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
Third Quarterly Report

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

Third Quarterly Results

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

		Nine months ended 30 September		**Three months ended 30 September**	
		2017	2016	**2017**	2016
		RMB'000	RMB'000	**RMB'000**	RMB'000
	Notes	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue	6	**81,911**	101,786	**34,378**	30,891
Cost of sales		**(63,857)**	(86,412)	**(24,454)**	(25,937)
Gross profit		**18,054**	15,374	**9,924**	4,954
Other loss, net	6	**(106)**	(409)	**(2)**	(77)
Selling and distribution costs		**(14,316)**	(19,638)	**(4,594)**	(6,390)
Administrative expenses		**(25,894)**	(28,447)	**(8,526)**	(9,616)
		(22,262)	(33,120)	**(3,198)**	(11,129)
Finance income		**50**	31	**41**	10
Finance cost		**(678)**	(57)	**(578)**	(17)
Finance cost, net		**(628)**	(26)	**(537)**	(7)
Share of losses of investment accounted for using the equity method		**(20)**	(191)	**–**	(25)
Loss before income tax		**(22,910)**	(33,337)	**(3,735)**	(11,161)
Income tax (expense)/credit	8	**(381)**	89	**(169)**	27
Loss for the period		**(23,291)**	(33,248)	**(3,904)**	(11,134)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**(704)**	1,140	**(344)**	515
Total comprehensive income for the period		**(23,995)**	(32,108)	**(4,248)**	(10,619)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and nine months ended 30 September 2017

	Notes	Nine months ended 30 September 2017 RMB'000 (unaudited)	Nine months ended 30 September 2016 RMB'000 (unaudited)	Three months ended 30 September 2017 RMB'000 (unaudited)	Three months ended 30 September 2016 RMB'000 (unaudited)
Loss attributable to:					
Owners of the Company		**(23,180)**	(32,959)	**(3,799)**	(11,078)
Non-controlling interests		**(111)**	(289)	**(105)**	(56)
		(23,291)	(33,248)	**(3,904)**	(11,134)
Total comprehensive income attributable to:					
Owners of the Company		**(23,884)**	(31,819)	**(4,143)**	(10,563)
Non-controlling interests		**(111)**	(289)	**(105)**	(56)
		(23,995)	(32,108)	**(4,248)**	(10,619)
Loss per share attributable to owners of the Company for the period (expressed in RMB cents per share)					
Basic and diluted loss per share	10	**(3.48)**	(4.99)	**(0.56)**	(1.68)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	Retained earnings 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	–	–	–	–	–	–	–	–	(32,959)	(32,959)	(289)	(33,248)
Other comprehensive income												
Currency translation differences	–	–	–	–	–	–	–	1,140	–	1,140	–	1,140
Total comprehensive income	–	–	–	–	–	–	–	1,140	(32,959)	(31,819)	(289)	(32,108)
Transactions with owners of the Company recognised directly in equity												
Share purchased under share award scheme	–	–	–	–	–	(5,543)	–	–	–	(5,543)	–	(5,543)
Equity-settled share-based payment expenses	–	–	–	–	–	–	7,604	–	–	7,604	–	7,604
Appropriation to PRC statutory reserve	–	–	–	40	–	–	–	–	(40)	–	–	–
Balance at 30 September 2016 (Unaudited)	5,263	258,103	(47,484)	4,592	22,169	(5,960)	8,989	1,549	(89,320)	157,901	3,337	161,238

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 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	–	–	–	–	–	–	–	–	(23,180)	(23,180)	(111)	(23,291)
Other comprehensive income												
Currency translation differences	–	–	–	–	–	–	–	(704)	–	(704)	–	(704)
Total comprehensive income	–	–	–	–	–	–	–	(704)	(23,180)	(23,884)	(111)	(23,995)
Transactions with owners of the Company recognised directly in equity												
Issue of new shares	994	41,749	–	–	–	–	–	–	–	42,743	–	42,743
Equity-settled share-based payment expenses	–	–	–	–	–	–	6,144	–	–	6,144	–	6,144
Partial disposal of a subsidiary	–	–	–	(221)	–	–	–	–	221	–	(1,716)	(1,716)
Appropriation to PRC statutory reserve	–	–	–	426	–	–	–	–	(426)	–	–	–
Balance at 30 September 2017 (Unaudited)	6,257	299,852	(47,484)	4,831	22,169	(10,975)	14,555	2,043	(139,349)	151,899	1,435	153,334

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 principal office is located at 2318 Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

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 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 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 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 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 information 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.

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 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.

	Nine months ended 30 September		Three months ended 30 September	
	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	**69,241**	74,644	**26,301**	26,819
Trading of automobile glass	**7,462**	10,476	**2,880**	4,029
Provision of installation services of photovoltaic system	**144**	16,666	**133**	43
Business consultancy services	**5,064**	–	**5,064**	–
Total	**81,911**	101,786	**34,378**	30,891
Other loss, net				
– Gain/(Loss) on disposal of property, plant and equipment	**16**	25	**37**	(12)
– Others	**(122)**	(434)	**(39)**	(65)
Total	**(106)**	(409)	**(2)**	(77)

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)

During the nine months ended 30 September 2017, since all revenue of the Group was generated from the PRC, and all information now reported to the Group's CODM for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided, no geographical information is present for the nine months ended 30 September 2017 and certain comparative figures in the segment information for the nine months ended 30 September 2016 has been reclassified to conform to current periods presentation.

Segment assets and liabilities are not regularly reported to the Group's CODM and therefore information of reportable segment assets and liabilities is not presented in the condensed consolidated financial information.

	Sales of automobile glass with installation/repair services Nine months ended 30 September		**Trading of automobile glass Nine months ended 30 September**		**Provision of installation services of photovoltaic system Nine months ended 30 September**		**Business consultancy services Nine months ended 30 September**		**Reportable segments Nine months ended 30 September**	
	2017 (Unaudited) RMB'000	2016 (Restated) (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Restated) (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Restated) (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Restated) (Unaudited) RMB'000	**2017 (Unaudited) RMB'000**	2016 (Restated) (Unaudited) RMB'000
Revenue	**69,241**	74,644	**9,015**	12,832	**144**	16,666	**5,064**	–	**83,464**	104,142
Inter-segment sales	**–**	–	**(1,553)**	(2,356)	**–**	–	**–**	–	**(1,553)**	(2,356)
Segment revenue from external customers	**69,241**	74,644	**7,462**	10,476	**144**	16,666	**5,064**	–	**81,911**	101,786
Results of reportable segments	**13,690**	15,044	**535**	886	**(610)**	(556)	**4,439**	–	**18,054**	15,374
Depreciation	**1,264**	3,071	**–**	–	**–**	–	**131**	–	**1,395**	3,071
Amortisation	**208**	970	**–**	–	**–**	–	**–**	–	**208**	970
Capital expenditure	**861**	1,395	**–**	–	**–**	–	**–**	–	**861**	1,395

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

	2017	2016
Results of reportable segments	**18,054**	15,374
Unallocated income	**69**	141
Unallocated expenses	**(40,385)**	(48,635)
	(22,262)	(33,120)
Finance income	**50**	31
Finance cost	**(678)**	(57)
Share of losses of investment accounted for using equity method	**(20)**	(191)
Loss before income tax	**(22,910)**	(33,337)

8. INCOME TAX (EXPENSE)/CREDIT

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the British Virgin Islands for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: Nil).

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 (Nine months ended 30 September 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.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group's subsidiaries operate, based on existing legislation, interpretation and practices in respect thereof. All subsidiaries of the Group established in the PRC are subject to the PRC corporate income tax at a rate of 25% for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: 25%).

中科潤谷（橫琴）企業諮詢有限公司 (Zhongke Rungu (Hengqin) Enterprise Consultancy Company Limited*), a subsidiary of CAS Valley Company Inc. ("**CAS Valley**") a company acquired by the Group completed on 18 September 2017, has its legal address registered in Hengqin New Area of Zhuhai, Guangdong Province. It has been granted tax concessions by the local tax bureau and is entitled to enjoy an corporate income tax concession at preferential rate of 15% for the nine months ended 30 September 2017.

9. DIVIDENDS

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: Nil).

* *For identification purposes only*

10. 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.

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(23,180)**	(32,959)	**(3,799)**	(11,078)
Weighted average number of ordinary shares in issue (thousands)	**666,631**	661,000	**677,709**	661,000
Loss per share (in RMB cents)	**(3.48)**	(4.99)	**(0.56)**	(1.68)

(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 loss is adjusted to eliminate the interest expense less the tax effect.

Diluted loss per share for the nine months ended 30 September 2017 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.

Diluted loss per share for the nine months ended 30 September 2016 is the same as basic earnings 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.

The Group is principally engaged in (i) sales of automobile glass with installation/repair services; (ii) trading of automobile glass and provision of installation services of photovoltaic system in the PRC.

BUSINESS REVIEW

Sales of automobile glass with installation/repair services

Revenue from sales of automobile glass with installation/repair services was the major source of revenue of the Group. Revenue from sales of automobile glass with installation/repair services are provided either at the Group's service centres to walk-in customers, or by the Group's motorcade service teams to door-to-door customers in the PRC. The Group operated 28 service centres in the PRC providing automobile glass installation/repair services (30 September 2016: 29).

For the nine months ended 30 September 2017, revenue from sales of automobile glass with installation/repair services approximately RMB69,241,000, representing a decrease of approximately 7.2% compared with the nine months ended 30 September 2016 of approximately RMB74,644,000. Gross profit of this segment decreased by approximately 9.0% from approximately RMB15,044,000 for the nine months ended 30 September 2016 to approximately RMB13,690,000 for the nine months ended 30 September 2017.

On 1 July 2016, the deregulation of premium rate of motor vehicle insurance became effective in the PRC ("**Deregulation**"), many insured customers now prefer to repair instead of replacement of the damaged automobile glass through insurance claim, in order to maintain lower or zero claim rates to avoid significant increase in premium. This Deregulation has material impact to our sales of automobile glass.

Trading of automobile glass

Trading of automobile glass represents the Group purchases the automobile glass from its automobile glass suppliers and then re-sells the same to industry peers and traders of automobile glass in the PRC. For the nine months ended 30 September 2017, revenue from trading automobile glass amounted to approximately RMB7,462,000, representing a decrease of approximately 28.8% compared with the nine months ended 30 September 2016 of approximately RMB10,476,000. The decrease in revenue was mainly due to lower demand of automobile glass and keen competition in the market.

Provision of installation services of photovoltaic system

Provision of installation services of photovoltaic system are mostly one-off or ad-hoc projects in nature, seldom providing a predictable and stable revenue stream to the Group; and therefore, are considered as a supplementary income source of the Group.

For the nine months ended 30 September 2017, revenue from provision of installation services of photovoltaic system amounted to approximately RMB144,000, representing a decrease of approximately 99.1% compared with the nine months ended 30 September 2016 of approximately RMB16,666,000.

FINANCIAL REVIEW

Results

The Group's total revenue for the nine months ended 30 September 2017 amounted to approximately RMB81,911,000, representing a decrease of approximately RMB19,875,000 or 19.5% as compared to that of approximately RMB101,786,000 for the corresponding period last year. Overall gross profit increased by approximately RMB2,680,000 or 17.4% to approximately RMB18,054,000 for the nine months ended 30 September 2017 from approximately RMB15,374,000 for the corresponding period last year. The gross profit margin for the current period increased to 22.0% from 15.1% for the corresponding period last year. The total comprehensive loss attributable to owners of the Company for the nine months ended 30 September 2017 amounted to approximately RMB23,884,000, representing a decrease of approximately RMB7,935,000 or 24.9% from approximately RMB31,819,000 for the nine months ended 30 September 2016. The improvement in gross profit and gross profit margin for the nine months ended 30 September 2017, was mainly attributable to the acquisition of new companies by the Group on 25 August 2017. For detail, please refer to section "Material Acquisitions and Disposals" in this report.

Selling and Distribution Costs

Selling and distribution costs decreased by approximately 27.1% from approximately RMB19,638,000 for the nine months ended 30 September 2016 to approximately RMB14,316,000 for the nine months ended 30 September 2017. The decrease was mainly due to the decrease in staff costs of approximately RMB2,804,000, advertising and marketing expenses of approximately RMB1,659,000 and depreciation and amortisation of approximately RMB612,000.

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 decreased by approximately 9.0% from approximately RMB28,447,000 for the nine months ended 30 September 2016 to approximately RMB25,894,000 for the nine months ended 30 September 2017. The decrease was mainly due to the decrease of employee costs of approximately RMB1,958,000.

Finance Cost, net

The finance cost, net increased from approximately RMB26,000 for the nine months ended 30 September 2016 to approximately RMB628,000 for the nine months ended 30 September 2017, which was mainly attributable to the increase in interest expenses on a borrowing made during the nine months ended 30 September 2017.

Income Tax (Expense)/Credit

The Group's income tax expenses was approximately RMB381,000 for the nine months ended 30 September 2017, as compared to the income tax credit approximately RMB89,000 for the nine months ended 30 September 2016. The increase of income tax expense was mainly attributable to the decline of deferred income tax assets during the nine months ended 30 September 2017.

Loss for the period

As a combined result of the factors discussed above, the Group recorded a net loss of approximately RMB23,291,000 for the nine months ended 30 September 2017, representing a decrease of approximately RMB9,957,000 from approximately RMB33,248,000 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 and increase in gross profit.

Convertible Bonds

On 14 November 2014, the Company issued convertible bonds (the "**CB**") in the principal amount of HK$60,816,000. 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. On 17 November 2014, the holder of the CB has completed the conversion of 50,000,000 shares and the principal amount of the remaining CB is HK$5,216,000. On 13 September 2017, the Company has repurchased all outstanding CB at its principal amount of HK$5,216,000 plus interest accrued.

Pledge of Assets

As at 30 September 2017, the Group has an outstanding borrowing of RMB20,000,000 which 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 RMB44,293,000 as at 30 September 2017.

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 September 2017.

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

Material Acquisitions and Disposals

On 25 August 2017, the Company entered into a sale and purchase agreement with four independent third parties ("**Vendors**") whereby the Vendors shall collectively sell and the Company or its nominee shall purchase the entire issued capital of CAS Valley at a total consideration of approximately RMB43.29 million, which was satisfied by the allotment and issue of 118,250,000 new shares of the Company at the issue price of HK$0.43 per share to the Vendors (the "**Acquisition**"). The Acquisition was completed on 18 September 2017. The principal activities of the CAS Valley and its subsidiaries are provision of advisory, investment consulting and management consulting services to enterprises in the PRC. Following the completion of the Acquisition, CAS Valley became a wholly-owned subsidiary group of the Company and the financial results of CAS Valley and its subsidiaries were consolidated into the accounts of the Group. Please refer to the announcement of the Company dated 27 August 2017, 6 September 2017, 13 September 2017 and 18 September 2017 for further details.

Save as disclosed above, the Group did not have any material acquisition and disposal during the nine months ended 30 September 2017.

PROSPECTS

Existing Principal Business

Looking ahead, the Group is striving to strengthen its position in the automobile glass installation/repair service industry. 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.

Prospect for Other Business Opportunities

By acquiring CAS Valley, the Group is expected to leverage on CAS Valley as a platform to expand its business into financial advisory and investment services industry to assist clients to list on the Shanghai Stock Exchange and Shenzhen Stock Exchange in the PRC and to participate in mergers and acquisitions for listed companies in the PRC.

Notwithstanding the difficult challenges ahead, the Group will use its best endeavours to take all necessary effective actions and measures that the Board thinks fit with the aim ensuring the sustainability of the Group's business development. The Group will actively identify potential investment opportunities for the future development of the Group and for the benefit of our shareholders as a whole.

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 nine months ended 30 September 2017.

Directors' Interests in Competing Interests

For the nine months ended 30 September 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 with the Group.

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

Except for the repurchase of the outstanding CB as mentioned in the section headed "Management Discussion and Analysis" during the nine months ended 30 September 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 September 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*

Name of Director	Nature of interest: Beneficial interests	Nature of interest: Beneficiary of a trust	Nature of interest: 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	1.92%
Li Honglin	450,000	4,050,000 (Note 2)	–	4,500,000	0.58%
Xia Lu	1,000,000	9,000,000 (Note 2)	–	10,000,000	1.28%
Xia Xiufeng	–	1,000,000 (Note 2)	–	1,000,000	0.13%
Lo Chun Yim	–	–	106,000,000 (Note 3)	106,000,000	13.60%

Notes:

(1) These Shares represented 9,000,000 and 4,500,000 Shares awarded under the share award scheme ("**Awarded Shares**") adopted by the Group in 12 October 2015 ("**Share Award Scheme**") granted to Mr. He Changsheng on 12 November 2015 and 11 January 2017, respectively. The Awarded 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 September 2017. The Awarded 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 September 2017.

Save as disclosed above, as at 30 September 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 September 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 7)
Lu Yu Global Limited ("**Lu Yu**") (Note 1)	Beneficial owner	216,000,000	27.72%
Natsu Kumiko ("**Ms. Natsu**") (Note 1)	Interest in a controlled corporation	216,000,000	27.72%
Xia Chengzhen (Note 2)	Interest of spouse	216,000,000	27.72%
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi**") (Note 3)	Beneficial owner	120,360,000	15.45%
Xinyi Glass Holdings Limited ("**Xinyi Glass Holdings**") (Note 3)	Interest in a controlled corporation	120,360,000	15.45%
Rise Grace (Note 4)	Beneficial owner	106,000,000	13.60%
Diamond Galaxy Limited (Note 4)	Interest in a controlled corporation	106,000,000	13.60%

Name of shareholder	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding (%)
YinHe Holding Limited (Note 5)	Beneficial owner	48,281,475	6.20%
Lu Yongmin (Note 5)	Interest in a controlled corporation	48,281,475	6.20%
Lu Hong (Note 6)	Interest of spouse	48,281,475	6.20%

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) YinHe Holding Limited, a company incorporated in the BVI on 3 May 2017 and an investment holding company, was wholly and beneficially owned by Lu Yongmin. Therefore, Lu Yongmin was deemed to be interested in all the Shares in which YinHe Holding Limited was interested by virtue of the SFO.

(6) Ms. Lu Hong was the spouse of Mr. Lu Yongmin and she was deemed to be interested in the Shares in which Mr. Lu Yongmin was interested by virtue of the SFO.

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

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 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 condensed consolidated financial information of the Group for the nine months ended 30 September 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, 8 November 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.