



**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*



**2016**

First Quarterly Report



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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2016

### First Quarterly Results

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2016, together with the comparative unaudited figures for the corresponding period in 2015, are as follows:

	Notes	Three months ended 31 March	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	6	37,225	22,954
Cost of sales		(33,675)	(19,060)
<b>Gross profit</b>		<b>3,550</b>	3,894
Other (loss)/gain, net		(294)	4
Selling and distribution costs		(6,795)	(5,098)
Administrative expenses		(9,069)	(9,045)
		<b>(12,608)</b>	(10,245)
Finance income		11	31
Finance cost		(20)	(18)
Finance (cost)/income, net		<b>(9)</b>	13
Share of losses of investments accounted for using equity method		<b>(121)</b>	(167)
Losses before income tax		<b>(12,738)</b>	(10,399)
Income tax credit	7	105	247
<b>Losses for the period</b>		<b>(12,633)</b>	(10,152)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Other comprehensive income:</b>			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		(10)	(370)
<b>Total comprehensive income for the period</b>		<b>(12,643)</b>	(10,522)
<b>Losses attributable to:</b>			
Owners of the Company		(12,456)	(9,991)
Non-controlling interests		(177)	(161)
		<b>(12,633)</b>	(10,152)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(12,466)	(10,361)
Non-controlling interests		(177)	(161)
		<b>(12,643)</b>	(10,522)
Loss per share attributable to owners of the Company for the period (expressed in RMB cents per share)	9		
Basic and diluted loss per share		<b>(1.88)</b>	(1.89)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Convertible		Exchange reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
bonds equity reserve RMB'000					Available-for-sale investment RMB'000						
<b>Balance at 1 January 2015</b> <b>(Audited)</b>	4,193	207,155	(47,484)	4,658	22,169	262	(780)	33,057	223,230	5,468	228,698
<b>Comprehensive income</b>											
Loss for the period	-	-	-	-	-	-	-	(9,991)	(9,991)	(161)	(10,152)
<b>Other comprehensive income</b>											
Currency translation difference	-	-	-	-	-	-	(370)	-	(370)	-	(370)
<b>Total comprehensive income</b>	-	-	-	-	-	-	(370)	(9,991)	(10,361)	(161)	(10,522)
<b>Transactions with equity owners of the Company recognised directly in equity</b>											
Appropriation to PRC statutory reserve	-	-	-	20	-	-	-	(20)	-	-	-
<b>Balance at 31 March 2015</b> <b>(Unaudited)</b>	4,193	207,155	(47,484)	4,678	22,169	262	(1,150)	23,046	212,869	5,307	218,176

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended 31 March 2016

	Attributable to owners of the Company											Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Convertible bonds equity reserve RMB'000	Shares held for share award scheme RMB'000	Employee share based payment reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	
<b>Balance at 1 January 2016 (Audited)</b>	5,263	258,103	(47,484)	4,552	22,169	(417)	1,385	409	(56,321)	187,659	3,626	191,285
<b>Comprehensive income</b>												
Loss for the period	-	-	-	-	-	-	-	-	(12,456)	(12,456)	(177)	(12,633)
<b>Other comprehensive income</b>												
Currency translation difference	-	-	-	-	-	-	-	(10)	-	(10)	-	(10)
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	(10)	(12,456)	(12,466)	(177)	(12,643)
<b>Transactions with equity owners of the Company recognised directly in equity</b>												
Share purchased under share award scheme	-	-	-	-	-	(829)	-	-	-	(829)	-	(829)
Equity-settled share-based payment expenses	-	-	-	-	-	-	2,576	-	-	2,576	-	2,576
Appropriation to PRC statutory reserve	-	-	-	14	-	-	-	-	(14)	-	-	-
<b>Balance at 31 March 2016 (Unaudited)</b>	5,263	258,103	(47,484)	4,566	22,169	(1,246)	3,961	399	(68,791)	176,940	3,449	180,389



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

#### *General information*

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

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated financial statements are applied consistent with those applied in the Group’s audited consolidated financial statements for the year ended 31 December 2015.

### 3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and the debt component of the convertible bonds which are carried at fair value. They are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. BASIS OF CONSOLIDATION

The condensed 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 condensed 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 periods are included in the condensed 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.

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.





## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted a number of new and revised standards, interpretations and amendments (hereinafter collectively referred to as “**new and revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2016. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior periods/years.

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

### 6. REVENUE AND SEGMENT REPORTING

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

	Three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of automobile glass with installation/repair services	19,414	20,991
Trading of automobile glass	2,811	1,440
Provision of installation services of photovoltaic system	15,000	523
Total	37,225	22,954

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. REVENUE AND SEGMENT REPORTING (CONTINUED)

	Northern China (excluding Shenyang)		Shenyang		Hangzhou		Shenzhen		Reportable segments	
	Three months ended		Three months ended		Three months ended		Three months ended		Three months ended	
	31 March		31 March		31 March		31 March		31 March	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Turnover-revenue from:</b>										
Sales of automobile glass with installation/repair services	17,301	18,514	-	343	456	418	1,657	1,716	19,414	20,991
Trading of automobile glass	3,176	8,246	-	216	71	144	265	257	3,512	8,863
Provision of installation services of photovoltaic system	15,000	523	-	-	-	-	-	-	15,000	523
Inter-segment sales	(700)	(7,339)	-	(79)	-	-	(1)	(5)	(701)	(7,423)
Revenue from external customers	34,777	19,944	-	480	527	562	1,921	1,968	37,225	22,954
<b>Results of reportable segments</b>	<b>2,840</b>	<b>3,259</b>	<b>-</b>	<b>7</b>	<b>144</b>	<b>57</b>	<b>566</b>	<b>571</b>	<b>3,550</b>	<b>3,894</b>
Depreciation	993	1,137	-	24	7	32	22	31	1,022	1,224
Amortisation	183	379	-	-	-	-	140	207	323	586
Capital expenditure	183	295	-	-	-	-	51	43	234	338
A reconciliation of results of reportable segments to losses for the period is as follows:										
<b>Results of reportable segments</b>									<b>3,550</b>	<b>3,894</b>
Unallocated income									53	4
Unallocated expenses									(16,211)	(14,143)
									(12,608)	(10,245)
Finance income									11	31
Finance cost									(20)	(18)
Share of losses of investments accounted for using equity method									(121)	(167)
Losses before income tax									(12,738)	(10,399)



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the period (Three months ended 31 March 2015: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

All subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the period (Three months ended 31 March 2015: 25%). The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Island during the period (Three months ended 31 March 2015: Nil).

### 8. DIVIDENDS

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2016 (Three months ended 31 March 2015: Nil).

### 9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share for the three months ended 31 March 2016 and 2015 is based on the loss for the period attributable to owners of the Company of approximately RMB12,456,000 (Three months ended 31 March 2015: RMB9,991,000) and the weighted average number of approximately 661,000,000 (Three months ended 31 March 2015: 530,000,000) ordinary shares of the Company in issue for the period ended 31 March 2016.

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 three months ended 31 March 2016 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 period ended 31 March 2015 is the same as the basic loss per share as the conversion of potential dilutive ordinary shares in relation to convertible bonds would have an anti-dilutive effect to the basic loss per share.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The principal business of the Group included sales of automobile glass with installation/repair services, trading of automobile glass and provision of installation services of photovoltaic system. As at 31 March 2016, the Group operated 29 service centres in the PRC for providing automobile glass installation/repair services (As at 31 March 2015: 29). The Group's total revenue for the three months ended 31 March 2016 amounted to approximately RMB37,225,000, representing an increase of approximately RMB14,271,000 or 62.2% as compared to that of approximately RMB22,954,000 for the corresponding period last year. Overall gross profit decreased by approximately RMB344,000 or 8.8% to approximately RMB3,550,000 for the three months ended 31 March 2016 from approximately RMB3,894,000 for the corresponding period last year. The gross profit margin for the current period decreased to 9.5% from 17.0% for the corresponding period last year. The total comprehensive loss attributable to owners of the Company for the three months ended 31 March 2016 was approximately RMB12,466,000, increased by approximately RMB2,105,000 from approximately RMB10,361,000 for the three months ended 31 March 2015.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### REVIEW BY SEGMENT

	Northern China (excluding Shenyang)			Shenyang			Hangzhou			Shenzhen			Total		
	Three months ended			Three months ended			Three months ended			Three months ended			Three months ended		
	31 March			31 March			31 March			31 March			31 March		
	2016	2015	Change	2016	2015	Change	2016	2015	Change	2016	2015	Change	2016	2015	Change
RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	
Revenue	34,777	19,944	74.4%	-	480	(100)%	527	562	(6.2)%	1,921	1,968	(2.4)%	37,225	22,954	62.2%
Gross profit	2,879	3,259	(11.7)%	-	7	(100)%	104	57	82.5%	567	571	(0.7)%	3,550	3,894	(8.8)%
Gross profit margin	8.3%	16.3%		-	1.5%		19.7%	10.1%		29.5%	29.0%		9.5%	17.0%	

The Northern China segment includes Beijing, Tianjin, Sanhe and revenue generated from these areas represents 93.4% of the Group's total revenue. Revenue from the Northern China segment increased by approximately 74.4% from approximately RMB19,944,000 to approximately RMB34,777,000 for the three months ended 31 March 2016. The increase was mainly attributable to the increase of revenue from provision of installation services of photovoltaic system of approximately RMB14,477,000 from RMB523,000 for the three months ended 31 March 2015 to approximately RMB15,000,000 for the three months ended 31 March 2016. Gross profit decreased by approximately 11.7% from approximately RMB3,259,000 for the corresponding period last year to approximately RMB2,879,000 for the three months ended 31 March 2016, and gross profit margin decreased from approximately 16.3% for the corresponding period last year to approximately 8.3% for the three months ended 31 March 2016. This was mainly due to the gross profit margin on provision of installation services of photovoltaic system is much lower than on sales of automobile glass with installation/repair services.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 Hangzhou segment decreased by approximately 6.2% from approximately RMB562,000 to approximately RMB527,000 for the three months ended 31 March 2016. This was mainly due to decline of both sales and trading of automobile glass resulted from keen competition in the Hangzhou area. Gross profit increased by approximately 82.5% from approximately RMB57,000 for the three months ended 31 March 2015 to approximately RMB104,000 for the three months ended 31 March 2016, and gross profit margin increased from approximately 10.1% for the three months ended 31 March 2015 to approximately 19.7% for the three months ended 31 March 2016, the increase are mainly due to reduction of shop rental expenses for the three months ended 31 March 2016.

The revenue from the Shenzhen segment amounted to approximately RMB1,921,000 for the three months ended 31 March 2016, which represents a 2.4% decrease as compared to approximately RMB1,968,000 of the corresponding period last year. The decrease was mainly due to decrease in sales of automobile glass with installation/repair service business. Gross profit amounted to approximately RMB567,000 with gross profit margin of approximately 29.5% and is consistent with the corresponding period last year.

### Selling and Distribution Costs

Selling and distribution costs increased by approximately 33.3% from approximately RMB5,098,000 for the three months ended 31 March 2015 to approximately RMB6,795,000 for three months ended 31 March 2016. The increase was mainly due to the increase in advertising, marketing and sales platform development expenses of approximately RMB836,000 and staff and service centres maintenance costs of approximately RMB854,000.



## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Administrative Expenses**

The Group's administrative expenses are mainly consisted of professional fees, staff costs (including Directors' remunerations and share-based payment expenses), depreciation and rental expenses. The total administrative expenses slightly increased by approximately 0.26% from approximately RMB9,045,000 for the three months ended 31 March 2015 to approximately RMB9,069,000 for the three months ended 31 March 2016. For the three months ended 31 March 2016, the Group incurred share-based payment expenses of approximately RMB2,576,000 but legal and financial consultancy fees and other professional expenses were reduced approximately the same amounts.

### **Finance Cost and Income, Net**

Finance cost increased slightly from approximately RMB18,000 for the three months ended 31 March 2015 to approximately RMB20,000 for the three months ended 31 March 2016. Finance income decreased from approximately RMB31,000 for the three months ended 31 March 2015 to approximately RMB11,000 for the three months ended 31 March 2016 and was mainly the result of a decrease in average monthly deposit with banks in the PRC.

### **Share of Losses of Investments Accounted for Using Equity Method**

On 21 December 2015, the Group disposed 2% of its equity interest in Shenyang Zhengmei from previously 51% to 49% and the control was ceased and Shenyang Zhengmei now become an associated company of the Group. As a result, the Group's share of its operating loss of approximately RMB121,000 for the period ended 31 March 2016.

### **Income Tax Credit**

The Group recorded income tax credit of approximately RMB105,000 for the current period, representing a decrease of approximately RMB142,000 from approximately RMB247,000 for the three months ended 31 March 2015. The income tax credit was mainly attributable to the decline of deferred income tax liabilities during the periods ended 31 March 2015 and 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Loss for the Period

The Group recorded net loss of approximately RMB12,633,000 for the three months ended 31 March 2016, increased by approximately RMB2,481,000 from approximately RMB10,152,000 for the corresponding period last year. The increase in net loss for the period was mainly attributable to the increase of selling and distribution costs.

### Contingent Liabilities

On 24 December 2014, Xinyi Automobile Glass (BVI) Company Limited (“**Xinyi Glass (BVI)**”) issued an originating summons (the “**Originating Summons**”) and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region against the Company, the vendor of the Daqing property, the holder of the convertible bonds, the existing executive and non-executive Directors and certain existing and former independent non-executive Directors, with respect to the acquisition of a property in Daqing (the “**Daqing Acquisition**”) as detailed in the annual report for the year ended 2015.

Pursuant to the Originating Summons, Xinyi Glass (BVI) has concerns that the terms of the acquisition agreement (the “**Daqing Acquisition Agreement**”) may not serve the best interests of the Company and the shareholders as a whole and it has doubt on the legality surrounding the Daqing Acquisition. Accordingly, Xinyi Glass (BVI) seeks the following orders:

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





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The litigation is still proceeding but with little progress up to this report date. 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, 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 condensed consolidated financial statements as at 31 March 2016.

Save as disclosed above, as at 31 March 2016, the Group did not have any other significant contingent liabilities (31 March 2015: Nil).

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### CORPORATE GOVERNANCE

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

### Interests of the Compliance Adviser

As notified by Quam Capital Limited (“**Quam Capital**”), the compliance adviser of the Company, except for the compliance adviser agreement entered into between the Company and Quam Capital dated 13 August 2013 and the financial adviser agreement entered into between the Company and Quam Capital in relation to a connected transaction in relation to subscription of new shares by a substantial shareholder as disclosed in the announcement of the Company dated 28 March 2014, neither Quam Capital nor its directors, employees or close associates had any interests in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2016. The compliance adviser services have been expired as at 31 March 2016.



## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Directors' Interests in Competing Interests**

For the three months ended 31 March 2016, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

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

During the three months ended 31 March 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 March 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

*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%
Lo Chun Yim (Note 2)	Interest in a controlled corporation	106,000,000	16.04%

Notes:

- (1) On 12 November 2015, award shares were granted to certain Directors under the share 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.
- (2) Rise Grace Development Limited (“**Rise Grace**”), a company incorporated in Hong Kong on 5 November 2009 and an investment holding company, is wholly and beneficially owned by Lo Chun Yim and Lo Chun Yim is a non-executive Director of the Company. Lo Chun Yim is deemed to be interested in the 106,000,000 shares held by Rise Grace virtue of his 100% shareholding interest in Rise Grace.

Save as disclosed above, as at 31 March 2016, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 31 March 2016, 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") (Note 1)	Beneficial owner	206,500,000	31.24%
Natsu Kumiko (Note 1)	Interest in a controlled corporation	206,500,000	31.24%
Xia Chengzhen (Note 2)	Interest of spouse	206,500,000	31.24%
Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass (BVI)") (Note 3)	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 (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") (Note 5)	Beneficial owner	4,690,647	0.71%
	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%

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 206,500,000 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 206,500,000 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 1 April 2016, and the individual substantial shareholder notice filed by Lo Chun Yim on 1 April 2016.
- (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.

\* *For identification purpose only*



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed above, as at 31 March 2016, the Directors were not aware of any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by Directors throughout the three months ended 31 March 2016.

### Audit Committee

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Code. The primary duties of the Audit Committee are mainly to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control system of the Company. The Audit Committee has four members comprising Mr. Jiang Bin (Chairman), Mr. Han Shaoli, Mr. Chen Jinliang and Mr. Liu Mingyong. The Audit Committee has reviewed the unaudited results of the Group for the three months ended 31 March 2016.

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

Hong Kong, 10 May 2016

*As at the date of this report, the executive Directors are Ms. Xia Lu, Mr. He Changsheng and Mr. Li Honglin; the non-executive Directors are Mr. Xia Xiufeng (Chairman), Mr. Liu Mingyong and Mr. Lo Chun Yim; and the independent non-executive Directors are Mr. Chen Jinliang, Mr. Han Shaoli and Mr. Jiang Bin.*