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

2017
Interim Report

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*This report for which the directors (the "**Directors**") of ZMFY Automobile Glass Services Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") 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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AUDITOR

BDO Limited
Certified Public Accountants
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111 Connaught Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

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

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China Construction Bank
Beijing Rural Commercial Bank

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STOCK CODE

8135

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

Unaudited Interim Results

The unaudited condensed consolidated results of ZMFY Automobile Glass Services Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the six months and three months ended 30 June 2017, together with the comparative unaudited figures for the corresponding periods in 2016, are as follows:

		Six months ended 30 June		**Three months ended 30 June**	
	Notes	**2017 (unaudited) RMB'000**	2016 (unaudited) RMB'000	**2017 (unaudited) RMB'000**	2016 (unaudited) RMB'000
Revenue	6	**47,533**	70,895	**28,462**	33,670
Cost of sales	8	**(39,403)**	(60,475)	**(22,303)**	(26,800)
Gross profit		**8,130**	10,420	**6,159**	6,870
Other loss, net	6	**(104)**	(332)	**(49)**	(38)
Selling and distribution costs	8	**(9,722)**	(13,248)	**(4,723)**	(6,453)
Administrative expenses	8	**(17,368)**	(18,831)	**(7,631)**	(9,762)
		(19,064)	(21,991)	**(6,244)**	(9,383)
Finance income		**10**	21	**5**	10
Finance cost		**(101)**	(40)	**(39)**	(20)
Finance cost, net		**(91)**	(19)	**(34)**	(10)
Share of losses of investment accounted for using the equity method		**(20)**	(166)	**(9)**	(45)
Loss before income tax		**(19,175)**	(22,176)	**(6,287)**	(9,438)
Income tax (expense)/credit	9	**(212)**	62	**(116)**	(43)
Loss for the period		**(19,387)**	(22,114)	**(6,403)**	(9,481)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**(360)**	625	**(233)**	635
Total comprehensive income for the period		**(19,747)**	(21,489)	**(6,636)**	(8,846)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2017

	Note	Six months ended 30 June 2017 (unaudited) RMB'000	Six months ended 30 June 2016 (unaudited) RMB'000	Three months ended 30 June 2017 (unaudited) RMB'000	Three months ended 30 June 2016 (unaudited) RMB'000
Loss attributable to:					
Owners of the Company		**(19,381)**	(21,881)	**(6,474)**	(9,425)
Non-controlling interests		**(6)**	(233)	**71**	(56)
		(19,387)	(22,114)	**(6,403)**	(9,481)
Total comprehensive income attributable to:					
Owners of the Company		**(19,741)**	(21,256)	**(6,707)**	(8,790)
Non-controlling interests		**(6)**	(233)	**71**	(56)
		(19,747)	(21,489)	**(6,636)**	(8,846)
Loss per share attributable to owners of the Company for the period (expressed in RMB cents per share)					
Basic and diluted loss per share	11	**(2.93)**	(3.31)	**(0.98)**	(1.43)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**53,685**	54,169
Intangible assets		**770**	908
Available-for-sales financial assets	13	**2,798**	–
Investment accounted for using the equity method		**–**	1,102
Prepayments and deposits	14	**1,777**	1,777
Deferred taxation		**1,252**	1,220
		60,282	59,176
Current assets			
Inventories	16	**32,815**	31,005
Trade and other receivables	14	**23,983**	27,303
Income tax recoverable		**63**	249
Cash and cash equivalents		**65,161**	28,535
		122,022	87,092
Total assets		**182,304**	146,268
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	17	**5,263**	5,263
Reserves		**106,180**	121,633
		111,443	126,896
Non-controlling interests		**1,540**	3,262
Total equity		**112,983**	130,158

	Notes	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	15	**14,744**	11,663
Convertible bonds	18	**4,564**	4,445
Borrowings	19	**50,000**	–
Income tax payables		**13**	2
Total liabilities		**69,321**	16,110
Total equity and liabilities		**182,304**	146,268
Net current assets		**52,701**	70,982
Total assets less current liabilities		**112,983**	130,158

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	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	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016 (Audited)	5,263	258,103	(47,484)	4,552	22,169	(417)	1,385	409	(56,321)	187,659	3,626	191,285
Comprehensive income												
Loss for the period	–	–	–	–	–	–	–	–	(21,881)	(21,881)	(233)	(22,114)
Other comprehensive income												
Currency translation differences	–	–	–	–	–	–	–	625	–	625	–	625
Total comprehensive income	–	–	–	–	–	–	–	625	(21,881)	(21,256)	(233)	(21,489)
Transactions with owners of the Company recognised directly in equity												
Share purchased under share award scheme	–	–	–	–	–	(5,225)	–	–	–	(5,225)	–	(5,225)
Equity-settled share-based payment expenses	–	–	–	–	–	–	5,173	–	–	5,173	–	5,173
Appropriation to PRC statutory reserve	–	–	–	25	–	–	–	–	(25)	–	–	–
Balance at 30 June 2016 (Unaudited)	5,263	258,103	(47,484)	4,577	22,169	(5,642)	6,558	1,034	(78,227)	166,351	3,393	169,744

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	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	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017 (Audited)	5,263	258,103	(47,484)	4,626	22,169	(10,975)	8,411	2,747	(115,964)	126,896	3,262	130,158
Comprehensive income												
Loss for the period	–	–	–	–	–	–	–	–	(19,381)	(19,381)	(6)	(19,387)
Other comprehensive income												
Currency translation differences	–	–	–	–	–	–	–	(360)	–	(360)	–	(360)
Total comprehensive income	–	–	–	–	–	–	–	(360)	(19,381)	(19,741)	(6)	(19,747)
Transactions with owners of the Company recognised directly in equity												
Equity-settled share-based payment expenses	–	–	–	–	–	–	4,288	–	–	4,288	–	4,288
Partial disposal of a subsidiary	–	–	–	(221)	–	–	–	–	221	–	(1,716)	(1,716)
Appropriation to PRC statutory reserve	–	–	–	–	–	–	–	–	–	–	–	–
Balance at 30 June 2017 (Unaudited)	5,263	258,103	(47,484)	4,405	22,169	(10,975)	12,699	2,387	(135,124)	111,443	1,540	112,983

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	**(12,481)**	(5,145)
Net cash used in investing activities	**(486)**	(389)
Net cash generated from/(used in) financing activities	**50,000**	(5,225)
Net increase/(decrease) in cash and cash equivalents	**37,033**	(10,759)
Cash and cash equivalents at beginning of the period	**28,535**	49,535
Effect of foreign exchange	**(407)**	453
Cash and cash equivalents at end of the period	**65,161**	39,229

1. CORPORATE INFORMATION

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 "**Stock Exchange**"). 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 information.

The condensed consolidated financial information 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 information are applied consistent with those applied in the Group's audited consolidated financial statements for the year ended 31 December 2016.

3. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, 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 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 information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

4. BASIS OF CONSOLIDATION

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 information. 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.

4. BASIS OF CONSOLIDATION (CONTINUED)

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.

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 2017. 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 are not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial information.

6. REVENUE AND OTHER LOSS, NET

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

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue				
Sales of automobile glass with installation/repair services	**42,940**	47,825	**26,187**	28,411
Trading of automobile glass	**4,582**	6,447	**2,264**	3,636
Provision of installation services of photovoltaic system	**11**	16,623	**11**	1,623
Total	**47,533**	70,895	**28,462**	33,670
Other loss, net				
– (Loss)/Gain on disposal of property, plant and equipment	**(21)**	37	**(15)**	43
– Gain on partial disposal of a subsidiary	**1**	–	**–**	–
– Others	**(84)**	(369)	**(34)**	(337)
Total	**(104)**	(332)	**(49)**	(294)

7. SEGMENT REPORTING

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

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

7. SEGMENT REPORTING (CONTINUED)

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

	Northern China Six months ended 30 June		Hangzhou Six months ended 30 June		Shenzhen Six months ended 30 June		Reportable segments Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Unaudited) RMB'000
Turnover-revenue from:								
Sales of automobile glass with installation/repair services	**40,088**	43,335	**853**	945	**1,999**	3,545	**42,940**	47,825
Trading of automobile glass	**4,938**	7,137	**307**	328	**695**	495	**5,940**	7,960
Provision of installation services of photovoltaic system	**11**	16,623	**–**	–	**–**	–	**11**	16,623
Inter-segment sales	**(1,051)**	(1,384)	**(307)**	(128)	**–**	(1)	**(1,358)**	(1,513)
Revenue from external customers	**43,986**	65,711	**853**	1,145	**2,694**	4,039	**47,533**	70,895
Results of reportable segments	**7,851**	9,034	**18**	204	**261**	1,182	**8,130**	10,420
Depreciation	**749**	1,974	**111**	15	**21**	46	**881**	2,035
Amortisation	**–**	366	**–**	–	**138**	280	**138**	646
Capital expenditure	**90**	481	**499**	–	**–**	51	**589**	532

A reconciliation of results of reportable segments to loss for the period is as follows:

Results of reportable segments	**8,130**	10,420
Unallocated income	**66**	104
Unallocated expenses	**(27,260)**	(32,515)
	(19,064)	(21,991)
Finance income	**10**	21
Finance cost	**(101)**	(40)
Share of loss of investment accounted for using equity method	**(20)**	(166)
Loss before income tax	**(19,175)**	(22,176)

8. EXPENSES BY NATURE

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost of inventories (Note 16)	**27,491**	46,147	**16,248**	19,872
Advertising and marketing	**696**	1,758	**404**	827
Business tax and surcharges	**151**	586	**77**	289
Employee costs (including directors' emoluments)	**22,529**	25,641	**10,541**	13,119
Depreciation	**881**	2,035	**470**	1,022
Amortisation	**138**	646	**69**	323
Rental expenses	**3,892**	3,858	**1,922**	1,959
Fuels	**1,095**	1,294	**458**	625
Utilities	**383**	348	**141**	122
Transportation	**931**	1,209	**494**	681
Meeting and conference expenses	**1,449**	1,828	**666**	1,057
Tools and liveries	**68**	67	**48**	33
Office expenses	**729**	1,059	**342**	637
Legal and professional fees	**1,726**	2,429	**779**	1,039
Sales agency fees	**2,233**	1,949	**1,186**	954
Sub-contracting fees	**3**	500	**–**	–
Settlement costs on a legal action	**1,100**	–	**–**	–
Others	**998**	1,200	**812**	456
Total	**66,493**	92,554	**34,657**	43,015

9. INCOME TAX (EXPENSE)/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 six months ended 30 June 2017 (Six months ended 30 June 2016: 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 six months ended 30 June 2017 (Six months ended 30 June 2016: 25%). The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands during the six months ended 30 June 2017 (Six months ended 30 June 2016: Nil).

9. INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current income tax				
– Current period	**(57)**	(153)	**(39)**	(92)
– (Under)/Over-provision in prior periods	**(2)**	2	**(2)**	2
Deferred income tax	**(153)**	213	**(75)**	47
Income tax (expense)/credit	**(212)**	62	**(116)**	(43)

10. DIVIDENDS

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2017 (Six months ended 30 June 2016: Nil).

11. 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 period.

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(19,381)**	(21,881)	**(6,474)**	(9,425)
Weighted average number of ordinary shares in issue (thousands)	**661,000**	661,000	**661,000**	661,000
Loss per share (in RMB cents)	**(2.93)**	(3.31)	**(0.98)**	(1.43)

11. LOSS PER SHARE (CONTINUED)

(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 shares. 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 six months ended 30 June 2017 and 2016 is the same as the basic loss per share as the utilisation of the unvested awarded 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.

12. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Opening net book amount	**54,169**	59,408
Partial disposal of a subsidiary	**(156)**	–
Additions	**589**	2,794
Depreciation charge	**(881)**	(4,074)
Provision for impairment	**–**	(3,879)
Disposals	**(36)**	(80)
Closing net book amount	**53,685**	54,169

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Opening net book amount	**–**	–
Transferred from investments accounted for using equity method (Note a)	**1,082**	–
Addition (Note b)	**1,716**	–
Closing net book amount	**2,798**	–

Notes:

(a) On 14 May 2017, the Group has removed its representative from the associate, Shenyang Zhengmei Automobile Glass Co., Ltd. ("**Shenyang Zhengmei**"). Upon the removal of its representative, the Group no longer has any significant influence over Shenyang Zhengmei and all interest in Shenyang Zhengmei was reclassified to available-for-sale financial assets. The available-for-sale financial assets were initially recognised at fair value on the date of significant influence lost.

(b) On 28 June 2017, the Group completed the disposal of 2% equity interest in Zhengmei Haida (Tianjin) Automobile Glass Sales Co., Ltd. ("**Zhengmei Haida**"), to another shareholder of Zhengmei Haida at a consideration of approximately RMB71,000 and the Group has removed its representative from Zhengmei Haida, resulting in the Group's loss of control and significant influence over Zhengmei Haida and since then, Zhengmei Haida is no longer a subsidiary of the Group and such interest in Zhengmei Haida was recognised as available-for-sale financial assets. The available-for-sale financial assets were initially recognised at fair value on the date of disposal and a gain on partial disposal of a subsidiary of approximately RMB1,000 was recorded in other loss, net during the period.

All available-for-sale financial assets represented unlisted equity securities and the fair value of these unlisted equity securities are level 3 (inputs for the assets or liability that are not based on observable market data) and is denominated in RMB.

14. TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade and bill receivables	**14,576**	14,989
Prepayments (Note)		
– Third parties	**10,055**	12,980
Deposit and other receivables		
– Third parties	**834**	816
– Related parties	**295**	295
	25,760	29,080
Less: non-current portion		
– Prepayments	**(1,777)**	(1,777)
	23,983	27,303

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Prepayments for purchase of inventories	**1,824**	3,260
Prepayment for rental	**2,808**	3,200
Deposit for acquisition of trademarks	**4,398**	4,398
Others	**1,025**	2,122
	10,055	12,980

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
0-30 days	**5,538**	7,274
31-60 days	**3,269**	3,143
61-90 days	**1,344**	1,132
Over 90 days	**4,425**	3,440
Total	**14,576**	14,989

As at 30 June 2017, trade receivables of approximately RMB4,437,000 (31 December 2016: RMB3,440,000) were past due but not impaired. No impairment provision was made (31 December 2016: Nil). These related 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:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
61-90 days	**12**	–
Over 90 days	**4,425**	3,440
Total	**4,437**	3,440

15. TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Current:		
Trade payables		
– Third parties	**7,678**	1,397
Value-added tax payable	**200**	1,641
Salaries payable	**2,615**	5,865
Receipt in advance	**116**	–
Other payables and accruals	**4,135**	2,760
	14,744	11,663

Credit terms granted by suppliers are generally within 60 days.

Ageing analysis of trade payables at 30 June 2017 and 31 December 2016 based on invoice date is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
0-30 days	**4,747**	1,140
31-60 days	**2,560**	20
61-90 days	**291**	–
Over 90 days	**80**	237
Total	**7,678**	1,397

16. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Finished goods	**32,815**	31,005

Cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB27,491,000 for the six months ended 30 June 2017 (Six months ended 30 June 2016: RMB46,147,000).

17. SHARE CAPITAL

	Number of shares	RMB'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 January 2016 and 31 December 2016	780,000,000	6,094
Increased of authorised shares	780,000,000	6,922
As at 30 June 2017	**1,560,000,000**	**13,016**
Issued and fully paid:		
Ordinary shares of HK$0.01 each	661,000,000	5,263
As at 31 December 2016 and 30 June 2017	**661,000,000**	**5,263**

18. CONVERTIBLE BONDS

On 14 November 2014, the Company issued convertible bonds ("**CB**") in the principal amount of HK60,816,000. 54,690,647 shares of the Company shall be allotted and issued upon the exercise in full of the conversion rights attached to the CB ("**Conversion Shares**") at the conversion price of HK$1.112 per Conversion Share in exchange for the deposit in relation to the acquisition of a property. The maturity date of the CB was on the third anniversary from the date of issue date of the CB. 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.

On 17 November 2014, 50,000,000 Conversion Shares were allotted and issued to the holder of CB at the conversion price of HK$1.112 per Conversion 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 outstanding shares to be allotted and issued under the CB 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.

As at 30 June 2017, the fair value of the CB was approximately RMB4,564,000 (31 December 2016: RMB4,445,000).

19. BORROWINGS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Repayable within 1 year	**50,000**	–

As at 30 June 2017, the borrowing was obtained from an independent third party with the interest rate of 8% per annum and repayable on 31 December 2017. This borrowing was secured by one of the Group's properties in Daqing with net book value of approximately RMB44,607,000 as at 30 June 2017.

20. OPERATING LEASE COMMITMENTS

As at 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	**5,668**	8,359
After 1 year but within 5 years	**7,358**	9,075
Over 5 years	**2,964**	3,400
Total	**15,990**	20,834

Certain leases have escalation clauses and rent-free periods.

21. RELATED PARTY TRANSACTIONS

		Six months ended 30 June		**Three months ended 30 June**	
	Notes	**2017 (Unaudited) RMB'000**	2016 (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Unaudited) RMB'000
Sales of inventories to a fellow subsidiary of Xinyi	1,2	**8**	37	**–**	1
Purchase of inventories from fellow subsidiaries of Xinyi	1,2	**6,164**	5,894	**2,457**	3,848

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

1 During the period ended 30 June 2017, the Group entered into transactions with the following related parties:

Name of party	Relationship
Lu Yu Global Limited	Ultimate holding company
Ms. Natsu Kumiko	Ultimate controlling shareholder
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi**")	Non-controlling shareholder
Fellow subsidiaries of non-controlling shareholder:	
信義玻璃（天津）有限公司	Fellow subsidiary of Xinyi
信義汽車部件（天津）有限公司	Fellow subsidiary of Xinyi
東莞奔迅汽車玻璃有限公司	Fellow subsidiary of Xinyi
信義汽車玻璃（深圳）有限公司上海分公司	Fellow subsidiary of Xinyi
信義汽車部件（蕪湖）有限公司	Fellow subsidiary of Xinyi
信義汽車部件（東莞）有限公司	Fellow subsidiary of Xinyi
深圳市信義房地產開發有限公司	Fellow subsidiary of Xinyi
Directors:	
Ms. Xia Lu	Director of the Company
Mr. He Changsheng	Director of the Company
Mr. Li Honglin	Director of the Company
Mr. Xia Xiufeng (Chairman)	Director of the Company
Mr. Liu Mingyong	Director of the Company
Mr. Lo Chun Yim	Director of the Company
Mr. Chen Jinliang	Director of the Company
Mr. Han Shaoli	Director of the Company
Mr. Jiang Bin	Director of the Company

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

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 in the PRC. As at 30 June 2017, the Group operated 28 service centres in the PRC for providing automobile glass installation/repair services (30 June 2016: 29). The Group's total revenue for the six months ended 30 June 2017 amounted to approximately RMB47,533,000, representing a decrease of approximately RMB23,362,000 or 33.0% as compared to that of approximately RMB70,895,000 for the corresponding period last year. Overall gross profit decreased by approximately RMB2,290,000 or 22.0% to approximately RMB8,130,000 for the six months ended 30 June 2017 from approximately RMB10,420,000 for the corresponding period last year. The gross profit margin for the current period increased to approximately 17.1% from approximately 14.7% for the corresponding period last year. The total comprehensive loss attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB19,741,000, representing a decrease of approximately RMB1,515,000 or 7.1% from approximately RMB21,256,000 for the six months ended 30 June 2016.

REVIEW BY SEGMENT

	Northern China Six months ended 30 June			Hangzhou Six months ended 30 June			Shenzhen Six months ended 30 June			Total Six months ended 30 June		
	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000	Change %	**2017 (unaudited) RMB'000**	2016 (unaudited) RMB'000	Change %	**2017 (unaudited) RMB'000**	2016 (unaudited) RMB'000	Change %	**2017 (unaudited) RMB'000**	2016 (unaudited) RMB'000	Change %
Revenue	**43,986**	65,711	(33.1)%	**853**	1,145	(25.5)%	**2,694**	4,039	(33.3)%	**47,533**	70,895	(33.0)%
Gross profit	**7,851**	9,034	(13.1)%	**18**	204	(91.2)%	**261**	1,182	(77.9)%	**8,130**	10,420	(22.0)%
Gross profit margin	**17.8%**	13.7%		**2.1%**	17.8%		**9.7%**	29.3%		**17.1%**	14.7%	

Northern China Segment

The Northern China segment includes Beijing, Tianjin, Sanhe and revenue generated from these areas remained the Group's major source of revenue, which represents approximately 92.5% of the Group's total revenue during the six months ended 30 June 2017. Revenue from the Northern China segment decreased by approximately 33.1% from approximately RMB65,711,000 for the six months ended 30 June 2016 to approximately RMB43,986,000 for the six months ended 30 June 2017. The decrease was mainly caused by substantial decrease of revenue from provision of installation services of photovoltaic system for the six months ended 30 June 2017 (Six months ended 30 June 2016: RMB16,623,000). Gross profit decreased by approximately 13.1% from approximately RMB9,034,000 for the corresponding period last year to approximately RMB7,851,000 for the six months ended 30 June 2017, and gross profit margin increased from approximately 13.7% for the corresponding period last year to approximately 17.8% for the six months ended 30 June 2017. This was mainly due to the higher of gross profit margin on sales of automobile glass with installation/repair service than the provision of installation services of photovoltaic system.

On 28 June 2017, the Group completed its disposal of 2% of its equity interest in Zhengmei Haida at a consideration of RMB70,530. As a result, the Group's interest therein decreased from 51% to 49% and since then Zhengmei is no longer a subsidiary of the Group. As a result, the account of Zhengmei Haida was deconsolidated from the consolidated financial information of the Group from the date that control was ceased.

Hangzhou Segment

Revenue of the Hangzhou segment decreased by approximately 25.5% from approximately RMB1,145,000 for the corresponding period last year to approximately RMB853,000 for the six months ended 30 June 2017. This was mainly due to decline of trading of automobile glass resulted from the keen competition in the Hangzhou area. Gross profit decreased by approximately 91.2% from approximately RMB204,000 for the six months ended 30 June 2016 to approximately RMB18,000 for the six months ended 30 June 2017, and gross profit margin decreased from approximately 17.8% for the six months ended 30 June 2016 to approximately 2.1% for the six months ended 30 June 2017 and this was mainly due to decrease in both sales and trading of automobile glass whereas the related costs such as rental expenses, staff costs and utilities, decreased with lesser proportion.

Shenzhen Segment

The revenue from the Shenzhen segment amounted to approximately RMB2,694,000 for the six months ended 30 June 2017, representing a decrease of approximately 33.3% as compared to that of approximately RMB4,039,000 for the corresponding period last year. The decrease was mainly due to the increase in competitors in automobile glass installation/repair service business in Shenzhen during the six months ended 30 June 2017. Gross profit decreased by approximately 77.9% from approximately RMB1,182,000 for the six months ended 30 June 2016 to approximately RMB261,000 for the six months ended 30 June 2017. Gross profit margin decreased from approximately 29.3% for the six months ended 30 June 2016 to approximately 9.7% for the six months ended 30 June 2017 and this was mainly due to decrease in both sales and trading of automobile glass whereas the related costs such as rental expenses, staff costs and utilities, decreased with lesser proportion.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately 26.6% from approximately RMB13,248,000 for the six months ended 30 June 2016 to approximately RMB9,722,000 for six months ended 30 June 2017. The decrease was mainly due to the decrease in advertising and marketing expenses of approximately RMB1,062,000 and depreciation and amortisation of approximately RMB1,662,000.

Administrative Expenses

The Group's administrative expenses mainly consisted of professional fees, staff costs (including Directors' remunerations and share-based payments expenses), depreciation and rental expenses. The total administrative expenses decrease by approximately 7.8% from approximately RMB18,831,000 for the six months ended 30 June 2016 to approximately RMB17,368,000 for the six months ended 30 June 2017. The decrease was mainly due to the decrease of employee costs of approximately RMB1,358,000.

Finance Cost, Net

The finance cost, net, increased from approximately RMB19,000 for the six months ended 30 June 2016 to approximately RMB91,000 for the six months ended 30 June 2017, which was mainly attributable to the increase in losses on foreign currencies exchange during the six months ended 30 June 2017.

Income Tax (Expense)/Credit

The Group's income tax expenses was approximately RMB212,000 for the six months ended 30 June 2017, as compared to the income tax credit of approximately RMB62,000 for the six months ended 30 June 2016. The increase of income tax expense was mainly attributable to the decline of deferred income tax assets during the six months ended 30 June 2017.

Loss for the Period

As a combined result of the factors discussed above, the Group recorded a net loss of approximately RMB19,387,000 for the six months ended 30 June 2017, representing a decrease of approximately RMB2,727,000 from approximately RMB22,114,000 for the corresponding period last year. The decrease in net loss for the period was mainly attributable to the decrease in selling and distribution costs.

Current Ratio

The Group's current ratio as at 30 June 2017 was approximately 1.76, as compared with 5.4 as at 31 December 2016. The decrease was mainly due to a short term borrowing made as at 30 June 2017.

Capital Structure

As at 30 June 2017, the Group had net assets of approximately RMB112,983,000 (31 December 2016: approximately RMB130,158,000), comprising non-current assets of approximately RMB60,282,000 (31 December 2016: approximately RMB59,176,000), and current assets of approximately RMB122,022,000 (31 December 2016: approximately RMB87,092,000). The Group recorded a net current asset position of approximately RMB52,701,000 (31 December 2016: approximately RMB70,982,000), which was primarily consisted of cash and cash equivalents of approximately RMB65,161,000 (31 December 2016: approximately RMB28,535,000), inventories of approximately RMB32,815,000 (31 December 2016: approximately RMB31,005,000), and trade and other receivables of approximately RMB23,983,000 (31 December 2016: approximately RMB27,303,000). Major current liabilities were trade and other payables of approximately RMB14,744,000 (31 December 2016: approximately RMB11,663,000), income tax payables of approximately RMB13,000 (31 December 2016: approximately RMB2,000), CB of approximately RMB4,564,000 (31 December 2016: approximately RMB4,445,000) and borrowing of RMB50,000,000 (31 December 2016: Nil).

Liquidity and Financial Resources

As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB65,161,000, representing a net increase of approximately RMB36,626,000 as compared to that of approximately RMB28,535,000 as at 31 December 2016. The gearing ratio of the Group as at 30 June 2017 was approximately 48.3% (31 December 2016: 3.4%), which mainly arose from CB of RMB4,564,000 (31 December 2016: RMB4,445,000) and borrowing of RMB50,000,000 (31 December 2016: Nil). Net cash outflow from operating activities amounted to approximately RMB12,481,000 (Six months ended 30 June 2016: approximately RMB5,145,000) as a result of operating loss for the six months ended 30 June 2017. Net cash inflow from financing activities amounted to approximately RMB50,000,000 (Six months ended 30 June 2016: net cash outflow of approximately RMB5,225,000) as a result of borrowing made at 30 June 2017 (31 December 2016: Nil). In view of the Group's current level of cash and bank balances, funds generated internally from our operations, the Board is confidential that the Group will have sufficient resources to meet its finance needs for its operations.

Convertible Bonds

On 14 November 2014, the Company issued CB in the principal amount of HK60,816,000. The CB was convertible into 54,690,647 Conversion Shares at the conversion price of HK$1.112 per Conversion Share in exchange for the deposit in relation to the acquisition of a property. The maturity date of the CB was on the third anniversary from the date of issue of the CB. During the six months ended 30 June 2017, the Company did not issue any shares pursuant to the exercise of conversion rights attached to the CB. As at 30 June 2017, the fair value of the convertible bonds was approximately RMB4,564,000 (31 December 2016: RMB4,445,000).

Pledge of Assets

On 19 August 2016, the Group has pledged one of its properties in Beijing with net book value of approximately RMB4,032,000 as at 30 June 2017 to guarantee one of the Group's suppliers of imported glass for a bank borrowing of RMB2,000,000 for a period of 12 months and will be repaid on 18 August 2017. Except as disclosed above and set out in note 19, the Group did not have any other assets pledged for bank borrowings or for other purpose (30 June 2016: Nil).

Contingent Liabilities

On 24 December 2014, Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi**") 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 Directors, a former non-executive Director 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 31 December 2016.

Pursuant to the Originating Summons, Xinyi 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 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.

The litigation is still ongoing but no step has been taken by Xinyi to prosecute the same against all the Defendants since 12 November 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, 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 information as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, the Group did not have any other significant contingent liabilities.

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2017 and 31 December 2016.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. During the six months ended 30 June 2017, the Group did not hedge any exposure in foreign currency risk.

Employees and Remuneration Policy

As at 30 June 2017, the Group employed a total of 401 employees (30 June 2016: 425 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the six months ended 30 June 2017, the total staff costs (including Directors' emoluments) amounted to approximately RMB22,529,000 (30 June 2016: approximately RMB25,641,000).

The Group has adopted a share option scheme (the "**Scheme**") for its employees. Since the adoption of the Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 30 June 2017, no share options under the Scheme were outstanding.

On 12 October 2015, the Group adopted a share award scheme (the "**Share Award Scheme**") for its employees. On 12 November 2015, the Group granted an aggregate of 41,300,000 shares in the Share Award Scheme to be purchase by the trustee ("**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 second tranche of 7,630,000 Award Shares is expected to be vested on or around 31 August 2017.

On 11 January 2017, the Group granted 4,500,000 Award Shares to Mr. He Changsheng, an executive Director, under the Share Award Scheme. The Award Shares will be vested in full in five tranches over five years. The first tranche of 1,000,000 Award Shares is expected to be vested on 31 August 2017.

Significant Investments Held

As at 30 June 2017, the Group did not hold any significant investments (31 December 2016: Nil).

Future Plans for Material Investments or Capital Assets

Save as disclosed in other section of this report, the Group had no other plan for material investment or capital assets as at 30 June 2017. However, the Group will continue to explore new opportunity in other industries.

Material Acquisition and Disposal

The Group did not have any major acquisition and disposal during the six months ended 30 June 2017.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business objectives as set out in the Company's prospectus dated 27 August 2013 (the "**Prospectus**") with actual business progress up to 30 June 2017:

Business objectives	Planned progress as set out in the prospectus	Actual business progress up to 30 June 2017
Expand the existing business of the Group by setting up new service centres in the PRC	To set up new service centres in Beijing (3), Tianjin (2), Hangzhou (1), 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 2016 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 2016, 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 will establish another service centre in Daqing to replace the proposed location in Shenyang formerly stated in the Prospectus.

Business objectives	Planned progress as set out in the prospectus	Actual business progress up to 30 June 2017
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 RMB696,000 (equivalent to approximately HK$790,000) for advertising on radio to promote the Group's brand image and enhance its reputation during the six months ended 30 June 2017.

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).

Up to 30 June 2017, the net proceeds from the Share Placing had been applied as follows:

Business objectives up to 30 June 2017		**Planned use of proceeds from the LPD to 30 June 2017** (HK$ million) (Note)	**Actual use of proceeds from the LPD to 30 June 2017** (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 up to 30 June 2017 being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.

The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

PROSPECTS

Looking ahead, the Group is striving to strengthen its position in the automobile glass installation/repair service industry in Beijing and Tianjin, and further exploring its business operation in Daqing. In addition, the Group is in the process of developing the Online-To-Offline ("**O2O**") services so as to enhance the coverage of the Group's services in the region. The O2O commerce is the use of online platform and 24 hours hotline to draw potential customers from online channels to our 28 physical services centres in six cities in China or the provision of door-to-door services to online customers through our over motorcade service teams which stationed at service centres.

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

The Directors considered that the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2017.

Dividends

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

Directors' Interests in Competing Interests

For the six months ended 30 June 2017, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2017, 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:

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

	Nature of interest				
Name of Director	Beneficial interests	Beneficiary of a trust	Interest of a controlled corporation	Total interests	Approximate percentage of Shareholding (%)
					(Note 4)
He Changsheng	1,500,000	13,500,000 (Note 1)	–	15,000,000	2.27%
Li Honglin	450,000	4,050,000 (Note 2)	–	4,500,000	0.68%
Xia Lu	1,000,000	9,000,000 (Note 2)	–	10,000,000	1.51%
Xia Xiufeng	–	1,000,000 (Note 2)	–	1,000,000	0.15%
Lo Chun Yim	–	–	106,000,000 (Note 3)	106,000,000	16.04%

Notes:

(1) These Shares represented 9,000,000 and 4,500,000 Awarded Shares granted to Mr. He Changsheng on 12 November 2015 and 11 January 2017, respectively, pursuant to the Share Award Scheme. The Award Shares granted on 12 November 2015 and 11 January 2017 will be vested in full in five tranches over five years and four tranches over four years respectively. These Awarded Shares were registered in the name of Computershare Hong Kong Trustees Limited, the trustee of the Share Award Scheme. Therefore, Mr. He Changsheng was deemed to be interested in the Shares in which Computershare Hong Kong Trustees Limited was interested by virtue of the SFO.

(2) These Shares represented 4,050,000, 9,000,000 and 1,000,000 Awarded Shares granted to Mr. Li Honglin, Ms. Xia Lu and Mr. Xia Xiufeng, respectively, on 12 November 2015 pursuant to the Share Award Scheme which remain unvested as at 30 June 2017. The award shares will be vested in full to those Directors respectively in five tranches each over six years. These Awarded Shares were registered in the name of Computershare Hong Kong Trustees Limited, the trustee of the Share Award Scheme. Therefore, each of Mr. Li Honglin, Ms. Xia Lu and Mr. Xia Xiufeng was deemed to be interested in the Shares in which Computershare Hong Kong Trustees Limited was interested by virtue of the SFO.

(3) These Shares were held by Rise Grace Development Limited ("**Rise Grace**"), a company incorporated in Hong Kong on 5 November 2009 and an investment holding company. Rise Grace was wholly and beneficially owned by Diamond Galaxy Limited, which was in turn wholly and beneficially owned by Mr. Lo Chun Yim, a non-executive director of the Company. Mr. Lo Chun Yim was deemed to be interested in all the Shares in which Rise Grace was interested by virtue of the SFO.

(4) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company has 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 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

As at 30 June 2017, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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 (%)
			(Note 5)
Lu Yu Global Limited ("**Lu Yu**") (Note 1)	Beneficial owner	216,000,000	32.68%
Natsu Kumiko ("**Ms. Natsu**") (Note 1)	Interest in a controlled corporation	216,000,000	32.68%
Xia Chengzhen (Note 2)	Interest of spouse	216,000,000	32.68%
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi**") (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%

Notes:

(1) Lu Yu, a company incorporated in the British Virgin Islands (the "**BVI**") on 21 April 2011 and an investment holding company, was wholly and beneficially owned by Ms. Natsu. Ms. Natsu was deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

(2) Mr. Xia Chengzhen was the spouse of Ms. Natsu and he was deemed to be interested in the Shares in which Ms. Natsu was interested by virtue of the SFO.

(3) Xinyi, a company incorporated in the BVI on 13 June 2012 and an investment holding company, was wholly and beneficially owned by Xinyi Glass Holdings. Therefore, Xinyi Glass Holdings was deemed to be interested in all the Shares in which Xinyi was interested by virtue of the SFO.

(4) These Shares were held by Rise Grace, which was wholly and beneficially owned by Diamond Galaxy Limited. Therefore, Diamond Galaxy Limited was deemed to be interested in all the Shares in which Rise Grace was interested by virtue of the SFO.

(5) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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 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 six months ended 30 June 2017.

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 CG 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 and risk management systems 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 condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 and was of the opinion that preparation of such results complied with the applicable accounting standard.

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

Hong Kong, 14 August 2017

As at the date of this report, the executive Directors are Ms. Xia Lu (Chief Executive Officer), 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.