax expenses of approximately RMB1,781,000 in 2014. The income tax credit is mainly attributable to the decline of deferred income tax liabilities during the year.

Loss for the Year

By reason of the foregoing, the loss during the year under review was approximately RMB89,981,000 while the loss was approximately RMB12,094,000 for the same period of 2014.

Current Ratio

The Group's current ratio as at 31 December 2015 was 8.3, as compared with 11.1 as at 31 December 2014. The decrease was mainly due to increase in trade and other payables.

Capital Structure

As at 31 December 2015, the Group had net assets of approximately RMB191,285,000 (2014: RMB228,698,000), comprising non-current assets of approximately RMB72,974,000 (2014: RMB127,225,000), and current assets of approximately RMB140,899,000 (2014: RMB123,722,000). The Group recorded a net current asset position of approximately RMB123,944,000 (2014: RMB112,556,000), primarily consisting of cash and cash equivalents of approximately RMB49,535,000 (2014: RMB54,821,000), inventories of approximately RMB37,534,000 (2014: RMB38,001,000) and trade and other receivables of approximately RMB53,430,000 (2014: RMB30,638,000). Major current liabilities are trade and other payables of approximately RMB16,841,000 (2014: RMB10,557,000) and tax payables of approximately RMB114,000 (2014: RMB9,000).

Liquidity and Financial Resources

As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB49,535,000, representing a net decrease of approximately RMB5,286,000 as compared to that of approximately RMB54,821,000 as at 31 December 2014. The gearing ratio of the Group as at 31 December 2015 is 2.0% (2014: 1.5%) which mainly arose from convertible bonds of RMB3,882,000 (2014: RMB3,460,000). The Group satisfied their working capital needs principally from internally generated cash flow from operating activities and net proceeds from the issuance of 131,000,000 new shares to two independent third parties during the current year. Net cash outflow from operating activities amounted to approximately RMB55,209,000 (2014: cash outflow RMB15,720,000) as a result of operating loss in the current year. As at 31 December 2015, the Group had no bank borrowings (2014: Nil).

Convertible Bonds

On 14 November 2014, the Company issued 54,690,647 1% convertible bonds (the "**Bonds**") at HK$1.112 per share of HK$60,816,000 (equivalent to RMB48,000,000) in exchange for the deposit in relation to the acquisition of the Daqing 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 Bonds has completed the conversion of 50,000,000 shares at conversion price of HK$1.112 per share and the remaining Bonds of 4,690,647 as at 31 December 2014 had a value of approximately RMB3,460,000. The fair value of the Bonds were assessed by an independent valuer and determined at the Board approval date of the Bonds.

On 2 September 2015, the Company has allotted and issued 106,000,000 new shares (the "**Share Subscription**") to an independent third party. Pursuant to the terms of the Bonds dated 14 November 2014, the Share Subscription caused adjustment to the conversion price of the Bonds from HK$1.112 per share to HK$1.07 per share and the number of conversion shares has been adjusted from 4,690,647 shares to 4,874,766 shares. As of 31 December 2015, the fair value of the Bonds was approximately RMB3,882,000. Under the general mandate granted by the shareholders to the Directors on 9 May 2014, the Company has 309,353 shares remain unissued before such adjustment, which is sufficient to cover the additional 184,119 conversion shares, and 125,234 shares will remain unissued under the general mandate after such adjustment.

Pledge of Assets

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

Contingent Liabilities

Except as disclosed in note 36 to the consolidated financial statements, the Group did not have any significant contingent liabilities as at 31 December 2015 and 2014.

Capital Commitments

Save as disclosed in note 28 to the consolidated financial statements, the Group did not have any significant capital commitments, as at 31 December 2015.

Foreign Exchange Risk

The Group mainly operates in China with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. The foreign exchange rate risk with respect to HK$ is disclosed in note 31.1(a) to the consolidated financial statements. During the year ended 31 December 2015, the Group did not hedge any exposure in foreign currency risk.

Employees and Remuneration Policy

As at 31 December 2015, the Group employed a total of 447 employees (2014: 439 employees) situated in China. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year ended 31 December 2015, the total staff costs (including Directors' emoluments) amounted to approximately RMB38,704,000 (2014: RMB31,851,000).

The Group has adopted a share option scheme (the "**Option Scheme**") for its employees. Since the adoption of the Option Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 31 December 2015, no share options under the Option Scheme were outstanding.

On 12 October 2015, the Group adopted a share award scheme (the "**Award Scheme**") for its employees. On 12 November 2015, the Group granted 41,300,000 award shares to 16 employees (the "**Selected Participants**") under the Award Scheme. The award shares will be vested in full to the Selected Participants respectively in five tranches each over six years, with approximately 10% to be vested on the first tranche, 20% to be vested on each of the second and third tranches and 25% to be vested on each of the fourth and fifth tranches. The first tranche of 3,680,000 award shares is expected to be vested on or around 31 August 2016.

Future Plans for Material Investments or Capital Assets

On 16 May 2014, the Company has issued 80,000,000 new shares to Xinyi Glass (BVI), an existing shareholder of the Company, at HK$0.55 per share (a discount of approximately 34.5% to the closing price of HK$0.84 per share as quoted on the Stock Exchange on the date the terms of the issue were fixed). The gross proceeds arising from the subscription is approximately HK$44 million and the net subscription price was approximately HK$0.5425 per share. The Company intends to apply the net proceeds as general working capital for business development of the Company's subsidiaries in accordance with the specified use of proceeds previously disclosed.

On 19 October 2014, the Group entered into the Daqing Acquisition Agreement to acquire the Daqing Property of approximately 4,445 square meters at a consideration of RMB48,000,000 settled through the issuance of the Bonds which were convertible into 54,690,647 conversion shares. During the year, construction work of the Daqing Property has been substantially completed and the Group's title to the properties has been registered to the local authority. The Daqing 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.

On 15 May 2015, the Company has issued 25,000,000 new shares to Eastern Wealth Development Limited, an independent third party, at HK$0.601 per share (a discount of approximately 19.87% to the closing price of HK$0.75 per share as quoted on the Stock Exchange on the date the terms of the issue were fixed). The gross proceeds arising from the subscription is approximately HK$15,025,000 and the net subscription price is approximately HK$0.58 per share. The Company intends to apply the net proceeds from the subscription to develop a mobile phone and internet sales platform for the promotion of the Group's automobile glass installation/repair services.

As of 31 December 2015, the Group has utilised the share subscription proceeds of approximately RMB2.5 million to set up the preliminary sales platform on mobile phone. The Group is in the process of setting up the internet sales platform and will further develop the mobile phone platform and integrate these platforms to our enterprise resource planning system.

On 2 September 2015, the Company has issued 106,000,000 new shares to Rise Grace Development Limited, an independent third party, at HK$0.47 per share (a discount of approximately 18.97% to the closing price of HK$0.58 per share as quoted on the Stock Exchange on the date the terms of the issue were fixed). The gross proceeds arising from the subscription is approximately HK$49,820,000 and the net subscription price is approximately HK$0.462 per share. The Company has applied HK$7,000,000 for general working capital of the Group in accordance with the specified use of proceeds previously disclosed. After the establishment of the mobile phone and internet sales platform, the Company will apply the net proceeds from the subscription to promote the platform in the regions in the 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.

Save as disclosed above and the business plan as disclosed in this report, the Group had no other plan for material investment or capital assets as at 31 December 2015.

Material Acquisition and Disposal

On 10 July 2014, the Group acquired 49% equity interest in Polaron from Polaron International Inc. ("**PII**") at a consideration of CAD977,104 (equivalent to approximately RMB5,686,000). Polaron was engaged in the provision of installation services of solar system in Canada and its business is highly sensitive to the Canadian electricity buy back rate.

In late 2015, the Canadian local power authority has announced to reduce the 2016 solar electricity buy back rate, this arrangement will have significant impact on the demand of residential rooftop solar installation services in Canada. Management foresees that the continuous decline in energy price in Canada will further reduce the demand of solar system installation services from Polaron. On 12 November 2015, the Group has disposed all equity interest in Polaron to PII at a consideration of approximately CAD500,000 (equivalent to RMB2,392,000) with a loss of disposal of approximately RMB2,400,000.

On 21 December 2015, the Group has disposed 2% of its equity interest in Shenyang Zhengmei to the other shareholder of Shenyang Zhengmei, at a consideration of RMB56,000 with a gain on disposal of approximately RMB1,000. After the disposal, the Group now holds 49% of equity interest in Shenyang Zhengmei and the control is ceased.

Save as disclosed above and in note 15 to the consolidated financial statements, no other material acquisition or disposal of subsidiaries and associated companies was entered into by the Group during the year.

Litigation

Legal proceedings against Mr. Lau Sik Yuen and Ms. Dy Melanie

On 10 November 2014, the Company issued a writ of summons against Mr. Lau Sik Yuen as the 1st defendant and Ms. Dy Melanie as the 2nd defendant in the Court of First Instance in the High Count of the Hong Kong Special Administrative Region (the "**Court**"), in relation to their breaches of confidence and fiduciary duties as director and alternate director respectively of the Company by unauthorised disclosure to third party(ies) of information concerning the Daqing Acquisition prior to the publication of the announcement of the Company dated 20 October 2014 in relation to the Daqing Acquisition. The Company has appointed a firm of solicitors in Hong Kong to take the relevant legal action. As of the report date, the legal action is under progress.

Legal proceedings by Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass (BVI)")

On 24 December 2014, the Company received an originating summons dated 23 December 2014 (the "**Originating Summons**") issued by Xinyi Glass (BVI) in the Court against the following persons:

(a) the Company as the 1st Defendant;

(b) the vendor in the Daqing Acquisition Agreement (the "**Vendor**"), as the 2nd Defendant;

(c) Xia Lu, who is an executive Director and the chief executive officer of the Company, as the 3rd Defendant;

(d) He Changsheng, who is an executive Director, as the 4th Defendant;

(e) Li Honglin, who is an executive Director, as the 5th Defendant;

(f) Natsu Kumiko, who is a non-executive Director and the chairman of the Company on 23 December 2014 but resigned on 30 September 2015, as the 6th Defendant;

(g) Fong William, who was an independent non-executive Director on 23 December 2014 but resigned on 5 January 2015, as the 7th Defendant;

(h) Chen Jinliang, who is an independent non-executive Director, as the 8th Defendant;

(i) Ling Kit Wah Joseph, who is a former independent non-executive Director, as the 9th Defendant; and

(j) Aleta Global Limited, who is the holder of the Bonds nominated by the Vendor, as the 10th Defendant.

In the Originating Summons, Xinyi Glass (BVI) seeks, among others, the following orders:

(1) the Daqing Acquisition Agreement be declared void or, in the alternative, voidable;

(2) the Bonds issued to satisfy the consideration of the Daqing Acquisition Agreement, the conversion shares already allotted and issued to Aleta Global Limited and the remaining conversion shares to be allotted and issued to Aleta Global Limited as at the date of the Originating Summons be declared void or, in the alternative, voidable;

(3) in the event that the Daqing Acquisition Agreement and the Bonds are declared voidable, the Company, the Vendor and/or Aleta Global Limited be compelled to terminate and/or rescind the same; and

(4) in the alternative, damages from the existing executive and non-executive Directors and certain existing and former independent non-executive Directors.

The Company has appointed a firm of solicitors in Hong Kong to contest the same. As of the report date, the litigation is under progress.

ENVIRONMENTAL PROTECTION

The Group endeavours to promote environmental protection in its daily business operation as far as possible. It adopts practices that help to conserve energy and resources and raise awareness of the employees. Employees are encouraged to minimise electricity consumption and reminded to switch off lights, air conditioning and appliances after use. Employees are also encouraged to implement duplex printing, black-and-white printing, reusing and recycling paper and using electronic copies wherever possible.

PROSPECTS

The Group was listed on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (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. On 15 May 2015 and 2 September 2015, the Company issued another 25,000,000 shares and 106,000,000 shares to two independent third parties respectively. The net proceeds arising from these two subscriptions amounted to approximately HK$63.5 million.

Looking ahead, the Group is striving to strengthen its position in the automobile glass installation/repair service industry in Beijing and Tianjin, and further explore its business operation in Daqing. In addition, the Company is in the process of developing the mobile phone and internet sales platform. After the establishment of such mobile phone and internet sales platform, the Group will promote the platform in the regions in the 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.

The Group will explore new opportunity in other industries and we will make an effort to create greater investment return for our shareholders.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2015, the Company has complied with all the code provisions, save and except for the following deviations and non-compliances:

(1) Under code provision A.7.1 of the Code, for board meetings as far as practicable, an agenda and accompanying board papers should be sent, in full, to all Directors at least 3 days before the intended date of meeting (or other agreed period).

Board meetings of the Company were convened on short notice on certain occasions in the year ended 31 December 2015. However, it was noted by the Directors that the matters to be transacted therein required urgent attention and thus the Board considered that short notice of the meetings was reasonable.

(2) 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 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.

(3) 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.

(4) Under 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 then 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 meeting.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct concerning securities transactions by directors throughout the year ended 31 December 2015.

BOARD COMPOSITION

The Board comprises nine Directors, three of whom are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The members of the Board throughout the year and up to the date of this report are as follows:

Executive Directors

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

Non-Executive Directors

Mr. Xia Xiufeng *(Chairman) (Appointed on 16 July 2015)*
Mr. Liu Mingyong *(Appointed on 30 September 2015)*
Mr. Qi Dianjiang *(Appointed on 30 September 2015 and ceased on 25 February 2016)*
Ms. Natsu Kumiko *(Resigned on 30 September 2015)*
Mr. Lo Chun Yim *(Appointed on 22 March 2016)*

Independent Non-Executive Directors

Mr. Chen Jinliang
Mr. Han Shaoli *(Appointed on 13 February 2015)*
Mr. Jiang Bin *(Appointed on 13 February 2015)*
Mr. Fong William *(Resigned on 5 January 2015)*

Alternate Director

Mr. Xia Xiufeng *(alternate to Ms. Natsu Kumiko, appointed by Ms. Natsu Kumiko with effect from 9 April 2015 and ceased to act on 30 September 2015)*

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 31 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. Save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above, the Company has complied with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules throughout the year relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board, and at least one of them having appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also met the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive Directors to be independent.

THE BOARD

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

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

The Chief Executive Officer (the "**CEO**") was the sister-in-law of Ms. Natsu Kumiko (the past Chairman) and is the elder sister of Mr. Xia Xiufeng (the current Chairman).

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

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

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

COMPANY SECRETARY

For the year ended 31 December 2015, Mr. Sum Sui Lun has received relevant professional trainings of not less than 15 hours to update his skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the Code, the roles of the Chairman and the CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the Chairman and the CEO. The roles of (i) the Chairman and (ii) the CEO are segregated and performed by (i) Ms. Natsu Kumiko (resigned as Chairman on 16 July 2015) and Mr. Xia Xiufeng (appointed as Chairman on 16 July 2015); and (ii) Ms. Xia Lu, respectively.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from 3 September 2013, the date on which the shares of the Company were listed on the GEM of the Stock Exchange (the "**Listing Date**"), which shall be renewed and extended automatically for successive terms of one year and may be terminated by either party by giving not less than three months' prior written notice to determine the same.

Each of the non-executive Directors has entered into a service contract or letter of appointment with the Company for an initial term of three years with effect from (i) 16 July 2015 (in respect of Mr. Xia Xiufeng); or 30 September 2015 (in respect of Mr. Liu Mingyong); or 22 March 2016 (in respect of Mr. Lo Chun Yim), which shall be renewed and extended automatically for successive terms of one year and may be terminated by either party by giving not less than three months' prior written notice to determine the same.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from (i) the Listing Date (in respect of Mr. Chen Jinliang) or (ii) 13 February 2015 (in respect of Mr. Jiang Bin and Mr. Han Shaoli), subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Mr. Fong William and Ms. Natsu Kumiko, have resigned on 5 January 2015 and 30 September 2015 respectively by giving written notice. Mr. Qi Dianjiang has ceased to be a Director on 25 February 2016 due to his re-election not being passed in general meeting.

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

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") throughout the year ended 31 December 2015. A summary of this Board Diversity Policy, together with the measureable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Implementation and Monitoring

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

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy throughout the year ended 31 December 2015.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

The Board meets regularly and additional meetings are convened when necessary by the Board; 26 board meetings and 1 general meeting were held throughout the year ended 31 December 2015. The following is the Directors' attendance record of the board meetings held by the Board and the general meetings of the Company:

	Number of attendance/ number of Board meetings	Number of attendance/ number of general meetings
Ms. Xia Lu	26/26	1/1
Mr. He Changsheng	24/26	1/1
Mr. Li Honglin	20/26	1/1
Ms. Natsu Kumiko *(Resigned on 30 September 2015)*	6/21	0/1
Mr. Xia Xiufeng *(Alternate to Ms. Natsu Kumiko, appointed by Ms. Natsu Kumiko with effect from 9 April 2015 and ceased to act on 30 September 2015)*	11/14	1/1
Mr. Xia Xiufeng *(Appointed on 16 July 2015)*	11/12	0/1
Mr. Liu Mingyong *(Appointed on 30 September 2015)*	0/5	0/0
Mr. Qi Dianjiang *(Appointed on 30 September 2015 and ceased on 25 February 2016)*	0/5	0/0
Mr. Fong William *(Resigned on 5 January 2015)*	0/0	0/0
Mr. Chen Jinliang	13/26	1/1
Mr. Jiang Bin *(Appointed on 13 February 2015)*	12/23	1/1
Mr. Han Shaoli *(Appointed on 13 February 2015)*	14/23	1/1
Mr. Lo Chun Yim *(Appointed on 22 March 2016)*	0/0	0/0

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Pursuant to code provision A.6.5 of the Code, for the financial year ended 31 December 2015, all Directors had participated in continuous professional development in the following manner:

	Type of trainings
Ms. Xia Lu	A, B, C
Mr. He Changsheng	A, B, C
Mr. Li Honglin	A, B, C
Ms. Natsu Kumiko *(Resigned on 30 September 2015)*	C
Mr. Xia Xiufeng *(Appointed on 16 July 2015)*	A, B, C
Mr. Liu Mingyong *(Appointed on 30 September 2015)*	B, C
Mr. Qi Dianjiang *(Appointed on 30 September 2015 and ceased on 25 February 2016)*	C
Mr. Fong William *(Resigned on 5 January 2015)*	A, B, C
Mr. Chen Jinliang	A, B, C
Mr. Jiang Bin *(Appointed on 13 February 2015)*	A, B, C
Mr. Han Shaoli *(Appointed on 13 February 2015)*	A, B, C
Mr. Lo Chun Yim *(Appointed on 22 March 2016)*	C

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

As disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above, upon the resignations of Mr. Ling Kit Wah Joseph and Mr. Fong William with effect from 20 October 2014 and 5 January 2015 respectively, the Company could not comply with Rule 5.28 of the GEM Listing Rules relating to the Audit Committee to be chaired by an independent non-executive Director and comprising a minimum of three members, at least one of whom is an independent non-executive Director meeting the requirements set out in Rule 5.05(2) of the GEM Listing Rules. The Company appointed Mr. Han Shaoli and Mr. Jiang Bin to replace the vacancies on 13 February 2015.

As at the date of this report, the Audit Committee has four members comprising Mr. Jiang Bin (Chairman), Mr. Chen Jinliang, Mr. Han Shaoli and Mr. Liu Mingyong. The Audit Committee had reviewed the final results of the Group for the year ended 31 December 2015, the annual report of the Group for the year ended 31 December 2015, interim results and report for the six months ended 30 June 2015, the quarterly results and reports for the periods ended 31 March 2015 and 30 September 2015. The Audit Committee had reviewed the Group's risk management and internal control system for the year. The Group's final results for the year ended 31 December 2015 had been reviewed by the Audit Committee before submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

The change of the members of the Audit Committee during the year ended 31 December 2015 and up to the date of this report and the attendance of each member at the Audit Committee meetings held during the year ended 31 December 2015 are set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Audit Committee during the year ended 31 December 2015.

	Number of attendance/ number of meetings
Mr. Fong William *(Resigned on 5 January 2015)*	0/0
Mr. Chen Jinliang	4/4
Mr. Jiang Bin *(Appointed on 13 February 2015)*	4/4
Mr. Han Shaoli *(Appointed on 13 February 2015)*	4/4
Mr. Liu Mingyong *(Appointed on 22 March 2016)*	0/0

REMUNERATION COMMITTEE

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

As at the date of this report, the Remuneration Committee has three members comprising Mr. Han Shaoli (Chairman), Mr. He Changsheng and Mr. Chen Jinliang. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. Throughout the year ended 31 December 2015, four meetings of the Remuneration Committee were held to review the remuneration package and terms of service contracts of the Directors and senior management of the Group.

The change of the members of the Remuneration Committee during the year ended 31 December 2015 and up to the date of this report and the attendance of each member at the Remuneration Committee meeting held during the year ended 31 December 2015 are set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Remuneration Committee during the year ended 31 December 2015.

	Number of attendance/ number of meeting
Mr. Han Shaoli *(Appointed on 13 February 2015)*	4/4
Mr. He Changsheng	4/4
Mr. Chen Jinliang	2/4

NOMINATION COMMITTEE

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

As at the date of this report, the Nomination Committee has three members comprising Mr. Chen Jinliang (Chairman), Mr. Jiang Bin and Ms. Xia Lu. Throughout the year ended 31 December 2015, four meetings of the Nomination Committee were held to review the structure, composition of the Board, the succession plan for the Board and proposed appointments of Directors.

The change of the members of the Nomination Committee during the year ended 31 December 2015 and up to the date of this report and the attendance of each member at the Nomination Committee meeting held during the year ended 31 December 2015 are set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Nomination Committee during the year ended 31 December 2015.

	Number of attendance/ number of meeting
Mr. Chen Jinliang	2/4
Mr. Fong William *(Resigned on 5 January 2015)*	0/0
Ms. Xia Lu	4/4
Mr. Jiang Bin *(Appointed on 13 February 2015)*	4/4

CORPORATE GOVERNANCE

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

Throughout the year ended 31 December 2015, the Board reviewed and monitored the training and continuous professional development of the Directors and Company Secretary to comply with the Code and the GEM Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements and noted that the Group has complied with the relevant legal and regulatory requirements in all material respects for the year (save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above). The Board also reviewed the employees manual applicable to the employees of the Company. Lastly, the Board reviewed the Company's compliance with the Code and the disclosure of the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 December 2015, the remuneration paid or payable to the auditors of the Company in respect of the statutory audit services was approximately HK$1,158,000 (equivalent to approximately RMB973,000) (2014: HK$1,846,000 (equivalent to approximately RMB1,551,000)).

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has conducted review of its risk management and internal control system to ensure an effective and adequate risk management and internal control system in place. The Directors consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorised use or misappropriation, maintaining accounting records properly, ensuring the reliability of financial information and ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

SHAREHOLDERS' RIGHT

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

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for raising enquiries

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

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

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

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

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

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

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

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

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

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

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

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Ms. Xia Lu (夏路), aged 57, is the founder of the Group, and was appointed as a Director on 8 February 2013 and redesignated as an executive Director on 28 February 2013. Ms. Xia is also the chief executive officer of the Company, a member of the Nomination Committee and is a director of certain subsidiaries of the Group. Ms. Xia was one of the founders of the Group and is responsible for the Group's overall strategic planning, business development, day-to-day operational management and administration. Ms. Xia graduated with a bachelor's degree at 北京師範學院中文系 (Chinese Department of Beijing Normal College*) in 1981, and in 1991 she also obtained a postgraduate degree in political economics (政治經濟學) from 北京師範大學 (Beijing Normal University*). Ms. Xia has approximately 25 years of experience in the automobile glass industry. Prior to setting up the Group in 1999, Ms. Xia developed the automobile glass business through operation of an automobile glass entity where she accumulated practical operating and management experience in the automobile glass installation/repair service industry. Ms. Xia founded the Group in 1999, and has devoted herself to the continuous development of the Group and played a significant role in the growth of the Group's business. Ms. Xia is the elder sister of Mr. Xia Xiufeng, aunt of Mr. Yu Fei and the sister-in-law of Ms. Natsu Kumiko, a controlling shareholder of the Company. Ms, Xia is also the director of Lu Yu Global Limited, a controlling shareholder of the Company.

Ms. Xia is interested in 10,000,000 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") as at 31 December 2015.

Mr. He Changsheng (賀長生), aged 57, is an executive Director appointed on 28 February 2013. Mr. He is also a member of the Remuneration Committee and is a director of certain subsidiaries of the Group. Mr. He is responsible for managing the Group's overall operation and supervising the procurement of the Group. Mr. He obtained a bachelor's degree in mechanical engineering from 清華大學分校 (Tsinghua University (Branch School)*) in January 1983. He was qualified as an engineer in March 1989. Mr. He has more than 12 years of experience in automobile glass and fitting industry. Mr. He joined the Group in 1999 as deputy general manager. Since then, Mr. He has devoted himself to the continuous development of the Group and played a significant role in the growth of the Group's business. Before joining the Group, Mr. He worked as division manager of the technology department of 北京市出租汽車公司第三分公司 (Beijing Taxi Company Third Branch*) from 1983 to 1991, which was later renamed as 北京市出租汽車集團有限責任公司 (Beijing Taxi Group Company Limited*).

Mr. He is interested in 10,000,000 shares of the Company within the meaning of Part XV of the SFO as at 31 December 2015.

Mr. Li Honglin (李洪林), aged 52, is an executive Director appointed on 28 February 2013. Mr. Li is also the compliance officer of the Company and is a director of certain subsidiaries of the Group. Mr. Li is responsible for the Group's management of the technical support department and the operation of a subsidiary in Tianjin and other branches. Mr. Li joined the Group in 1999 as the business manager. Since then, Mr. Li has devoted himself to the continuous development of the Group and played a significant role in the growth of the Group's business. Before joining the Group, Mr. Li worked in 崇文區 (糧食部) (government's food department in Beijing*) from 1979 to 1999. Mr. Li Honglin graduated with a high school certificate at 河北冀州市中學 (Jizhou City High School, Hebei Province*) in 1979.

Mr. Li is interested in 4,500,000 shares of the Company within the meaning of Part XV of the SFO as at 31 December 2015.

* *For identification purpose only*

Biographical Details of Directors and Senior Management

Non-executive Directors

Mr. Xia Xiufeng (夏秀峰), also known as Mr. Osaka Masami, aged 55, is a non-executive Director appointed on 16 July 2015. He is also the chairman of the Company and the director of sales of 天津豐業新能源科技有限公司 (Tianjin Fengye New Energy Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company. He was the alternate director to Ms. Natsu Kumiko from April 2015 to September 2015. Mr. Xia served in the army under the 國防科學技術委員會 (Commission of Science and Technology for National Defence*) in the PRC from 1977 to 1981. Mr. Xia then worked as an officer at the 北京市科學技術委員會計算中心 (Computing Center of the Beijing Municipal Science and Technology Commission*) from August 1981 to August 1987. He also attended 北京市西城區職工大學 (Beijing Xicheng District Vocational College*) from September 1983 to July 1987 and graduated in Chinese studies. Mr. Xia later completed a course in Japanese language studies at 日本東京學院 (Academy of Tokyo*) from October 1987 to March 1989. He furthered his education in social studies as a graduate student at the 日本東京學藝大學 (Tokyo Gakugei University*) from April 1989 to March 1991. Mr. Xia was the president of 日本全日通株式會社 (Zennitsu Co., Ltd.*) from September 1992 to October 2010. He is currently engaged in management positions of various companies, including the chairman of 日本ISA株式會社 (ISA Co., Ltd.*) since December 1996, the chairman of ISA Co., Limited (ISA(香港)有限公司*) since December 2009, a director of Hirokou Co., Limited (宏幸實業(香港)有限公司) since December 2010 and a director of Zennitsu Co., Limited (香港全日通有限公司*) since May 2014. Mr. Xia is the younger brother of Ms. Xia Lu and the brother-in-law of Ms. Natsu Kumiko.

Mr. Xia is interested in 1,000,000 shares of the Company within the meaning of Part XV of the SFO as at 31 December 2015.

Mr. Liu Mingyong (劉明勇), aged 45, is a non-executive Director appointed on 30 September 2015. He is also a member of the Audit Committee. Mr. Liu obtained a bachelor's degree in economics from the School of Economics and Trade at 中國礦業大學 (China University of Mining and Technology*) in July 1992. He obtained the qualification of senior accountant in 2004. Mr. Liu worked as the finance supervisor at 中國地方煤炭總公司 (China Local Coal Corporation*) from May 1992 to July 1995. He then worked as the finance manager at 中國鄉鎮企業投資開發有限公司 (China Township Enterprise Investment & Development Company Limited*) from August 1995 to July 1998. Mr. Liu worked as the finance general manager at 豪力機械(中國)有限公司 (Haoli Machinery (China) Co., Ltd.*) from August 1998 to October 1999. He joined 北京海淀科技發展有限公司 (Beijing Haidian Science & Technology Development Co., Ltd.*) since November 1999 and became the deputy general manager in March 2014 and was in charge of the company's financial, investment and real estate businesses. From October 2006 to May 2011, Mr. Liu served successively as supervisor, director and the vice chairman at 中墾農業資源開發股份有限公司 (Zhongken Agricultural Resource Development Co., Ltd.*), a company listed on the Shanghai Stock Exchange (stock code: 600313) and now known as 中農發種業集團股份有限公司 (Zhongnongfa Seed Industry Group Co., Ltd*). Since October 2010 and June 2013 respectively, he was also a director at 北京三聚環保新材料股份有限公司 (Beijing Sanju Environmental Protection and New Materials Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 300072), and 北京海科融通支付服務股份有限公司 (Beijing Haike Rongtong Payment Services Co., Ltd.*).

Mr. Lo Chun Yim (盧春焰), aged 46, is a non-executive Director appointed on 22 March 2016. He is a substantial shareholder of the Company interested in approximately 16.04% of the total issued share capital of the Company as at 31 December 2015. Mr. Lo has extensive experience in investment management. Mr. Lo is currently a director of Rise Grace Development Limited ("**Rise Grace**"), a company incorporated in Hong Kong with limited liability which is principally engaged in the provision of investment consultancy services, and Diamond Galaxy Limited ("**Diamond Galaxy**"), a company incorporated in the British Virgin Islands with limited liability, both of which are substantial shareholders of the Company.

As at 31 December 2015, Mr. Lo is the sole beneficial shareholder of Diamond Galaxy, which is the sole beneficial shareholder of Rise Grace, and therefore he is interested in the 106,000,000 shares held by Rise Grace within the meaning of Part XV of the SFO.

* *For identification purpose only*

Independent non-executive Directors

Mr. Jiang Bin (姜斌), aged 45, is an independent non-executive Director appointed on 13 February 2015. Mr. Jiang is also a member of the Nomination Committee and the chairman of the Audit Committee. Mr. Jiang has over 16 years of professional experiences in accounting, auditing and financial consulting. Mr. Jiang obtained a bachelor degree in economics from Renmin University of China in July 1993. He obtained a master degree in money and banking from Graduate School of Chinese Academy of Social Sciences in April 1999. He obtained the qualification of Chinese Certified Public Accountant in 1999. Mr. Jiang worked as an assistant accountant, chief accountant and assistant general manager in 北辰國際經濟技術合作公司 (Beijing North Star International Economy Technical Collaboration Company*) from August 1993 to January 1996. He worked as an assistant auditor, project manager, senior project manager and audit manager in 中華會計師事務所 (Beijing ZhongHua Certified Public Accountants*) from January 1996 to October 2000. He worked as a department manager of the audit department, deputy general manager and vice chief accountant in 中瑞岳華會計師事務所有限公司 (Beijing Office of RSM China Certified Public Accountants*) from October 2000, and has been a partner since 2007. He was also an independent non-executive director of Shunfeng International Clean Energy Limited (stock code: 1165), a company listed on the Main Board of the Stock Exchange, from February 2013 to July 2013.

Mr. Han Shaoli (韓少立), aged 45, is an independent non-executive Director appointed on 13 February 2015. Mr. Han is also a member of the Audit Committee and the chairman of the Remuneration Committee. Mr. Han obtained a bachelor degree in automotive engineering from Wuhan University of Technology in June 1993. He taught at the Wuhan University of Technology from July 1993 to April 1997. Mr. Han worked as the intermediate underwriter of Hubei Branch of 中國平安財產保險股份有限公司 (Ping An Property & Casualty Insurance Company of China Ltd.*) from April 1997 to March 2000. He worked as the manager of the automobile insurance department in the Beijing Branch of 華泰財產保險股份有限公司 (Huatai Insurance Company of China Limited*) from March 2000 to March 2004. Mr. Han worked as the general manager of 廣州同益保險公估有限公司 (Guangzhou Tongyi Insurance Assessment Limited*) from March 2004 to June 2006. He worked as the deputy managing director and managing director of 廣州天信保險公估有限公司 (Guangzhou Tianxin Insurance Assessment Limited*) from June 2006 to May 2010. Mr. Han was engaged in the claims quality management in the Auto Accident and Health Claim Department Claims Centre in the headquarters of 中國平安財產保險股份有限公司 (Ping An Property & Casualty Insurance Company of China Ltd.*) from August 2010 to November 2011. He has worked as a manager of the Auto Accident and Health Claim Department Claims Centre in the Hubei Branch of 中國平安財產保險股份有限公司 (Ping An Property & Casualty Insurance Company of China Ltd.*) since November 2011.

Mr. Chen Jinliang (陳金良), aged 58, is an independent non-executive Director appointed on 9 August 2013. Mr. Chen is also the chairman of the Nomination Committee and a member of each of the Remuneration Committee and Audit Committee. Mr. Chen obtained a bachelor's degree in economics management from 北京市委黨校 (Beijing Municipal Party Committee College*) in 1991. He then obtained a postgraduate degree in monetary banking in 中國人民大學 (Renmin University of China*) in March 1999. In July 2003, Mr. Chen obtained another postgraduate degree in economics management in 北京市委黨校 (Beijing Municipal Party Committee College*). Mr. Chen has more than 10 years of experience in the retail banking industry. Mr. Chen joined 中國光大銀行 (China Everbright Bank*) as a sub-branch manager in August 1999, and then was promoted to become the branch manager and the party secretary of 中國光大銀行 (China Everbright Bank*) in April and August 2007, respectively, where he was responsible for overseeing the overall operations of the branch. Then he served as the Beijing branch manager of 大連銀行 (Bank of Dalian*). After which, he has become the chairman of 北京飛龍融資租賃有限公司 (Beijing Hover Dragon Financial Leasing Co., Ltd.*) since April 2013 till now. He was awarded 全國金融五一勞動獎章 (National Financial Labour Award*) and 全國五一勞動獎章 (National Labour Award*) in April 2002 and 2003, respectively.

* *For identification purpose only*

Senior Management

Mr. Yu Fei (于飛), aged 44, is the manager of the sales and marketing department of the Group. Mr. Yu has approximately 19 years of experience in the automobile glass industry. Mr. Yu joined the Group in 1996 as a manager of the marketing and insurance department of the Group. He is currently responsible for strategic planning on sales and marketing of the Group, as well as business development and insurance settlement with insurance companies. Mr. Yu obtained a bachelor's degree in corporate management from the 中央財經大學 (Central University of Finance and Economics*), then known as 中央財政金融學院 (Central University of Finance*) in July 1996. Mr. Yu is the nephew of Ms. Xia Lu.

Ms. Bai Wen (白雯), aged 52, is the manager of the finance department of the Group. Ms. Bai has approximately 8 years of experience in the automobile glass industry. Ms. Bai is also a director of 北京正美豐業汽車服務有限公司 (Beijing Zhengmei Fengye Automobile Service Co., Ltd.*), a subsidiary of the Group. Ms. Bai joined the Group in April 2007 as an accounting manager of the financial department. She is currently responsible for managing the finance department and preparing financial statements of the Group. Ms. Bai obtained a bachelor's degree in accounting from 中國人民大學 (Renmin University of China*) in July 2000.

Mr. Lau Shing (劉成), aged 59, is the deputy general manager and capital operation manager of the Group. Mr. Lau has approximately 22 years of experience in corporate administration, financial and capital management and investment management in various industries. Mr. Lau joined the Group in July 2012 as the deputy general manager and capital operation manager and is currently responsible for strategic planning, development, budgeting, and capital operation. Mr. Lau graduated with a bachelor's degree in geological and mineral exploitation from 長春地質學院 (Changchun College of Geology*) in January 1982. He also completed the Financial Advisers' International Qualification of the Chartered Insurance Institute in June 2008. Prior to joining the Group in July 2012, Mr. Lau worked as an assistant engineer at 中華人民共和國地質礦產部 (Ministry of Geology and Mineral Resources*) in July 1983 and was promoted to the position of engineer in August 1988. He then accumulated management experience in various industries such as financial services, investments and entertainment during the years of 1990 to 2001. In December 2002, Mr. Lau acted as a dealer's representative of AIG Financial Advisor Services, Limited. He then joined Tralaco Technology Limited as managing director from January 2005 to August 2007. In March 2007, he joined TG Holborn (HK) Limited as a consultant. He also subsequently acted as a representative for TG Holborn (HK) Limited which is licensed to carry out type 4 (advising on securities) regulated activity under the SFO. He was appointed as one of the 32nd session council members of the Hopeh and Shantung Natives (H.K.) Association in August 2010.

Mr. Sum Sui Lun (沈瑞麟), aged 44, is the company secretary and chief financial officer of the Company. Mr. Sum graduated from the University of Adelaide, Australia in 1993 with a bachelor degree in commerce. He has over 20 years of experience in audit, and is an associate member of CPA Australia and the Hong Kong Institute of Certified Public Accountants since 2000 and 2002 respectively. He worked as a senior manager in an international audit firm from 1997 to 2007 and another international audit firm from 2007 to 2010, during which he was manager-in-charge for the auditing work of various listed companies and initial public offering projects. Mr. Sum then worked as the corporate controller of both Duoyuan Global Water Inc. and Duoyuan Printing Inc., companies which were formerly listed on the New York Stock Exchange, from May 2010 to December 2014.

* *For identification purpose only*

The Directors are pleased to present their report and the audited financial statements of ZMFY Automobile Glass Services Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 December 2015.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business objectives as set out in the Company's prospectus dated 27 August 2013 (the "**Prospectus**") with actual business progress up to 31 December 2015.

Business objectives	Planned progress up to 31 December 2015	Actual business progress up to 31 December 2015
Expand the existing business of the Group by setting up new service centres in China	To set up new service centres in Beijing (3), Tianjin (2), Hangzhou (1), Shenyang (1), Shandong (1) and Hebei (1)	The Group has established one service centre in Hangzhou, two service centres in Beijing and one new service centre in Tianjin up to 31 December 2015 with aggregate capital spending on these four new service centres amounting to approximately RMB7,230,000 (equivalent to approximately HK$9,100,000) as at 31 December 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. Meanwhile, the Group is searching for a suitable location to establish another service centre in Daqing to replace the proposed location in Shenyang formerly stated in the Prospectus.
Explore merger and acquisition opportunities and business collaboration opportunities with partners in the automobile glass installation/repair service industry	To select merger or acquisition targets in the southern part of China such as Shenzhen and Guangzhou – the Directors believe such merger or acquisition can strengthen the Group's network of service centres in strategic locations, increase the Group's market share and conform to the Group's brand image To explore business cooperation opportunities such as forming alliance or joint venture with local industry partners for setting up new service centre(s) in second or third-tier cities	On 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.
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 approximately RMB4,451,000 (equivalent to approximately HK$5,299,000) for advertising on radio to promote the Group's brand image and enhance its reputation.

USE OF PROCEEDS

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

During the period from the latest practicable date (the "**LPD**") (as defined in the Prospectus) to 31 December 2015, the net proceeds from the Share Placing had been applied as follows:

Business objectives as stated in the Prospectus for the period from the LPD to 31 December 2015	**Planned use of proceeds as stated in the Prospectus from the LPD to 31 December 2015** (HK$ million) (Note)	**Actual use of proceeds from the LPD to 31 December 2015** (HK$ million)
1. Setting up new service centres	19.4	9.1
2. Merger, acquisitions and business collaboration	10.9	10.9
3. General working capital	2.3	2.3
Total	32.6	22.3

Note: This sum represents an aggregate amount of the planned use of proceeds as stated in the Prospectus from the LPD to 31 December 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.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of automobile glass with installation/repair services and the trading of automobile glass in China. The principal activities and other particulars of the Company's subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the consolidated statement of comprehensive income on pages 48 to 49.

The Directors did not recommend the payment of a dividend for the year ended 31 December 2015.

RESERVES

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

PROPERTY, PLANT AND EQUIPMENT

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

CAPITALISATION OF INTEREST

The Group has no interest capitalised during the year.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB227,761,000 (2014: RMB190,693,000) as set out in note 21 to the consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from Friday, 6 May 2016 to Tuesday, 10 May 2016, both dates inclusive, during which period no transfer of shares of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited financial statements in this annual report and the Prospectus is set out on page 124 of this annual report. This summary does not form part of the audited consolidated financial statements.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Quam Capital Limited ("**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 regarding the issue of new shares to a substantial shareholder of the Company as disclosed in the announcement of the Company dated 28 March 2014, neither Quam Capital nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2015.

PRE-EMPTIVE RIGHTS

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

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

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 35.4% (2014: 32.1.%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 12.8% (2014: 13.2%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 48.5% (2014: 45.6%) of the total purchase for the year and goods supplied from the Group's largest supplier included therein amounted to approximately 20.7% (2014: 21.4%) of the total purchase for the year. A substantial shareholder of the Company, Xinyi Glass Holdings, through Xinyi Glass (BVI), is one of the top 5 suppliers.

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

BUSINESS REVIEW

A review of the development, performance and position of the business of the Company and the principal risks and uncertainties facing the Company are set out in pages 6 to 15 of this report and note 31 to the consolidated financial statements.

SHARE OPTION SCHEME

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

As at the date of this report, the total number of shares available for issue under the Scheme is 40,000,000 shares, representing 6.05% of the issued share capital of the Company.

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

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

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

Since the adoption of the Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 31 December 2015, no share options under the Scheme were outstanding.

SHARE AWARD SCHEME

On 12 October 2015, the Group adopted a share award scheme (the "**Award Scheme**") for its employees. On 12 November 2015, the Group granted 41,300,000 award shares to 16 employees (the "**Selected Participants**") under the Award Scheme. The award shares will be vested in full to the Selected Participants respectively in five tranches each over six years, with approximately 10% to be vested on the first tranche, 20% to be vested on each of the second and third tranches and 25% to be vested on each of the fourth and fifth tranches. The first tranche of 3,680,000 award shares is expected to be vested on or around 31 August 2016.

Name of Selected Participant	Position	Number of Award Shares granted
Xia Lu	Chief executive officer and executive Director	10,000,000
He Changsheng	Executive Director	10,000,000
Li Honglin	Executive Director	4,500,000
Xia Xiufeng	Chairman and non-executive Director	1,000,000
Yu Fei	Director of subsidiary and nephew of Xia Lu	3,000,000
Bai Wen	Director of subsidiary	1,500,000
Other employees	Managers	11,300,000
Total		41,300,000

Save as disclosed above, at no time during the year ended 31 December 2015 was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

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

Executive Directors

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

Non-Executive Directors

Mr. Xia Xiufeng *(Chairman) (Appointed on 16 July 2015)*
Mr. Liu Mingyong *(Appointed on 30 September 2015)*
Mr. Qi Dianjiang *(Appointed on 30 September 2015 and ceased on 25 February 2016)*
Ms. Natsu Kumiko *(Resigned on 30 September 2015)*
Mr. Lo Chun Yim *(Appointed on 22 March 2016)*

Independent Non-Executive Directors

Mr. Chen Jinliang
Mr. Han Shaoli *(Appointed on 13 February 2015)*
Mr. Jiang Bin *(Appointed on 13 February 2015)*
Mr. Fong William *(Resigned on 5 January 2015)*

Alternate Director

Mr. Xia Xiufeng *(alternate to Ms. Natsu Kumiko, appointed by Ms. Natsu Kumiko with effect from 9 April 2015 and ceased to act on 30 September 2015)*

Pursuant to Article 84(1) of the Company's article of association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to Article 83(3) of the Company's articles of association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and be subject to re-election at such meeting.

By virtue of Articles 84(1) and 83(3) of the articles of the association of the Company, Mr. He Changsheng, Mr. Li Honglin, Mr. Xia Xiufeng, Mr. Chen Jinliang and Mr. Lo Chun Yim will retire at the forthcoming annual general meeting. Mr. He Changsheng, Mr. Li Honglin, Mr. Xia Xiufeng, Mr. Chen Jinliang and Mr. Lo Chun Yim, being eligible, will offer themselves for re-election at the annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 31 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date, all of which shall be renewed and extended automatically for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice to determine the same.

Each of the non-executive Directors has entered into a service contract or letter of appointment with the Company for an initial term of three years with effect from (i) 16 July 2015 (in respect of Mr. Xia Xiufeng); or 30 September 2015 (in respect of Mr. Liu Mingyong); or 22 March 2016 (in respect of Mr. Lo Chun Yim), all of which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party by giving not less than three months' prior written notice to determine the same.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from (i) the Listing Date (in respect of Mr. Chen Jinliang) or (ii) 13 February 2015 (in respect of Mr. Jiang Bin and Mr. Han Shaoli), all of which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party by giving at least three months' written notice. The appointments are subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 9 to the consolidated financial statements, none of the Directors (or an entity connected with the Directors) or controlling shareholders or any of their subsidiaries had material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2015, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders 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 with the Group.

NON-COMPETITION UNDERTAKING

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

The Deed of Non-competition Undertaking has become effective from 3 September 2013.

The Company has received the confirmation from the controlling shareholders in respect of their compliance with the terms of the Deed of Non-competition Undertaking for the year ended 31 December 2015.

The independent non-executive Directors have reviewed and confirmed that the controlling shareholders have complied with the Deed of Non-competition Undertaking and the Deed of Non-competition Undertaking has been enforced by the Company in accordance with its terms for the year ended 31 December 2015.

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

As at 31 December 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 issuers as 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 and underlying Shares held	Approximate percentage of shareholding (%)
He Changsheng (Note 1)	Beneficiary of a trust	10,000,000	1.51
Li Honglin (Note 1)	Beneficiary of a trust	4,500,000	0.68
Xia Lu (Note 1)	Beneficiary of a trust	10,000,000	1.51
Xia Xiufeng (Note 1)	Beneficiary of a trust	1,000,000	0.15

Note:

(1) On 12 November 2015, award shares were granted to certain Directors under the Award Scheme. The award shares will be vested in full to those Directors respectively in five tranches each over six years. Therefore under Part XV of the SFO, those Directors are taken to be interested in the award shares granted subject to vesting.

Save as disclosed above, as at 31 December 2015, 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 issuers as 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 31 December 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 and underlying shares held	Approximate percentage of shareholding (%)
Lu Yu Global Limited ("**Lu Yu**")	Beneficial owner	213,250,000	32.26%
Natsu Kumiko (Note 1)	Interest in a controlled corporation	213,250,000	32.26%
Xia Chengzhen (Note 2)	Interest of spouse	213,250,000	32.26%
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI)**")	Beneficial owner	120,360,000	18.21%
Xinyi Glass Holdings Limited ("**Xinyi Glass Holdings**") (Note 3)	Interest in a controlled corporation	120,360,000	18.21%
Rise Grace Development Limited (Note 4)	Beneficial owner	106,000,000	16.04%
Diamond Galaxy Limited (Note 4)	Interest in a controlled corporation	106,000,000	16.04%
Lo Chun Yim (Note 4)	Interest in a controlled corporation	106,000,000	16.04%
Aleta Global Limited ("**Aleta**")	Beneficial owner	4,690,647	0.71%
(Note 5)	Other	50,000,000	7.56%
Wang Yao Min (Note 6)	Other	54,690,647	8.27%
薛呈祥 (Xue Chengxiang*) (Note 7)	Person having a security interest in shares	54,690,647	8.27%

Notes:

(1) 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. Ms. Natsu is deemed to be interested in the 213,250,000 shares held by Lu Yu by virtue of her 100% shareholding interest in Lu Yu.

(2) 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 213,250,000 shares. Therefore, 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. Xinyi Glass Holdings is therefore deemed to be interested in the 120,360,000 shares held by Xinyi Glass (BVI).

(4) Information is extracted from the corporate substantial shareholder notices filed by Rise Grace Development Limited and Diamond Galaxy Limited on 18 August 2015, and the individual substantial shareholder notice filed by Lo Chun Yim on 18 August 2015.

* *For identification purpose only*

(5) 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. Pursuant to the terms of the instrument of the Convertible Bond, the number of shares falling to be issued under the outstanding Convertible Bond was adjusted to 4,874,766 shares with effect from 3 September 2015, as a result of the subscription of shares on 2 September 2015, details of which were disclosed in the announcement of the Company dated 2 September 2015.

(6) 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. Pursuant to the terms of the instrument of the Convertible Bond, the number of shares falling to be issued under the outstanding Convertible Bond was adjusted to 4,874,766 shares with effect from 3 September 2015, as a result of the subscription of shares on 2 September 2015, details of which were disclosed in the announcement of the Company dated 2 September 2015.

(7) 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. Pursuant to the terms of the instrument of the Convertible Bond, the number of shares falling to be issued under the outstanding Convertible Bond was adjusted to 4,874,766 shares with effect from 3 September 2015, as a result of the subscription of shares on 2 September 2015, details of which were disclosed in the announcement of the Company dated 2 September 2015.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

Save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" in the Corporate Governance Report, the Company has complied with the code provisions as set out in the Code throughout the year ended 31 December 2015.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. No option was granted, exercised or lapsed under the share option scheme of the Company for the year ended 31 December 2015. During the year, certain share awards were granted to the Directors and employees.

The remuneration of the senior management (including the Directors) of the Group by band for the year ended 31 December 2015 is set out below:

Remuneration bands	**Number of senior management**
Nil to RMB838,000 (HK$ Nil to HK$1,000,000)	11
RMB838,001 to RMB1,250,000 (HK$1,000,001 to HK$1,500,000)	1
	12

Further details of the Directors' remuneration and the five highest paid employees are set out in note 9 to the consolidated financial statements.

* *For identification purpose only*

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group for the year ended 31 December 2015 are set out in note 32 to the consolidated financial statements. Save for the purchase of inventories from fellow subsidiaries of Xinyi Glass Holdings (which is further summarised in the paragraph headed "Continuing Connected Transactions" below), all other related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the purchase of inventories from the fellow subsidiaries of Xinyi Glass Holdings.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2015, Xinyi Glass Holdings was indirectly interested in 18.21% of the share capital of the Company, the transactions entered into by the Group with Xinyi Glass Holdings and its subsidiaries (the "**Xinyi Glass Group**") constituted non-exempt continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Details of such continuing connected transactions and the principal terms of the relevant agreement are set out below:

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

The supply of the Xinyi Goods by Xinyi Glass Group to the Group shall be made upon request by the Group from time to time. Purchase orders will be made by the Group with detailed terms and conditions specifying the type of goods, the specifications, the quantity and the selling price which shall be determined by the parties with reference to the prevailing market price of the relevant type of goods supplied and on the basis that the terms (including, among others, the selling prices) shall be no less favourable to the Group than the terms available from the independent third parties for same or similar goods. The maximum aggregate annual amount (inclusive of tax) of the purchase price payable by the Group to Xinyi Glass Group in respect of the supply of the Xinyi Goods under the Supply Agreement should not exceed the applicable limits of RMB26.0 million, RMB28.0 million and RMB31.0 million for the years ended 31 December 2013, 2014 and 2015, respectively. The amount of total purchases (inclusive of tax) from Xinyi Glass Group for the year ended 31 December 2015 under the Supply Agreement amounted to approximately RMB18,456,000 (2014: RMB18,272,000).

On 29 December 2015, the Group entered into a framework supply agreement with Xinyi Automobile Parts (Tianjin) Co., Ltd. (the "**New Supply Agreement**") pursuant to which, Xinyi Glass Group has agreed to supply the Xinyi Goods to the Group upon request from time to time, for a term of three (3) years commencing from 1 January 2016 and ending on 31 December 2018.

The purchases of the Xinyi Goods from Xinyi Glass Group will be on an order-by-order basis, subject to the terms and conditions set out therein as follows: (i) at prices to be agreed between Xinyi Glass Group and the Group from time to time, which in any event shall be no less favourable than the then prevailing market price of the same type and quality of the products for comparable quantity; and (ii) on normal and usual commercial terms which are no less favourable than those applicable to the purchases of the same type and quality of the products for comparable quantity by the Group from independent third parties. Under the New Supply Agreement, the maximum aggregate annual amount (inclusive of tax) of the purchase price payable by the Group to Xinyi Glass Group in respect of the supply of the Xinyi Goods should not exceed the applicable limits of RMB27.0 million, RMB28.0 million and RMB29.0 million for the years ending 31 December 2016, 2017 and 2018, respectively.

Confirmation of independent non-executive Directors

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

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

(2) have been entered into on normal commercial terms or better;

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

(4) have not exceeded the annual cap for the year ended 31 December 2015 as disclosed in the Prospectus.

Confirmation of auditors of the Company

BDO Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Save as disclosed in note 32 to the consolidated financial statements, no other material connected transactions incurred during the year.

PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by Directors and executive officers of the Group is currently in force and was in force throughout the year.

EVENTS AFTER THE REPORTING PERIOD

There are no events with materiality occurring after the reporting period.

AUDITORS

On 30 October 2015, PricewaterhouseCoopers resigned from their position as the auditors of the Company. BDO Limited was appointed as the auditor of the Company on 2 November 2015.

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by BDO Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Xia Lu
Executive Director

Hong Kong, 22 March 2016

Independent Auditor's Report

BDO

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

We have audited the consolidated financial statements of ZMFY Automobile Glass Services Limited (the "Company") and its subsidiaries (together the "Group"), set out on pages 48 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

BDO Limited
香港立信德豪會計師事務所有限公司

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 22 March 2016

Consolidated Statement of Comprehensive Income

	Notes	**2015 RMB'000**	2014 RMB'000
Revenue	6	**131,193**	135,193
Cost of sales	8	**(106,871)**	(98,165)
Gross profit		**24,322**	37,028
Other (loss)/gain, net	7	**(50,913)**	44
Selling and distribution costs	8	**(27,846)**	(17,852)
Administrative expenses	8	**(40,813)**	(29,398)
		(95,250)	(10,178)
Finance income		**374**	303
Finance cost		**(48)**	(9)
Finance income, net	10	**326**	294
Share of losses of investments accounted for using equity method	15	**(58)**	(429)
Losses before income tax		**(94,982)**	(10,313)
Income tax credit/(expense)	11	**5,001**	(1,781)
Losses for the year		**(89,981)**	(12,094)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Changes in value of available-for-sale investment		**(262)**	262
Currency translation differences		**1,189**	(723)
Total comprehensive income for the year		**(89,054)**	(12,555)

Consolidated Statement of Comprehensive Income

	Notes	2015 RMB'000	2014 RMB'000
Losses attributable to:			
Owners of the Company		**(89,484)**	(12,637)
Non-controlling interests		**(497)**	543
		(89,981)	(12,094)
Total comprehensive income attributable to:			
Owners of the Company		**(88,557)**	(13,098)
Non-controlling interests		**(497)**	543
		(89,054)	(12,555)
			(represented)
Loss per share attributable to owners of the Company for the year (expressed in RMB cents per share)			
Basic and diluted loss per share	12	**(15.06)**	(2.56)

Consolidated Statement of Financial Position

	Notes	**2015 RMB'000**	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**59,408**	19,619
Intangible assets	14	**10,147**	32,323
Investments accounted for using equity method	15	**1,312**	4,817
Prepayments and deposits	17	**2,107**	70,466
		72,974	127,225
Current assets			
Inventories	16	**37,534**	38,001
Trade and other receivables	17	**53,430**	30,638
Income tax recoverable		**400**	–
Available-for-sale investment	18	**–**	262
Cash and cash equivalents	19	**49,535**	54,821
		140,899	123,722
Total assets		**213,873**	250,947
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**5,263**	4,193
Reserves	21	**182,396**	219,037
		187,659	223,230
Non-controlling interests		**3,626**	5,468
Total equity		**191,285**	228,698

Consolidated Statement of Financial Position

	Notes	**2015 RMB'000**	2014 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	22	**16,841**	10,557
Amount due to a director	32(b)	**–**	600
Income tax payables		**114**	9
		16,955	11,166
Non-current liabilities			
Deferred government grant	22	**–**	1,000
Deferred taxation	23	**1,751**	6,623
Convertible bonds	25	**3,882**	3,460
		5,633	11,083
Total liabilities		**22,588**	22,249
Total equity and liabilities		**213,873**	250,947
Net current assets		**123,944**	112,556
Total assets less current liabilities		**196,918**	239,781

On behalf of the directors

Director *Director*

Consolidated Statement of Changes in Equity

	Notes	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company						
Balance at 1 January 2014		3,157	129,226	(43,312)	46,123	135,194	4,484	139,678
(Loss)/Profit for the year		–	–	–	(12,637)	(12,637)	543	(12,094)
Other comprehensive income								
Changes in value of available-for-sale investment	18	–	–	262	–	262	–	262
Currency translation differences								
– Group		–	–	(283)	–	(283)	–	(283)
– Joint venture		–	–	(440)	–	(440)	–	(440)
Total comprehensive income		–	–	(461)	(12,637)	(13,098)	543	(12,555)
Transactions with equity owners of the Company recognised directly in equity								
Issuance of new shares	20	640	34,302	–	–	34,942	–	34,942
Issuance of convertible bonds		–	–	29,942	–	29,942	–	29,942
Conversion of convertible bonds issued by the Company	20	396	43,627	(7,773)	–	36,250	–	36,250
Set up of a new subsidiary		–	–	–	–	–	980	980
Appropriation to PRC statutory reserve		–	–	429	(429)	–	–	–
Dividends paid		–	–	–	–	–	(539)	(539)
Balance at 31 December 2014		4,193	207,155	(21,175)	33,057	223,230	5,468	228,698

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		4,193	207,155	(21,175)	33,057	223,230	5,468	228,698
Losses for the year		–	–	–	(89,484)	(89,484)	(497)	(89,981)
Other comprehensive income								
Changes in value of available-for-sale investment	18	–	–	(262)	–	(262)	–	(262)
Currency translation differences								
– Group		–	–	677	–	677	–	677
– Joint venture		–	–	512	–	512	–	512
Total comprehensive income		–	–	927	(89,484)	(88,557)	(497)	(89,054)
Transactions with equity owners of the Company recognised directly in equity								
Issuance of new shares	20	1,070	50,948	–	–	52,018	–	52,018
Shares purchased under share award scheme	26	–	–	(417)	–	(417)	–	(417)
Equity-settled share-based payment expenses	26	–	–	1,385	–	1,385	–	1,385
Partial disposals of a subsidiary	24	–	–	(219)	219	–	(1,345)	(1,345)
Appropriation to PRC statutory reserve		–	–	113	(113)	–	–	–
Balance at 31 December 2015		5,263	258,103	(19,386)	(56,321)	187,659	3,626	191,285

Consolidated Statement of Cash Flows

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Losses before income tax		**(94,982)**	(10,313)
Adjustments for:			
Depreciation of property, plant and equipment		**6,481**	5,020
Provision for impairment on property, plant and equipment		**27,135**	–
Provision for impairment on intangible assets		**19,833**	–
Amortisation of intangible assets		**2,343**	2,308
Provision for obsolete inventories		**389**	16
Forfeited deposits of land use rights		**1,000**	–
Equity-settled share-based payment expenses		**1,340**	–
Interest income		**(374)**	(303)
Interest expenses		**48**	9
Fair value losses on convertible bonds		**250**	22
Loss/(Gain) on disposals of property, plant and equipment		**91**	(66)
Write off of property, plant and equipment		**689**	–
Loss on disposals of a joint venture		**2,400**	–
Gain on partial disposals of a subsidiary		**(1)**	–
Share of losses of investments accounted for using equity method		**58**	429
		(33,300)	(2,878)
Change in working capital:			
Increase in trade and other receivables		**(24,819)**	(3,546)
Increase in inventories		**(2,490)**	(2,096)
Increase/(Decrease) in trade and other payables		**5,570**	(2,037)
Net cash used in operations		**(55,039)**	(10,557)
Income tax paid		**(170)**	(5,163)
Net cash used in operating activities		**(55,209)**	(15,720)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		**(5,104)**	(3,893)
Proceeds from disposals of property, plant and equipment		**279**	335
Proceeds from disposals of a joint venture		**2,392**	–
Cash outflow from partial disposals of a subsidiary, net	24	**(189)**	–
Interest received	10	**103**	236
Advance to an associate		**(24)**	–
Deposit for land use rights		**–**	(1,000)
Payment for acquisition of a subsidiary	33	**–**	(7,781)
Payment for acquisition of an investment accounted for using equity method	15	**–**	(5,686)
Net cash used in investing activities		**(2,543)**	(17,789)

	Notes	**2015** **RMB'000**	2014 RMB'000
Cash flows from financing activities			
Dividends paid		**–**	(539)
Proceeds from issuance of shares upon placing/share subscription	20	**52,890**	35,222
Transaction costs in connection with issuance of shares upon placing/share subscription	20	**(872)**	(280)
Shares purchased under share award scheme	26	**(417)**	–
Proceeds from non-controlling interest for capital injection of a subsidiary		**–**	980
(Repayment to)/Advance from a director	32(d)	**(600)**	600
Net cash generated from financing activities		**51,001**	35,983
Net (decrease)/increase in cash and cash equivalents		**(6,751)**	2,474
Cash and cash equivalents at beginning of the year		**54,821**	52,399
Effect of foreign exchange		**1,465**	(52)
Cash and cash equivalents at end of the year	19	**49,535**	54,821

Note:

Non-cash transactions

During the year ended 31 December 2015, the principal non-cash transaction was the addition of a property amounting to RMB69,466,000 which was transferred from the prepayment of RMB69,466,000 that had been made in prior year.

During the year ended 31 December 2014, the principal non-cash transaction was the issuance of convertible bonds amounting to RMB69,466,000 as a consideration of the deposit for the acquisition of a property and the subsequent conversion of the convertible bonds (Note 25).

1. General

ZMFY Automobile Glass Services Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). 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. The principal activities of its subsidiaries (together with the Company referred to as the "**Group**") are sales of automobile glass with installation services, trading of automobile glass and provision of installation service of photovoltaic system in the People's Republic of China (the "**PRC**") which are set out in Note 35. There were no significant changes in the Group's operation during the year.

The directors consider Lu Yu Global Limited ("**Lu Yu**"), a company incorporated in the British Virgin Islands, as the ultimate holding company. The ultimate controlling shareholder of the Group is Ms. Natsu Kumiko, sister-in-law of Ms. Xia Lu, who holds 32.3% (2014: 41.5%) of the equity interests of the Group.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2015

HKFRSs (Amendments)	Annual Improvement 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvement 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's consolidated financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvement 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to HKFRS 10 and HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

* The effective date of the amendment is postponed, early adoption is permitted

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has already commenced an assessment of the impact of adopting the above new standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

(c) Amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the SEHK (the "Listing Rules") relating to the disclosure of the financial information in the Group's consolidated financial statements

The Group has adopted the amendments to the Listing Rules issued by the SEHK relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the year. The main impact to the Group's consolidated financial statements is on the presentation and disclosure of certain information in the Group's consolidated financial statements.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules issued by SEHK.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost convention except for available-for-sale financial assets and the debt component of the convertible bonds, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. Significant accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. Significant accounting policies *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. Significant accounting policies *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associate are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

(d) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

4. Significant accounting policies *(Continued)*

(d) Joint arrangements *(Continued)*

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see Note 4(c)).

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(e) Segment reporting

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

(f) Foreign currency

Transactions entered into by the group entities in currencies other than functional currency are recorded at the rates ruling when the transactions occur.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

4. Significant accounting policies *(Continued)*

(f) Foreign currency *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate) in other reserves. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve in other reserves.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in exchange reserve.

(g) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

4. Significant accounting policies *(Continued)*

(g) Goodwill *(Continued)*

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("**CGUs**") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(j)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment. Cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost or estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	20-36 years
Leasehold improvements	Shorter of the lease term of 5 years
Motor vehicles	5 years
Office equipment	3-5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. Significant accounting policies *(Continued)*

(i) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment, if any.

Amortisation is recognised in profit or loss and included as part of selling and distribution costs and is provided on straight-line method over their estimated useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less impairment, if any.

Trademark	10-20 years
Customer relationships	7 years

(ii) Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(j)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment should be treated as a revaluation and therefore credited to other comprehensive income. However, to the extent that an impairment on the revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

4. Significant accounting policies *(Continued)*

(j) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- investments accounted for using equity method.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the CGU (see Note 4(g)), discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

(k) Financial instruments

(i) Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

4. Significant accounting policies *(Continued)*

(k) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, they are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

4. Significant accounting policies *(Continued)*

(k) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

<u>Financial liabilities at amortised cost</u>

Financial liabilities at amortised cost including trade and other payables and amount due to a director are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. Significant accounting policies *(Continued)*

(m) Cash and cash equivalents

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

(n) Share capital

Ordinary shares are classified as equity.

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

(o) Share based payments

Convertible bonds

Issuance of convertible bonds is accounted for as share-based payment transactions.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible bonds issued, the Group measures the unidentified services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in profit or loss immediately unless qualified for capitalisation.

The debt component (i.e. the bondholder's right to demand payment in cash) of the convertible bond will be accounted for as a cash-settled share-based payment transactions while the equity component (i.e. the bondholder's right to demand settlement in the Group's shares) of the convertible bond will be accounted for as an equity-settled share-based payment transaction. The Group first measures the fair value of the debt component, and then the equity component equals the residual value. Subsequent to initial recognition, the Group measures the fair value of the debt component at the end of each reporting period and the date of settlement, with any change in fair value recognised in profit or loss for the period. The equity component is not re-measured subsequent to initial recognition.

Share award scheme

The Group operates a share award scheme for remuneration of its employees and directors.

All services received in exchange for the grant of any awarded shares are measured at fair value. These are indirectly determined by reference to the fair value of the awarded shares granted. Its value is appraised at the grant date and excludes the impact of any service and non-market performance vesting condition (for example, profitability and sales growth targets, if any).

4. Significant accounting policies *(Continued)*

(o) Share based payments *(Continued)*

Share award scheme (Continued)

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when awarded shares granted vest immediately unless the expense qualifies for the recognition as asset, with a corresponding increase in "Employee Share-based Payment Reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of awarded shares expected to vest. Non-market performance and service conditions are included in assumptions about the number of awarded shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of awarded shares expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based payment reserve.

Where a grant of awarded shares is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity. When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "Shares held for Share Award Scheme", the related service costs of awarded shares vested are debited to the employee share-based payment reserve, and any difference will be transferred to retained earnings. Where the shares held for employee share-based payment reserve are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained earnings.

(p) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

4. Significant accounting policies *(Continued)*

(p) Income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(q) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

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

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Hong Kong

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

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

4. Significant accounting policies *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Defined contribution retirement plan (Continued)

The PRC

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

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

(iii) Termination benefits

These are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

4. Significant accounting policies *(Continued)*

(s) Revenue recognition

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

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

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

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

Revenue from the provision of installation service of photovoltaic system is recognised by reference to the stage of completion, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. Stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transactions.

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

(t) Government grants

Government grants are recognised at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the Group has complied with all attached conditions, if any.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on straight-line method over the expected lives of the related assets.

(u) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. Significant accounting policies *(Continued)*

(v) Dividend distribution

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

(w) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Property, plant and equipment and intangible assets (including goodwill which is being reviewed at each of the reporting period end after the initial recognition) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset or the corresponding CGU's recoverable amount. The recoverable amounts have been determined based on fair value less cost of disposal calculations or value-in-use calculation. These calculations require the use of judgements and estimates.

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

(ii) Leasehold improvements on leased premises

The Group operates service centres, warehouses and office buildings on leased premises in the PRC which are located on collectively-owned land that are not permitted to be sold, transferred or leased to others for non-agricultural use. Any unauthorised and illegal occupancy of the land may result in land return order, demolition order, confiscation of the existing buildings and facilities constructed on the said land. Management considered that such problem is unlikely to cause any interruption or termination of the leases or to have a material effect on the carrying amounts of the related leasehold improvements of RMB2,076,000 (2014: RMB3,930,000) as at 31 December 2015. Moreover, the controlling shareholder of the Company has agreed to keep the Group indemnified for any losses that the Group may suffer from any failure of the Group's subsidiaries in obtaining licence or permit to use the related properties. Accordingly, no impairment on leasehold improvements is considered necessary.

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

The Group writes down its inventories to net realisable value when events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgement and estimates. Where the estimate is different from the original amount, such difference will impact the carrying value of inventories and net realisable value for the periods in which such estimate is changed. Management assesses the net realisable value of the inventories and considers that the provision for inventories impairment is adequate and reasonable at each reporting date.

5. Critical accounting estimates and judgements *(Continued)*

(iv) Impairment on receivables

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

(v) Current and deferred income tax

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

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

(vi) Implication of litigation claims

In 2014, Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass**") 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 (as defined in Note 13), the holder of the convertible bonds of the Company, 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 Property Acquisition**") as detailed in Note 36.

Pursuant to the Originating Summons, Xinyi Glass concerned that the terms of the Daqing Property Acquisition might not serve the best interests of the Company and the shareholders as a whole and it had doubt on the legality surrounding the Daqing Property Acquisition. Accordingly, Xinyi Glass sought the following orders:

(i) the acquisition agreement to be declared void or, in the alternative, voidable;

(ii) the convertible bonds of the Company issued to satisfy the consideration of the Daqing Property 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; and

(iii) in the event that the acquisition agreement and the convertible bonds of the Company are declared voidable, the Company and the vendor be compelled to terminate and/or rescind the same;

(iv) in the alternative, damages from the existing executive and non-executive directors and certain existing and former independent non-executive directors.

5. Critical accounting estimates and judgements *(Continued)*

(vi) Implication of litigation claims *(Continued)*

The litigation is still proceedings but with little progress in 2015. Management had consulted legal advisors in both the PRC and Hong Kong in response to the Originating Summons. The directors have thoroughly revisited the situations based on the advices of the PRC and Hong Kong legal advisors during the year, and considered that the demands (i) to (iii) are still 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 2015 and 2014.

(vii) Estimated useful lives and depreciation of property, plant and equipment and amortisation of intangible assets (other than goodwill)

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

(viii) Fair values of liability component of convertible bonds and available-for-sale investment

Liability component of convertible bonds and the available-for-sale investment are stated at fair value.

The fair value measurement utilise market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur, if any. The Group measures a number of items at fair value:

- Available-for-sale investment
- Liability component of convertible bonds

For more detailed information in relation to the fair value measurement of the items above, please refer to the Notes 18 and 25 respectively.

6. Segment reporting

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

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

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

As at 31 December 2015 and 31 December 2014, the Group's non-current assets were entirely held in the PRC. For the year ended 31 December 2015, revenue from the Group's largest customer amounted to approximately 13% (2014: 13%) of the Group's total revenue from the segment – "Northern China (excluding Shenyang)".

	Northern China (excluding Shenyang)		Shenyang		Hangzhou		Shenzhen		Reportable segments Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000** (Note)	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	**97,200**	107,105	**911**	2,070	**1,785**	2,370	**8,440**	8,137	**108,336**	119,682
Trading of automobile glass	**30,710**	51,617	**659**	2,135	**1,384**	1,054	**904**	986	**33,657**	55,792
Provision of installation services of photovoltaic system	**10,001**	4,542	**–**	–	**–**	–	**–**	–	**10,001**	4,542
Inter-segment sales	**(19,878)**	(44,012)	**(122)**	(338)	**(773)**	(469)	**(28)**	(4)	**(20,801)**	(44,823)
Revenue from external customers	**118,033**	119,252	**1,448**	3,867	**2,396**	2,955	**9,316**	9,119	**131,193**	135,193
Results of reportable segments	**21,534**	32,760	**27**	940	**148**	854	**2,613**	2,474	**24,322**	37,028
Depreciation	**4,840**	4,670	**95**	95	**88**	125	**96**	130	**5,119**	5,020
Amortisation	**1,517**	1,517	**–**	–	**–**	–	**826**	791	**2,343**	2,308
Provision for obsolete inventories	**255**	–	**–**	–	**134**	–	**–**	16	**389**	16
Capital expenditure	**5,061**	3,708	**–**	22	**–**	88	**43**	7,017	**5,104**	10,835

Note:

On 21 December 2015, the Group completed the disposal of its partial equity interest in a subsidiary, Shenyang Zhengmei Automobile Glass Co., Ltd. ("**Shenyang Zhengmei**"), which is engaged in the sales and trading of automobile glass and provision of installation service of automobile glass.

6. Segment reporting *(Continued)*

A reconciliation of results of reportable segments to losses for the years are as follows:

	2015 RMB'000	2014 RMB'000
Results of reportable segments	**24,322**	37,028
Unallocated income	**263**	–
Provision for impairment on property, plant and equipment (Note 13)	**(27,135)**	–
Provision for impairment on intangible assets (Note 14)	**(19,833)**	–
Unallocated expenses	**(72,867)**	(47,206)
	(95,250)	(10,178)
Finance income	**374**	303
Finance cost	**(48)**	(9)
Share of losses of investments accounted for using equity method	**(58)**	(429)
Losses before income tax	**(94,982)**	(10,313)

7. Other (loss)/gain, net

	2015 RMB'000	2014 RMB'000
Loss on disposals of a joint venture	**(2,400)**	–
Gain on partial disposals of a subsidiary (Note 24)	**1**	–
(Loss)/Gain on disposals of property, plant and equipment	**(91)**	66
Fair value losses on convertible bonds (Note 25)	**(250)**	(22)
Reclassification from equity to profit or loss on disposal of available-for-sale investment	**262**	–
Forfeited deposits of land use rights	**(1,000)**	–
Provision for impairment on property, plant and equipment (Note 13)	**(27,135)**	–
Provision for impairment on intangible assets (Note 14)	**(19,833)**	–
Others	**(467)**	–
	(50,913)	44

8. Expenses by nature

	2015 RMB'000	2014 RMB'000
Cost of inventories (Note 16)	**72,920**	69,222
Auditor's remuneration	**973**	1,551
Advertising and marketing	**4,451**	736
Business tax and surcharges	**2,226**	2,570
Employee costs (including directors' emoluments) (Note 9)	**38,704**	31,851
Depreciation (Note 13)	**6,481**	5,020
Amortisation (Note 14)	**2,343**	2,308
Rental expenses	**7,177**	6,594
Fuels	**2,998**	3,709
Utilities	**1,027**	1,099
Provision for obsolete inventories	**389**	16
Transportation	**2,222**	2,369
Meeting and conference expenses	**4,129**	2,201
Tools and liveries	**1,425**	791
Office expenses	**1,963**	1,540
Professional fee	**12,561**	10,030
Sales agency fee	**4,933**	790
Other agency fee	**1,441**	–
Sub-contracting fee	**2,000**	–
Write off of property, plant and equipment (Note 13)	**689**	–
Others	**4,478**	3,018
	175,530	145,415

9. Employee costs (including directors' emoluments)

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	**33,373**	28,415
Contributions to defined contribution retirement, other social security plans and housing fund (Note)	**3,991**	3,436
Equity-settled share-based payment expenses	**1,340**	–
	38,704	31,851

Note: No forfeited contribution is available to reduce the contribution payable in future years.

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

9. Employee costs (including directors' emoluments) *(Continued)*

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

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

		Other emoluments			
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based payment expenses RMB'000	Employer's contribution to pension plan RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive directors					
Xia Lu (Chief Executive Officer)	146	457	338	3	944
He Changsheng	49	374	338	7	768
Li Honglin	49	286	152	7	494
Non-executive directors					
Natsu Kumiko (Chairman, resigned on 30 September 2015)	88	2	–	–	90
Xia Xiufeng (Chairman, appointed on 16 July 2015)	54	239	22	7	322
Liu Mingyong (appointed on 30 September 2015)	29	–	–	–	29
Qi Dianjiang (appointed on 30 September 2015 and ceased on 25 February 2016)	29	–	–	–	29
Independent non-executive directors					
Fong William (resigned on 5 January 2015)	2	2	–	–	4
Chen Jinliang	204	3	–	–	207
Han Shaoli (appointed on 13 February 2015)	190	3	–	–	193
Jiang Bin (appointed on 13 February 2015)	190	2	–	–	192
	1,030	1,368	850	24	3,272

9. Employee costs (including directors' emoluments) *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees RMB'000	Other emoluments: Salaries, allowances and benefits in kind RMB'000	Other emoluments: Employer's contribution to pension plan RMB'000	Total RMB'000
Year ended 31 December 2014				
Executive directors				
Xia Lu (Chief Executive Officer)	152	310	–	462
He Changsheng	56	201	12	269
Li Honglin	56	142	12	210
Non-executive directors				
Natsu Kumiko (Chairman)	122	–	–	122
Liu Sik Yuen (resigned on 29 December 2014)	120	–	–	120
Independent non-executive directors				
Fong William (resigned on 5 January 2015)	123	–	–	123
Chen Jinliang	123	–	–	123
Ling Kit Wah Joseph (resigned on 20 October 2014)	93	–	–	93
	845	653	24	1,522

During the years ended 31 December 2015 and 2014, none of the directors waived the remuneration and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, equity-settled share-based payment expenses represented the estimated value of awarded shares granted to the directors and employees under the Company's share award scheme granted on 12 November 2015. The value of these awarded shares is measured according to the accounting policies for share-based payments as set out in Note 4(o). Further details of the share award scheme are set out in Note 26.

9. Employee costs (including directors' emoluments) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include four directors (2014: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2014: two) individual(s) during the years ended 31 December 2015 and 2014 are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, wages and other benefits	**662**	1,439
Contributions to defined contribution retirement plans	**–**	42
	662	1,481

The emoluments fell within the following bands:

	2015 **No of individuals**	2014 No of individuals
Nil – RMB838,000 (HK$Nil – HK$1,000,000)	**1**	1
RMB838,001- RMB1,257,000 (HK$1,000,001- HK$1,500,000)	**–**	1

During the years ended 31 December 2015 and 2014, none of the five individuals with highest emoluments waived the remuneration and there were no amounts paid or payable by the Group to them as inducement to join or upon joining the Group or as compensation for loss of office.

10. Finance income, net

	2015 **RMB'000**	2014 RMB'000
Finance cost:		
Interest expense on convertible bonds	**(48)**	(9)
	(48)	(9)
Finance income:		
Interest income on bank deposits	**103**	236
Exchange gains relating to cash and cash equivalents	**271**	67
	374	303
Finance income, net	**326**	294

11. Income tax credit/(expense)

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

There is no assessable profit subject to Hong Kong profits tax for the year ended 31 December 2015 (2014: Nil).

Subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2015 (2014: 25%).

	2015	2014
	RMB'000	RMB'000
Current income tax		
– Current year	**(251)**	(2,283)
– Over-provision/(Under-provision) in prior years	**376**	(50)
Deferred income tax (Note 23)	**4,876**	552
Income tax credit/(expense)	**5,001**	(1,781)

The income tax credit/(expense) for the year can be reconciled to the losses before income tax in the consolidated statement of comprehensive income as follows:

	2015	2014
	RMB'000	RMB'000
Losses before income tax	**94,982**	10,313
Calculated at domestic tax rates applicable to losses in the PRC and Hong Kong	**12,305**	(665)
Tax effect of expenses not deductible for tax purposes	**(2,618)**	(981)
Tax effect of tax losses for which no deferred income tax assets were recognised	**(5,062)**	(281)
Over-provision/(Under-provision) in prior years	**376**	(50)
Utilisation of tax losses previously not recognised	**–**	196
Income tax credit/(expense)	**5,001**	(1,781)

12. Loss per share

(a) Basic

Loss 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 year.

	2015	2014
Losses attributable to owners of the Company (RMB'000)	**(89,484)**	(12,637)
		represented
Weighted average number of ordinary shares in issue (thousands)	**594,002**	492,876
Loss per share (in RMB cents)	**(15.06)**	(2.56)

The basic loss per share for the years ended 31 December 2015 and 2014 have been adjusted to reflect the placing of shares during the respective years.

(b) Diluted

Diluted loss 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 and unvested awarded share. The convertible bonds are assumed to have been converted into ordinary shares and utilisation of the unvested awarded shares, and the net losses are adjusted to eliminate the interest expense less the tax effect.

Diluted loss per share for the year ended 31 December 2015 is the same as the basic loss per share as the utilisation of the unvested shares in relation to the share award scheme and 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 loss per share for the year ended 31 December 2014 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.

13. Property, plant and equipment

	Buildings	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014					
Opening net book amount	8,454	6,010	5,022	1,087	20,573
Acquisition of a subsidiary	–	–	181	38	219
Additions	–	2,609	1,032	475	4,116
Depreciation charge	(477)	(2,431)	(1,714)	(398)	(5,020)
Disposals	–	–	(269)	–	(269)
Closing net book amount	7,977	6,188	4,252	1,202	19,619
Year ended 31 December 2014					
Cost	9,566	11,265	8,142	2,295	31,268
Accumulated depreciation	(1,589)	(5,077)	(3,890)	(1,093)	(11,649)
Net book amount	7,977	6,188	4,252	1,202	19,619
Year ended 31 December 2015					
Opening net book amount	**7,977**	**6,188**	**4,252**	**1,202**	**19,619**
Partial disposals of a subsidiary (Note 24)	**–**	**(57)**	**(34)**	**(15)**	**(106)**
Additions	**–**	**3,211**	**1,320**	**573**	**5,104**
Transfer from prepayment	**69,466**	**–**	**–**	**–**	**69,466**
Depreciation charge	**(1,840)**	**(2,731)**	**(1,441)**	**(469)**	**(6,481)**
Provision for impairment	**(21,614)**	**(2,995)**	**(1,908)**	**(618)**	**(27,135)**
Disposals	**–**	**–**	**(300)**	**(70)**	**(370)**
Write off	**–**	**(689)**	**–**	**–**	**(689)**
Closing net book amount	**53,989**	**2,927**	**1,889**	**603**	**59,408**
Year ended 31 December 2015					
Cost	**79,032**	**12,265**	**7,535**	**2,711**	**101,543**
Accumulated impairment	**(21,614)**	**(2,995)**	**(1,908)**	**(618)**	**(27,135)**
Accumulated depreciation	**(3,429)**	**(6,343)**	**(3,738)**	**(1,490)**	**(15,000)**
Net book amount	**53,989**	**2,927**	**1,889**	**603**	**59,408**

13. Property, plant and equipment *(Continued)*

Depreciation expenses for the year ended 31 December 2015 of RMB3,055,000 (2014: RMB3,016,000), RMB1,085,000 (2014: RMB914,000) and RMB2,341,000 (2014: RMB1,090,000) were included in cost of sales, selling and distribution costs and administrative expenses, respectively.

On 19 October 2014, the Group entered into a sale and purchase agreement to acquire a property with a 4-storey commercial complex located in Sa'ertu District, Daqing City, Heilongjiang Province, the PRC (the "**Daqing Property**") with a total gross floor area of approximately 4,445 square meters for a consideration of RMB48,000,000 which was paid through the issuance of convertible bonds which can be convertible into 54,690,647 conversion shares (the "**Daqing Acquisition**"). The fair value of the convertible bonds was approximately RMB69,466,000 which were assessed by an independent valuer and determined at the Board of Directors' approval date of the convertible bonds. As the Daqing Property was yet registered to the local authority in 2014, the corresponding amount of RMB69,466,000 was treated as a prepayment under non-current assets as at 31 December 2014 (Note 17). In anticipation with the assistance from the property developer, the Group will obtain the building certificate of the Daqing Property ultimately.

During the year, an impairment loss of RMB21,614,000 was recognised in other (loss)/gain, net to write down the carrying amount of the Daqing Property to its recoverable amount of RMB46,490,000 as result of the significant slowdown of economic growth in Daqing. The recoverable amount of the Daqing Property, as at 31 December 2015, was assessed by an independent valuer, Greater China Appraisal Limited, by using direct comparison approach estimated by reference to similar assets adjusted for differences in condition. The fair value less costs of disposal of the building is classified as a level 3 measurement.

During the year, the directors conducted a review of the Group's leasehold improvements and determined that a number of those assets should be written off. Accordingly, an aggregate amount of RMB689,000 (2014: Nil) was written off.

14. Intangible assets

	Goodwill	Trademark	Customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014				
Opening net book amount	–	13,466	3,734	17,200
Acquisition of a subsidiary (Note 33)	10,931	2,400	4,100	17,431
Amortisation	–	(987)	(1,321)	(2,308)
Closing net book amount	10,931	14,879	6,513	32,323
At 31 December 2014				
Cost	10,931	17,550	9,605	38,086
Accumulated amortisation	–	(2,671)	(3,092)	(5,763)
Net book amount	10,931	14,879	6,513	32,323
Year ended 31 December 2015				
Opening net book amount	**10,931**	**14,879**	**6,513**	**32,323**
Amortisation	**–**	**(997)**	**(1,346)**	**(2,343)**
Provision for impairment	**(10,931)**	**(6,807)**	**(2,095)**	**(19,833)**
Closing net book amount	**–**	**7,075**	**3,072**	**10,147**
At 31 December 2015				
Cost	**10,931**	**17,550**	**9,605**	**38,086**
Accumulated impairment	**(10,931)**	**(6,807)**	**(2,095)**	**(19,833)**
Accumulated amortisation	**–**	**(3,668)**	**(4,438)**	**(8,106)**
Net book amount	**–**	**7,075**	**3,072**	**10,147**

Amortisation of approximately RMB2,343,000 (2014: RMB2,308,000) was included in selling and distribution costs.

The Group tests goodwill annually for impairment, or more frequently if there are indication that goodwill might be impaired.

14. Intangible assets *(Continued)*

As the Group recorded a decline in profitability during the year, management considers there is indication for impairment for its non-financial assets, whilst the Daqing Property has been separately assessed as set out in Note 13. For the purpose of impairment testing, goodwill, trademark, customer relationships and property, plant and equipment (excluding the Daqing Property) are allocated to the CGU identified as follows:

Carrying amounts before impairment CGUs	Goodwill	Trademark	Customer relationships	Property, plant and equipment
	RMB'000	RMB'000	RMB'000	RMB'000
Beijing Zhengmei	–	11,952	2,214	18,098
Shenzhen Xinyida (as defined in Note 33)	10,931	1,930	2,953	329
	10,931	13,882	5,167	18,427

The recoverable amounts of Beijing Zhengmei and Shenzhen Xinyida are determined by value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow of CGU – Beijing Zhengmei beyond the five year period is extrapolated using an estimated declining average growth rate. The average growth rate of CGU – Beijing Zhengmei for the 6th year is estimated to be 6%, which will be declining to 5% to the end of the useful life (2014: 4%). The estimated declining average growth rate for Beijing Zhengmei does not exceed the long term growth rate. Cash flow of CGU – Shenzhen Xinyida beyond the five year period is extrapolated using an estimated weighted average growth rate. The weighted average growth rate of 3% for Shenzhen Xinyida (2014: Nil for Shenzhen Xinyida) which does not exceed the long-term growth rate. Other key assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows include the budgeted gross margin and average annual growth rate of revenue which are based on past performance and its expectation of market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amounts.

Any decline in estimated value in use would be liable to result in an additional impairment for the CGU. As a sensitivity analysis, 1% decrease in the long term average growth rate would decrease the recoverable amount by RMB2,040,000. Likewise, a 10% increase or decrease in cash flows after the fifth year would increase or decrease the recoverable amount by RMB4,581,000.

In order to determine the recoverable amounts of the CGUs, management made reference to the valuation report, issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

14. Intangible assets *(Continued)*

The key assumptions used in calculating the recoverable amounts are as follows:

	Beijing Zhengmei	Shenzhen Xinyida
Growth rate of revenue	3% – 6%	3% – 5%
Cost of sales per revenue	63% – 72%	66%
Pre-tax discount rate	17%	19%

The discount rates applied are pre-tax and reflect specific risks related to the relevant CGUs.

15. Investments accounted for using equity method

	2015 RMB'000	2014 RMB'000
Investment in a joint venture (Note a)	–	4,817
Investment in an associate (Note b)	**1,312**	–
	1,312	4,817

a) Investment in a joint venture

	2015 RMB'000	2014 RMB'000
As at 1 January	**4,817**	–
Addition	–	5,686
Share of losses	**(25)**	(429)
Disposal	**(4,792)**	–
Exchange translation difference	–	(440)
As at 31 December	–	4,817

15. Investments accounted for using equity method *(Continued)*

a) Investment in a joint venture *(Continued)*

Details of the joint venture as at 31 December 2015 and 31 December 2014 are as follows:

Name of entity	Place of incorporation	% of ownership 2015	% of ownership 2014	Nature of the relationship	Measurement method
Polaron Solartech Corp. ("**Polaron**")	Canada	**Nil**	49%	Note	Equity

Note:

On 10 July 2014, the Group acquired of 49% equity interest in Polaron from Polaron International Inc. ("**PII**") at a consideration of approximately RMB5,686,000. Polaron is engaged in the provision of installation services of photovoltaic system in Canada. Pursuant to the sales and purchase agreement, PII guaranteed the Group annual net profit of CAD100,000 and CAD200,000 for the years ended 31 December 2014 and 2015 ("**Guaranteed Profits**"). When the Guaranteed Profits were not met, PII would indemnify the amount of Guaranteed Profits to the Group to the extent of the 49% shareholding. The amount to be indemnified amounted to approximately RMB262,000 was accounted for as available-for-sale investment as at 31 December 2014 (Note 18).

On 12 November 2015, the Group disposed its 49% equity interest in Polaron back to PII at consideration of approximately CAD500,000 (equivalent to RMB2,392,000). As a result, the 2014 guaranteed profit of CAD100,000 was realised to profit and loss and the 2015 guaranteed profit of CAD200,000 was released accordingly as a result of the disposal.

Polaron is a private company and there is no quoted market price available for its shares.

The Group had no commitment and contingent liabilities relating to the investment in the joint venture as at 31 December 2014.

Summarised financial information for the joint venture

Set out below are the financial information for Polaron which is accounted for using equity method.

	2014 RMB'000
As at 31 December	
Current assets	2,663
Non-current assets	82
Current liabilities	(161)
Period ended 31 December	
Revenue	1,288
Losses from operations	(876)

15. Investments accounted for using equity method *(Continued)*

a) Investment in a joint venture *(Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its investment in the joint venture.

Summarised financial information

	2014 RMB'000
Net assets as at acquisition date	126
Losses for the period	(876)
Exchange translation difference	22
Net liabilities as at 31 December	(728)
Investment in a joint venture at 49%	(357)
Goodwill	5,174
Carrying amount	4,817

b) Investment in an associate

	2015 **RMB'000**
Net assets as at acquisition date	**2,745**
Losses for the period	**(67)**
Net assets as at 31 December	**2,678**
Investment in an associate at 49%	**1,312**
Carrying amount	**1,312**

15. Investments accounted for using equity method *(Continued)*

b) Investment in an associate *(Continued)*

Details of the associate as at 31 December 2015 and 31 December 2014 are as follows:

Name of entity	Place of incorporation	% of ownership 2015	% of ownership 2014	Nature of the relationship	Measurement method
Shenyang Zhengmei Automobile Glass Co., Ltd. 瀋陽正美汽車玻璃有限公司 ("**Shenyang Zhengmei**")	The PRC	**49%**	51%	Note	Equity

Note:

On 21 December 2015, the Group completed the disposal of 2% equity interest in Shenyang Zhengmei, to another shareholder of Shenyang Zhengmei at a consideration of RMB56,000, resulting in a loss of control on Shenyang Zhengmei and since then, Shenyang Zhengmei is no longer a subsidiary of the Group. As the Group has significant influence over Shenyang Zhengmei, Shenyang Zhengmei was recognised as an associate of the Group since that date. Details of the corresponding gain on the partial disposals of a subsidiary are set out in Note 24.

Summarised financial information for the associate

Set out below are the financial information for Shenyang Zhengmei which is accounted for using equity method.

	2015 RMB'000
As at 31 December	
Non-current assets	**104**
Current assets	**2,659**
Current liabilities	**(237)**
Period from 21 December 2015 to 31 December 2015	
Revenue	**93**
Losses for the period from 21 December 2015 to 31 December 2015	**(67)**

16. Inventories

	2015 RMB'000	2014 RMB'000
Work-in-progress	**1,885**	–
Finished goods	**35,649**	38,001
Total	**37,534**	38,001

Cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB72,920,000 (Note 8) for the year ended 31 December 2015 (2014: RMB69,222,000).

17. Trade and other receivables

	2015 RMB'000	2014 RMB'000
Trade and bill receivables	**15,238**	16,388
Prepayments (Note)		
– Third parties	**39,650**	82,396
– Related parties (Note 32 (b))	**–**	66
Deposits and other receivables		
– Third parties	**625**	2,254
– Related party (Note 32 (b))	**24**	–
	55,537	101,104
Less: non-current portion		
– Prepayments	**(2,107)**	(69,466)
– Deposits	**–**	(1,000)
	53,430	30,638

17. Trade and other receivables *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Prepayments		
Prepayment for purchase of inventories	**28,323**	6,886
Prepayment for rental	**3,457**	2,805
Prepayment for construction work	**330**	–
Deposit for acquisition of trademarks	**4,398**	–
Deposit for acquisition of the Daqing property (Note 25)	**–**	69,466
Others	**3,142**	3,305
	39,650	82,462

During the year, construction work of the Daqing Property has been substantially completed and the Group's title to the properties has been registered to the local authority. As it was resolved by the Board that the property is intended to be used as office premises, the balance of RMB69,466,000 was transferred to property, plant and equipment during the year (Note 13).

	2015 RMB'000	2014 RMB'000
Deposits and other receivables		
Deposits for land use rights (Note)	**–**	1,000
Purchase rebate receivable	**–**	795
Others	**649**	459
	649	2,254

Note: This balance has been forfeited during the year as the Group decided not to pursue to acquire the relevant land use rights.

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

	2015 RMB'000	2014 RMB'000
0 – 30 days	**7,432**	8,067
31 – 60 days	**3,400**	3,613
61 – 90 days	**1,413**	1,967
Over 90 days	**2,993**	2,741
Total	**15,238**	16,388

17. Trade and other receivables *(Continued)*

As at 31 December 2015, trade receivables of approximately RMB3,070,000 (2014: RMB2,141,000) were past due but not impaired. No impairment provision was made (2014: Nil). These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. An ageing analysis of these trade receivables is as follows:

	2015	2014
	RMB'000	RMB'000
61 – 90 days	**77**	58
Over 90 days	**2,993**	2,083
Total	**3,070**	2,141

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

	2015	2014
	RMB'000	RMB'000
RMB	**51,979**	99,764
HK$	**3,558**	1,340
	55,537	101,104

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above. The Group does not hold any collateral over these balances.

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

18. Available-for-sale investment

	2015	2014
	RMB'000	RMB'000
At 1 January	**262**	–
Addition	**–**	262
Realised to profit or loss (Note 7)	**(262)**	–
At 31 December	**–**	262

The balance was denominated in CAD and approximated to its fair value, details of which were set out in Note 15.

19. Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash on hand	**360**	409
Cash at bank	**49,175**	54,412
Total	**49,535**	54,821

Cash and bank balances are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**11,331**	41,827
HK$	**38,204**	12,994
Total	**49,535**	54,821

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

20. Share capital

		2015		2014	
	Notes	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:					
Ordinary shares of HK$0.01 each		**780,000,000**	**6,094**	780,000,000	6,094
Issued and fully paid:					
As at 1 January		**530,000,000**	**4,193**	400,000,000	3,157
Issuance of new shares	(a)	**131,000,000**	**1,070**	80,000,000	640
Conversion of convertible bonds issued by the Company	(b)	**–**	**–**	50,000,000	396
At 31 December		**661,000,000**	**5,263**	530,000,000	4,193

20. Share capital *(Continued)*

Notes:

(a) On 28 March 2014, the Company and Xinyi Glass (BVI) entered into a subscription agreement pursuant to which Xinyi Glass (BVI) agreed to 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). This resulted in an increase in share capital of approximately RMB640,000 and share premium of approximately RMB34,302,000.

On 30 April 2015, the Company and Eastern Wealth Development Limited ("**Eastern Wealth**") entered into a subscription agreement pursuant to which Eastern Wealth agreed to subscribe 25,000,000 ordinary shares of HK$0.01 each in the Company. On 15 May 2015, Eastern Wealth 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 RMB12,018,000) with issuance costs amounted to approximately HK$231,000 (equivalent to RMB185,000). This resulted in an increase in share capital of approximately RMB201,000 and share premium of approximately RMB11,632,000.

On 14 August 2015, the Company and Rise Grace Development Limited ("**Rise Grace**") entered into a subscription agreement pursuant to which Rise Grace agreed to subscribe 106,000,000 ordinary shares of HK$0.01 each in the Company. On 2 September 2015, Rise Grace completed the subscription of shares at a price of HK$0.47 per share for a total consideration of approximately HK$49,820,000 (equivalent to RMB40,872,000) with issuance costs amounted to approximately HK$820,000 (equivalent to RMB687,000). This resulted in an increase in share capital of approximately RMB869,000 and share premium of approximately RMB39,316,000.

(b) On 19 October 2014, the Company and an independent third party entered into a sale and purchase agreement to purchase the Daqing Property, 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 25. On 17 November 2014, the holder completed the conversion of 50,000,000 shares at the conversion price of HK$1.112 per share.

21. Reserves

The reserves of the Group as at 31 December 2014 are analysed as follows:

		The Group Attributable to owners of the Company							
	Note	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Convertible bonds equity reserve RMB'000	Available-for-sale investment RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014		129,226	(47,484)	4,229	–	–	(57)	46,123	132,037
Losses for the year		–	–	–	–	–	–	(12,637)	(12,637)
Other comprehensive income									
Changes in value of available-for-sale investment		–	–	–	–	262	–	–	262
Currency translation differences		–	–	–	–	–	(723)	–	(723)
Total comprehensive income		–	–	–	–	262	(723)	(12,637)	(13,098)
Transactions with equity owners of the Company recognised directly in equity									
Issuance of new shares, net proceed		34,302	–	–	–	–	–	–	34,302
Issuance of convertible bonds		–	–	–	29,942	–	–	–	29,942
Conversion of convertible bonds issued by the Company		43,627	–	–	(7,773)	–	–	–	35,854
Appropriation to PRC statutory reserve	(a)	–	–	429	–	–	–	(429)	–
Balance at 31 December 2014		207,155	(47,484)	4,658	22,169	262	(780)	33,057	219,037

21. Reserves *(Continued)*

The reserves of the Group as at 31 December 2015 are analysed as follows:

		The Group Attributable to owners of the Company									
	Note	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Convertible bonds equity reserve RMB'000	Available-for-sale investment RMB'000	Shares held for share award scheme RMB'000	Employee share-based payment reserve RMB'000	Exchange reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2015		207,155	(47,484)	4,658	22,169	262	–	–	(780)	33,057	219,037
Losses for the year		–	–	–	–	–	–	–	–	(89,484)	(89,484)
Other comprehensive income											
Changes in value of available-for-sale investment		–	–	–	–	(262)	–	–	–	–	(262)
Currency translation differences		–	–	–	–	–	–	–	1,189	–	1,189
Total comprehensive income		–	–	–	–	(262)	–	–	1,189	(89,484)	(88,557)
Transactions with equity owners of the Company recognised directly in equity											
Issuance of new shares, net proceed		50,948	–	–	–	–	–	–	–	–	50,948
Shares purchased under share award scheme		–	–	–	–	–	(417)	–	–	–	(417)
Equity-settled share-based payment expenses		–	–	–	–	–	–	1,385	–	–	1,385
Partial disposals of a subsidiary		–	–	(219)	–	–	–	–	–	219	–
Appropriation to PRC statutory reserve	(a)	–	–	113	–	–	–	–	–	(113)	–
Balance at 31 December 2015		258,103	(47,484)	4,552	22,169	–	(417)	1,385	409	(56,321)	(182,396)

21. Reserves *(Continued)*

The reserves of the Company as at 31 December 2014 are analysed as follows:

	The Company Attributable to owners of the Company					
	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	129,226	2,999	10	–	(7,590)	124,645
Losses for the year	–	–	–	–	(11,871)	(11,871)
Other comprehensive income						
Currency translation differences	–	–	300	–	–	300
Total comprehensive income	–	–	300	–	(11,871)	(11,571)
Transactions with equity owners of the Company recognised directly in equity						
Issuance of new shares, net proceed	34,302	–	–	–	–	34,302
Issuance of convertible bonds	–	–	–	29,942	–	29,942
Conversion of convertible bonds issued by the Company	43,627	–	–	(7,773)	–	35,854
Balance at 31 December 2014	207,155	2,999	310	22,169	(19,461)	213,172

21. Reserves *(Continued)*

The reserves of the Company as at 31 December 2015 are analysed as follows:

	The Company — Attributable to owners of the Company						
	Share premium RMB'000	Employee share-based payment reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	**207,155**	**–**	**2,999**	**310**	**22,169**	**(19,461)**	**213,172**
Losses for the year	–	–	–	–	–	(13,880)	(13,880)
Other comprehensive income							
Currency translation differences	–	–	–	2,898	–	–	2,898
Total comprehensive income	**–**	**–**	**–**	**2,898**	**–**	**(13,880)**	**(10,982)**
Transactions with equity owners of the Company recognised directly in equity							
Issuance of new shares, net proceed	50,948	–	–	–	–	–	50,948
Equity-settled share-based payment expenses	–	1,385	–	–	–	–	1,385
Balance at 31 December 2015	**258,103**	**1,385**	**2,999**	**3,208**	**22,169**	**(33,341)**	**254,523**

21. Reserves *(Continued)*

(a) PRC statutory reserve

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

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

(b) Capital reserve

During the year ended 31 December 2013, Ms. Natsu Kumiko, the controlling shareholder of ZMFY has reimbursed the listing expenses of HK$3,800,000 (equivalent to RMB2,999,000) to the Group as a result of the selling of her existing shares of the Group upon listing.

(c) Share premium

This represented the shares issued pursuant to the Group Reorganisation in 2013, the issue of shares of the Company at a premium net of transaction costs associated with the issue of shares and the amount transferred from convertible bonds equity reserve upon conversion of convertible bonds.

(d) Convertible bonds equity reserve

The convertible bonds equity reserve represented the fair value of the equity component of the convertible bonds issued by the Group on initial recognition. Further details of the convertible bonds are set out in note 25.

22. Trade and other payables

	2015 RMB'000	2014 RMB'000
Current:		
Trade payables		
– Third parties	**4,498**	925
– Related parties (Note 32 (b))	**–**	157
Value-added tax payable	**1,606**	1,855
Salaries payable	**4,812**	4,672
Receipt in advance	**1,683**	110
Other payables and accruals	**4,242**	2,838
	16,841	10,557
Non-current:		
Deferred government grant	**–**	1,000
Total	**16,841**	11,557

Credit terms granted by suppliers are generally within 60 days.

Ageing analysis of trade payables at 31 December 2015 and 2014 based on invoice date is as follows:

	2015 RMB'000	2014 RMB'000
0 – 30 days	**4,359**	537
31 – 60 days	**91**	369
61 – 90 days	**–**	63
Over 90 days	**48**	113
Total	**4,498**	1,082

Trade and other payables are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**15,374**	9,533
HK$	**1,460**	2,018
United States Dollars ("**USD**")	**7**	6
Total	**16,841**	11,557

23. Deferred taxation

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**864**	–
– to be recovered within 12 months	**316**	213
	1,180	213
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(2,007)**	(5,877)
– to be settled within 12 months	**(924)**	(959)
	(2,931)	(6,836)
Deferred income tax liabilities (net)	**(1,751)**	(6,623)

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

	2015 RMB'000	2014 RMB'000
At the beginning of year	**(6,623)**	(5,550)
Acquisition of a subsidiary (Note 33)	**–**	(1,625)
Partial disposals of a subsidiary	**(4)**	–
Credited to the consolidated statement of comprehensive income (Note 11)	**4,876**	552
At the end of year	**(1,751)**	(6,623)

23. Deferred taxation *(Continued)*

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

	Accruals	Receivable	Government grant	Depreciation allowances	Intangible assets	Fair value gain on property, plant and equipment	Impairment on property, plant and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	332	–	(185)	(885)	(4,300)	(512)	–	(5,550)
Acquisition of a subsidiary (Note 33)	–	–	–	–	(1,625)	–	–	(1,625)
Credited to consolidated statement of comprehensive income (Note 11)	(119)	(21)	–	66	576	50	–	552
At 31 December 2014	213	(21)	(185)	(819)	(5,349)	(462)	–	(6,623)
At 1 January 2015	**213**	**(21)**	**(185)**	**(819)**	**(5,349)**	**(462)**	**–**	**(6,623)**
Partial disposals of a subsidiary	**(4)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**
Credited to consolidated statement of comprehensive income (Note 11)	**(119)**	**–**	**–**	**819**	**2,811**	**275**	**1,090**	**4,876**
At 31 December 2015	**90**	**(21)**	**(185)**	**–**	**(2,538)**	**(187)**	**1,090**	**(1,751)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2015, the Group has unused tax losses of RMB24,129,805 (2014: RMB5,877,000) which are available to set off against future profits. No deferred tax asset has been recognised in respect of these unused tax losses due to unpredictability of future profit streams.

As at 31 December 2015, deferred income tax liabilities of approximately RMB5,604,000 (2014: RMB5,604,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are permanently reinvested.

24. Partial Disposals of a subsidiary

As described in Note 15(b), on 21 December 2015, the Group completed the disposal of 2% equity interest in Shenyang Zhengmei and since then Shenyang Zhengmei is no longer a subsidiary of the Group. Net assets of Shenyang Zhengmei at the date of partial disposal were as follow:

	RMB'000
Cash and bank	245
Trade and other receivables	75
Inventories	2,568
Property, plant and equipment	106
Trade and other payables	(249)
	2,745
Gain on partial disposals of a subsidiary	1
Release of non-controlling interest in the former subsidiary	(1,345)
Fair value of interest retained in the subsidiary being disposed of	(1,345)
Total consideration	56
Satisfied by:	
– Cash	56
Net cash outflow arising on disposal:	
– Cash consideration received	56
– Cash and bank balances disposed of	(245)
	(189)

25. Convertible bonds

	2015	2014
	RMB'000	RMB'000
Non-current		
Liability component of convertible bonds	**3,882**	3,460

On 14 November 2014, the Company issued 54,690,647 1% convertible bonds at HK$1.112 per share of HK$60,816,000 (equivalent to RMB48,000,000) in exchange for the deposit in the Daqing Property (Note 17). 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 issuance of the convertible bonds.

25. Convertible bonds *(Continued)*

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.

On 14 August 2015, the Company entered into the subscription agreement to allot and issue 106,000,000 subscription shares at price of HK$0.47 each. It triggered the anti-dilutive clause of the convertible bonds. As a result, the number of unconverted bonds increased from 4,690,647 to 4,874,766 while the conversion price decreased from HK$1.112 to HK$1.07 with effective from 3 September 2015.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	RMB'000
Fair value of convertible bonds at 14 November 2014	69,466
Equity component (Note 21)	(29,942)
Fair value of liability component at 14 November 2014	39,524
Conversion of convertible bonds issued by the Company	(36,250)
Fair value losses on convertible bonds (Note 7)	22
Exchange translation difference	164
Liability component at 31 December 2014	3,460
Fair value losses on convertible bonds (Note 7)	250
Exchange translation difference	172
Liability component at 31 December 2015	**3,882**

Note: The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

Changes in fair value of financial liabilities at fair value through profit or loss are recorded in other (loss)/gain, net.

26. Share award scheme

On 12 October 2015, the Company adopted a share award scheme (the "**Scheme**") to reward and retain certain employees in order to encourage and motivate them to strive for future development of the Group as a result to enhance the value of Company's shares which maximised the members' interest as a whole.

Pursuant to the Scheme, the board may, from time to time, at its absolute discretion select the employees as they deem appropriate for participation in the Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets.

The Scheme is subject to the administration of the Board in accordance with the rules relating to share award scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Scheme should not in excess of 10% of the issued share capital of the Company as at the date of its adoption. Maximum number of awarded shares which may be granted to a selected participant but unvested under the scheme shall not exceed 3% of the issued share capital of the Company as at the date of its adoption.

Unless terminated earlier by the Board, the scheme shall be valid and effective for a term of 8 years from the date of its adoption.

Movements in the number of shares held for the Scheme and the awarded shares of the Company are as follows:

Date of approval by the board	Date of award	Awarded sum	Number of awarded shares	Average fair value per share
		HK$		HK$
12 November 2015	31 August 2016	2,686,400	3,680,000	0.73
12 November 2015	31 August 2017	5,701,300	7,810,000	0.73
12 November 2015	31 August 2018	6,029,800	8,260,000	0.73
12 November 2015	31 August 2019	7,373,000	10,100,000	0.73
12 November 2015	31 August 2020	7,537,250	10,325,000	0.73
12 November 2015	31 August 2021	821,250	1,125,000	0.73
		30,149,000	41,300,000	

During the year, the trustee acquired 710,000 shares from the markets and held on behalf of the Company to re-grant to eligible employee in future under the Scheme. As a result, an amount of RMB417,000 (2014: Nil) has been debited to shares held under share award scheme and deducted from total equity directly.

In the current year, share award expense of RMB1,340,000 has been recognised by the Group as staff costs in the profit or loss.

27. Operating lease commitments

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

	2015 RMB'000	2014 RMB'000
Within 1 year	**6,969**	3,973
After 1 year but within 5 years	**9,430**	13,677
Over 5 years	**4,009**	7,159
Total	**20,408**	24,809

Certain leases have escalation clauses and rent-free periods.

28. Capital commitments

	2015 RMB'000	2014 RMB'000
Commitment for the acquisition for a land	**–**	4,500

29. Dividends

No dividend has been paid or declared by the Company during the year (2014: Nil).

The directors do not recommend for payment of a final dividend for the year (2014: Nil).

30. Summary of financial assets and financial liabilities by category

The Group's financial assets and liabilities include the following:

	2015	2014
	RMB'000	RMB'000
Loan and receivables, at amortised cost		
Trade and other receivables	**15,863**	18,642
Cash and cash equivalents	**49,535**	54,821
Amount due from an associate	**24**	–
Available-for-sale assets, at fair value		
Available-for-sale investment	**–**	262
	65,422	73,725
Financial liabilities at amortised cost		
Trade and other payables	**13,552**	3,920
Amount due to a director	**–**	600
Financial liabilities at fair value through profit or loss		
Convertible bonds	**3,882**	3,460
	17,434	7,980

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, amount due from an associate, trade and other payables and amount due to a director.

Due to their short term nature, their carrying values approximate their fair values.

30. Summary of financial assets and financial liabilities by category *(Continued)*

(b) Financial instruments measured at fair value

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 and 2014 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

		2015	
	Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**
Liabilities			
Liability component of convertible bonds	**–**	**–**	**3,882**

		2014	
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Assets			
Available-for-sale investment	–	–	262
Liabilities			
Liability component of convertible bonds	–	–	3,460

There were no transfers between level 1, 2 and 3 during the year.

31. Financial risk management objectives and policies

31.1 Financial risk factors

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

(a) Foreign exchange rate risk

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

At 31 December 2015, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax loss for the year would have been approximately RMB1,910,000 higher/lower (2014: pre-tax loss for the year would have been approximately RMB647,000 higher/lower) mainly as a result of foreign exchange losses/gains on translation of bank deposits. The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

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

The Group's interest rate risk arises from cash at bank and the convertible bonds. Cash at bank at variable rates expose the Group to cash flow interest rate risk but the impact to the financial statements of the Group is minimal.

As at 31 December 2015, if the interest rate of the convertible bonds had been 100 basis point higher/lower with all other variables held constant, loss for the year would have been RMB63,000 higher/lower (2014: RMB9,000 higher/lower) as a result of an increase/decrease in the interest rate.

(c) Credit risk

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

As at 31 December 2015, 8% (2014: 16%) of the Group's cash at banks were deposited in financial institutions with no credit rating provided by Standard and Poor's. During the year ended 31 December 2015, the Group transferred majority of the Group's cash at bank to financial institutions located in the PRC with a minimum rating of "A-" (2014: A-) or above and only maintained sufficient deposit in these financial institutions without credit rating in order to satisfy the payments which required to be settled through these bank accounts. Management does not expect any losses arising from non-performance by these counterparties as at the reporting date.

31. Financial risk management objectives and policies *(Continued)*

31.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Trade receivables of the Group as at 31 December 2015 and 2014 represent amounts due from various insurance companies and other customers who all have no recent history of default. Debtors of the Group may be affected by the unfavorable economic conditions, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

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

As at 31 December 2015, the Group had a concentration of credit risk given that the largest 5 trade debtors accounted for 14% (2014: 26%) of the Group's total year end trade receivables balance. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

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

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

(d) Liquidity risk

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

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

31. Financial risk management objectives and policies *(Continued)*

31.1 Financial risk factors *(Continued)*

(d) Liquidity risk (Continued)

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

	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2015				
Trade and other payables	**13,552**	**–**	**–**	**13,552**
Convertible bond – debt component	**44**	**4,415**	**–**	**4,459**
	13,596	**4,415**	**–**	**18,011**
At 31 December 2014				
Trade and other payables	3,920	–	–	3,920
Amount due to a director	600	–	–	600
Convertible bond – debt component	41	41	4,153	4,235
	4,561	41	4,153	8,755

31.2 Capital management

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

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

32. Related party transactions

During the year ended 31 December 2015, the directors are of the view that related parties of the Group include the following parties:

Name of party	Relationship
Shareholders:	
Lu Yu	Ultimate holding company
Ms. Natsu Kumiko	Ultimate controlling shareholder and director of the Company
Xinyi Glass	Non-controlling shareholder
Fellow subsidiaries of non-controlling shareholder:	
信義玻璃（天津）有限公司	Fellow subsidiary of Xinyi Glass
信義汽車部件(天津)有限公司	Fellow subsidiary of Xinyi Glass
東莞奔迅汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
信義汽車玻璃（深圳）有限公司上海分公司	Fellow subsidiary of Xinyi Glass
信義汽車部件（蕪湖）有限公司	Fellow subsidiary of Xinyi Glass
信義汽車玻璃（深圳）有限公司	Fellow subsidiary of Xinyi Glass
信義光伏產業（安徽）控股有限公司	Fellow subsidiary of Xinyi Glass
深圳市信義房地產開發有限公司	Fellow subsidiary of Xinyi Glass
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 (resigned on 30 September 2015)	Director of the Company
Mr. Xia Xiufeng (appointed as Chairman on 16 July 2015)	Director of the Company
Mr. Fong William (resigned on 5 January 2015)	Director of the Company
Mr. Chen Jinliang	Director of the Company
Mr. Liu Mingyong (appointed on 30 September 2015)	Director of the Company
Mr. Qi Dianjiang (appointed on 30 September 2015 and ceased on 25 February 2016)	Director of the Company
Mr. Han Shaoli (appointed on 13 February 2015)	Director of the Company
Mr. Jiang Bin (appointed on 13 February 2015)	Director of the Company

32. Related party transactions *(Continued)*

(a) Transactions with related parties

	2015 RMB'000	2014 RMB'000
Sales of inventories to a fellow subsidiary of Xinyi Glass	**56**	19
Purchases of inventories from fellow subsidiaries of Xinyi Glass (Note)	**15,774**	15,617
Sales of inventories to an associate	**20**	–
Rental expenses paid to non-controlling interest shareholders	**63**	50
Rental expenses paid to a fellow subsidiaries of Xinyi Glass	**175**	160

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

Note:

The related party transactions constitute connected transaction or continuing connected transaction as defined in Chapter 20 of the Listing Rules.

(b) Balances with related parties

	2015 RMB'000	2014 RMB'000
Amounts due to fellow subsidiaries of Xinyi Glass	–	157
Amount due to a director	–	600
Prepayment to a fellow subsidiary of Xinyi Glass	–	41
Prepayment to a non-controlling interest	–	25
Amount due from an associate	**24**	–

(c) Key management personnel compensation

The Group defines directors as key management personnel and remuneration for key management personnel, including amounts paid to the Company's directors, are disclosed in Note 9.

32. Related party transactions *(Continued)*

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

	2015 RMB'000	2014 RMB'000
At the beginning of the year	**(600)**	–
Advance from a director (Note)	**–**	(600)
Repayment to a director	**600**	–
At the end of the year	**–**	(600)

Note: Advance from a director was unsecured, interest-free and repayable on demand. The balance was denominated in HK$. The carrying amount approximated to its fair value.

33. Business combinations

On 15 January 2014, the Group acquired 100% equity interest in Shenzhen Xinyida Automobile Glass Company Limited ("**Shenzhen Xinyida**") at a consideration of RMB16,000,000. Shenzhen Xinyida is principally engaged in the sales and trading of automobile glass and provision of installation services to public transportation service providers in Shenzhen.

33. Business combinations *(Continued)*

The following table summarises the consideration paid for the acquisition of Shenzhen Xinyida, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
Cash	16,000
Recognised amount of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	219
Inventories	3,972
Trademark (Note 14)	2,400
Customer relationships (Note 14)	4,100
Property, plant and equipment (Note 13)	219
Trade and other receivables	2,157
Trade and other payables	(6,373)
Deferred tax liabilities (Note 23)	(1,625)
Total identifiable net assets	5,069
Goodwill (Note 14)	10,931
Net cash outflow on acquisition of business during the year ended 31 December 2014:	
Cash consideration paid	16,000
Cash and cash equivalents acquired	(219)
Prepayment in prior year	(8,000)
	7,781

The revenue included in the profit or loss since 15 January 2014 contributed by Shenzhen Xinyida was approximately RMB9,119,000 for the year ended 31 December 2014. Shenzhen Xinyida also contributed profit of approximately RMB846,000 for the year ended 31 December 2014.

Had Shenzhen Xinyida been consolidated from 1 January 2014, the profit or loss would show pro-forma revenue of approximately RMB135,584,000 and loss of approximately RMB12,202,000 for the year ended 31 December 2014.

34. Company level statement of financial position

	Note	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		**224,619**	217,204
Current assets			
Amount due from a subsidiary		**3,643**	5,807
Prepayments and other receivables		**3,558**	1,261
Cash and cash equivalents		**34,247**	36
		41,448	7,104
Total assets		**266,067**	224,308
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**5,263**	4,193
Reserves	21	**254,523**	213,172
		259,786	217,365
Current liabilities			
Trade and other payables		**1,446**	2,004
Amount due to a director		**–**	600
Income tax payable		**920**	879
		2,366	3,483
Non-current liabilities			
Convertible bonds		**3,915**	3,460
Total liabilities		**6,281**	6,943
Total equity and liabilities		**266,067**	224,308
Net current assets		**39,082**	3,621
Total assets less current liabilities		**263,701**	220,825

On behalf of the directors

Director *Director*

35. Investments in subsidiaries

Particulars of the principal subsidiaries as at 31 December 2015 and 2014 are shown as follows:

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/ registered capital	Equity interest held by the Company 2015	2014	Principal activities
Directly held:					
Yu Sheng Investments Limited	British Virgin Islands, limited liability company	USD10,000	**100%**	100%	Investment holding
Indirectly held:					
Chang Hong Investments (HK) Limited 長洪投資（香港）有限公司	Hong Kong, limited liability company	HK$1	**100%**	100%	Investment holding
Beijing Zhengmei Fengye Automobile Service Co., Ltd. 北京正美豐業汽車服務有限公司	Beijing, the PRC, limited liability company	RMB50,000,000	**100%**	100%	Sales and trading of automobile glass
Beijing Zhengmei Fengye Automobile Glass Installation Co., Ltd. 北京正美豐業汽車玻璃安裝有限公司	Beijing, the PRC, limited liability company	RMB500,000	**100%**	100%	Provision of installation service of automobile glass
Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd. 正美豐業（天津）汽車玻璃有限公司	Tianjin, the PRC, limited liability company	RMB2,000,000	**51%**	51%	Sales and trading of automobile glass; provision of installation service of automobile glass
Zhengmei Haida (Tianjin) Automobile Glass Sales Co., Ltd 正美海達（天津）汽車玻璃銷售有限公司	Tianjin, the PRC, limited liability company	RMB2,000,000	**51%**	51%	Sales and trading of automobile glass; provision of installation service of automobile glass
Shenyang Zhengmei Automobile Glass Co., Ltd. (Note iii) 瀋陽正美汽車玻璃有限公司	Shenyang, the PRC, limited liability company	RMB2,000,000	**49%**	51%	Sales and trading of automobile glass; provision of installation service of automobile glass

35. Investments in subsidiaries *(Continued)*

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/ registered capital	Equity interest held by the Company 2015	2014	Principal activities
Indirectly held: *(Continued)*					
Shenzhen Xinyida automobile Glass Co., Ltd. 深圳信義達汽車玻璃有限公司	Shenzhen, the PRC, limited liability company	RMB6,000,000	**100%**	100%	Sales and trading of automobile glass; provision of installation service of automobile glass
Beijing Fengye Zhengmei New Energy Technology Company Limited 北京豐業正美新能源科技有限公司 (Note ii)	Beijing, the PRC, limited liability company	RMB20,000,000	**100%**	N/A	Provision of installation services of photovoltaic system
Tianjin Zhengmei Glass Technology Co., Ltd. 天津正美玻璃科技有限公司	Tianjin, the PRC, limited liability company	HK$38,000,000	**100%**	100%	Sales and trading of automobile glass; provision of installation service of automobile glass
Tianjin Fengye New Energy Technology Co., Ltd. (Note i) 天津豐業新能源科技有限公司	Tianjin, the PRC, limited liability company	RMB3,000,000	**100%**	100%	Provision of installation services of photovoltaic system
Zhengmei Haida (Tianjin) Automobile Glass Technology Co., Ltd (Note i) 正美海達(天津)汽車玻璃科技有限公司	Tianjin, the PRC, limited liability company	RMB2,000,000	**51%**	51%	Sales and trading of automobile glass; provision of installation service of automobile glass

Note i: The subsidiaries were incorporated in 2014.

Note ii: The subsidiary is incorporated in 2015

Note iii: On 21 December 2015, the Group completed the disposal of 2% equity interest in its subsidiary, Shenyang Zhengmei, to another shareholder of Shenyang Zhengmei at consideration of RMB56,000 which resulted to a loss of control on Shenyang Zhengmei. Please refer to Note 24 for the details of the partial disposals of a subsidiary.

Interest in subsidiaries represents equity funding by the Company to the respective subsidiary and is measured in accordance with the Company's accounting policy for investment in subsidiaries as set out in Note 4(b).

36. Contingent liabilities

In 2014, Xinyi Glass 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 of the Company, 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 Property Acquisition as detailed in Note 13.

Pursuant to the Originating Summons, Xinyi Glass has concerns that the terms of the Daqing Property Acquisition might not serve the best interests of the Company and the shareholders as a whole and it has doubt on the legality surrounding the Daqing Property Acquisition. Accordingly, Xinyi Glass sought the following orders:

(i) the acquisition agreement to be declared void or, in the alternative, voidable;

(ii) the convertible bonds of the Company issued to satisfy the consideration of the Daqing Property 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; and

(iii) in the event that the acquisition agreement and the convertible bonds are declared voidable, the Company and the vendor be compelled to terminate and/or rescind the same;

(iv) in the alternative, damages from the existing executive and non-executive directors and certain existing and former independent non-executive directors.

The litigation is still proceedings but with little progress in 2015. Management has consulted legal advisors in both the PRC and Hong Kong in response to the Originating Summons. The directors have thoroughly revisited the situations based on the advices of the PRC and Hong Kong legal advisors during the year, and considered that the demands (i) to (iii) are still 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 2015 and 2014.

Five Year Financial Summary

The audited results of the Group for the years ended 31 December 2015, 2014 and 2013 and the audited assets and liabilities of the Group as at 31 December 2015, 2014 and 2013 are those set out in the published financial statements for the years ended 31 December 2015, 2014 and 2013, respectively.

RESULTS

	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**131,193**	135,193	144,214	136,954	45,446
(Loss)/Profit before income tax	**(94,982)**	(10,313)	14,712	20,665	43,686
Income tax credit/(expense)	**5,001**	(1,781)	(5,410)	(5,580)	(3,742)
(Loss)/Profit for the year	**(89,981)**	(12,094)	9,302	15,085	39,944
Attributable to:					
Owners of the Company	**(89,484)**	(12,637)	8,664	14,367	39,723
Non-controlling interests	**(497)**	543	638	718	221

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**213,873**	250,947	155,279	122,821	106,418
Total liabilities	**(22,588)**	(22,249)	(15,601)	(21,937)	(36,177)
Non-controlling interests	**(3,626)**	(5,468)	(4,484)	(3,096)	(2,378)

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