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

2018
First Quarterly 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.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

First Quarterly Results

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three months ended 31 March 2018, together with the comparative unaudited figures for the corresponding period in 2017, are as follows:

	Notes	Three months ended 31 March **2018** **RMB'000** **(unaudited)**	 2017 RMB'000 (unaudited)
Revenue	6	**36,759**	19,071
Cost of sales	7	**(18,170)**	(17,100)
Gross profit		**18,589**	1,971
Other gain/(loss), net		**19**	(55)
Selling and distribution costs	7	**(5,207)**	(4,999)
Administrative expenses	7	**(9,064)**	(9,737)
		4,337	(12,820)
Finance income		**42**	5
Finance cost		**(34)**	(62)
Finance income/(cost), net		**8**	(57)
Share of loss of investments accounted for using equity method		**–**	(11)
Profit/(Loss) before income tax		**4,345**	(12,888)
Income tax expense	8	**(2,808)**	(96)
Profit/(Loss) for the period		**1,537**	(12,984)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2018

	Notes	Three months ended 31 March **2018** **RMB'000** **(unaudited)**	 2017 RMB'000 (unaudited)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(901)**	(127)
Total comprehensive income for the period		**636**	(13,111)
Profit/(Loss) attributable to:			
Owners of the Company		**1,814**	(12,907)
Non-controlling interests		**(277)**	(77)
		1,537	(12,984)
Total comprehensive income attributable to:			
Owners of the Company		**913**	(13,034)
Non-controlling interests		**(277)**	(77)
		636	(13,111)
Earnings/(Loss) per share attributable to owners of the Company for the period (expressed in RMB cents per share)	10		
Basic		**0.24**	(1.95)
Diluted		**0.24**	(1.95)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	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	–	–	–	–	–	–	–	–	(12,907)	(12,907)	(77)	(12,984)
Other comprehensive income												
Currency translation difference	–	–	–	–	–	–	–	(127)	–	(127)	–	(127)
Total comprehensive income	–	–	–	–	–	–	–	(127)	(12,907)	(13,034)	(77)	(13,111)
Transactions with equity owners of the Company recognised directly in equity												
Equity-settled share-based payment expenses	–	–	–	–	–	–	2,130	–	–	2,130	–	2,130
Balance at 31 March 2017 (Unaudited)	5,263	258,103	(47,484)	4,626	22,169	(10,975)	10,541	2,620	(128,871)	115,992	3,185	119,177

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended 31 March 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory 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 2018 (Audited)	6,257	311,715	(47,484)	7,117	(9,968)	5,493	2,361	(81,550)	193.941	1,244	195,185
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	1,814	1,814	(277)	1,537
Other comprehensive income											
Currency translation difference	-	-	-	-	-	-	(901)	-	(901)	-	(901)
Total comprehensive income	-	-	-	-	-	-	(901)	1,814	913	(277)	636
Transactions with equity owners of the Company recognised directly in equity											
Issuance of new shares, net of transaction cost	115	4,149	-	-	-	-	-	-	4,264	-	4,264
Equity-settled share-based payment expenses	-	-	-	-	-	426	-	-	426	-	426
Vesting of award shares	-	-	-	-	946	(1,597)	-	651	-	-	-
Appropriation to PRC statutory reserve	-	-	-	40	-	-	-	(40)	-	-	-
Balance at 31 March 2018 (Unaudited)	6,372	315,864	(47,484)	7,157	(9,022)	4,322	1,460	(79,125)	199,544	967	200,511

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 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. The principal activities of its subsidiaries (together with the Company referred to as the "**Group**") are sales of automobile glass with installation/repair services, trading of automobile glass, provisions of installation service of photovoltaic system, provision of business consultancy services and provision of finance leasing business in the People's Republic of China (the "**PRC**").

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

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated financial statements are applied consistent with those applied in the Group's audited consolidated financial statements for the year ended 31 December 2017.

3. BASIS OF PREPARATION

The condensed consolidated financial statements 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. They are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

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

4. BASIS OF CONSOLIDATION

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

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

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

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

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 2018. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

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

6. REVENUE

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

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of automobile glass with installation/repair services	**14,975**	16,753
Trading of automobile glass	**2,799**	2,318
Provision of installation services of photovoltaic system	**209**	–
Business consultancy services	**17,927**	–
Finance leasing services	**849**	–
Total	**36,759**	19,071

7. EXPENSES BY NATURE

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories	**10,132**	11,243
Advertising and marketing	**342**	291
Business tax and surcharges	**155**	73
Employee costs (including directors' emoluments)	**12,299**	11,989
Depreciation	**635**	409
Amortisation	**–**	69
Rental expenses	**3,609**	1,970
Fuels	**903**	637
Utilities	**304**	242
Transportation	**1,078**	437
Meeting and conference expenses	**448**	784
Tools and liveries	**25**	20
Office expenses	**375**	387
Legal and professional fees	**893**	947
Sales agency fees	**711**	1,047
Sub-contracting fees	**86**	3
Others	**446**	1,288
Total	**32,441**	31,836

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax		
– PRC profits tax	**2,753**	19
Deferred tax	**55**	77
Income tax expense	**2,808**	96

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong for the three months ended 31 March 2018 (Three months ended 31 March 2017: 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 three months ended 31 March 2018 (Three months ended 31 March 2017: 25%), except for Shangshi Kuaiche Enterprise Service (Hengqin) Company Limited ("**Shangshi Kuaiche (Hengqin)**"), which was qualified as an enterprise of Industries Encouraged to Develop (鼓勵類產業企業) in the PRC and hence entitled to 10% tax reduction since 2017 to 2020. For the three months ended 31 March 2018, Shangshi Kuaiche (Hengqin) enjoyed a reduced corporate income tax of 15% as a result of the above reduction on the statutory tax rate. During the period ended 31 March 2018, Shangshi Kuaiche (Hengqin) Beijing branch is qualified as Small Low-Profit Enterprise (小型微利企業) in the PRC and hence entitled to 50% reduction on the assessable profits followed by 20% corporate income tax rate since 2017 to 2019.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Island during the period ended 31 March 2018 (Three months ended 31 March 2017: Nil).

9. DIVIDENDS

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2018 (Three months ended 31 March 2017: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the Company are based on the following data:

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit/(Loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**1,814**	(12,907)

	Three months ended 31 March	
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**757,341**	661,000
Effect of dilutive potential ordinary shares in respect of shares award	**11,590**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**768,931**	661,000

For the three months ended 31 March 2018, diluted earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB1,814,000 and on the adjusted weighted average number of 768,931,000 ordinary shares outstanding during the three months period, being the weighted average of number of ordinary shares of 757,341,000 used in basic earnings per share calculation and adjusted for the effects of deemed vesting of shares award of 11,590,000 existing during the period.

Diluted loss per share for the three months ended 31 March 2017 is the same as the basic loss per share as the utilisation of the unvested shares in relation to the share award scheme and the conversion of potential dilutive ordinary shares in relation to convertible bonds would have an anti-dilutive effect to the basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sales of automobile glass with installation/repair services and trading of automobile glass in the PRC. The Group has further expanded to the business consultancy services after the acquisition of CAS Valley Company Inc. on 18 September 2017, and CAS Valley Company Inc. and its subsidiaries (collectively referred as "**CAS Group**") have contributed business consultancy fee income of approximately RMB17,927,000 to the Group for the three months ended 31 March 2018, representing approximately 48.8% of the Group's total revenue of the three months ended 31 March 2018.

On 5 January 2018, the Group has established a new subsidiary company ZM Financial Leasing (Tianjin) Company Limited ("**ZM Leasing**") in the PRC. ZM Leasing is principally engaged in the provision of finance leasing services in the PRC and attributed a total revenue of approximately RMB849,000 during the three months ended 31 March 2018.

Apart from the business consultancy services and finance leasing services, the Group has continuously engaged in sales of automobile glass with installation/repair services and trading of automobile glass. Revenue from sales of automobile glass with installation/repair services and trading of automobile glass were the major sources of revenue of the Group, representing approximately 48.4% of the Group's total revenue for the three months ended 31 March 2018 (Three months ended 31 March 2017: 100%), whilst at the same time it continues to be a significant contributor to the losses to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

Sales of Automobile Glass with Installation/Repair Services and Trading of Automobile Glass

Revenue from sales of automobile glass with installation/repair services and trading of automobile glass decreased by approximately RMB1,297,000 or 6.8% from approximately RMB19,071,000 for the three months ended 31 March 2017 to approximately RMB17,774,000 for the three months ended 31 March 2018. The decrease was mainly due to continuous decline in the demand and keen competition in Beijing.

Gross profit from sales of automobile glass with installation/repair services and trading of automobile glass for the three months ended 31 March 2018 amounted to approximately RMB1,899,000 (Three months ended 31 March 2017: RMB1,971,000), representing a decrease of approximately 3.7% as compared to the three months ended 31 March 2017. Gross profit margin is slightly increased from approximately 10.3% for the corresponding period in 2017 to approximately 10.7% for the three months ended 31 March 2018.

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. During the three months ended 31 March 2018, revenue from provision of installation services of photovoltaic system was approximately RMB209,000 and no revenue was recorded for the corresponding period in 2017.

FINANCIAL REVIEW (Continued)

Revenue (Continued)

Business Consultancy

On 18 September 2017, the Company issued 118,250,000 new shares based on the closing price of HK$0.55 per share, with total consideration approximately RMB54.75 million (equivalent to approximately HK$65.04 million) to purchase the entire issued share capital of CAS Group which are engaged in the provision of advisory, investment consulting and management consulting services to enterprises in the PRC. After the acquisition of CAS Group, the Group has expanded its business to the provision of business consultancy services. For the three months ended 31 March 2018, revenue and gross profit generated from the provision of business consultancy services approximately RMB17,927,000 and RMB15,888,000 respectively.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 4.2% from approximately RMB4,999,000 for the three months ended 31 March 2017 to approximately RMB5,207,000 for three months ended 31 March 2018. The increase was mainly due to the increase in staff costs of approximately RMB269,000 during the three months ended 31 March 2018.

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including directors' remunerations and share-based payment expenses), depreciation and rental expenses. The total administrative expenses decreased by approximately 6.9% from approximately RMB9,737,000 for the three months ended 31 March 2017 to approximately RMB9,064,000 for the three months ended 31 March 2018. During the three months ended 31 March 2018, equity-settled share-based payments expenses decreased approximately RMB1,704,000 was as a result of the resignation of certain eligible employees under the share award scheme in the fourth quarter of 2017 and the effect was offset by the consolidation of CAS Group's staff costs approximately RMB1,769,000 for the three months ended 31 March 2018.

Finance Income/(Cost), Net

During the three months ended 31 March 2018, the increase in finance income compared with the corresponding period in 2017, was a result of the increase in cash and cash equivalents deposited in the banks of the PRC.

Income Tax Expense

Income tax expense increased from approximately RMB96,000 for the three months ended 31 March 2017 to approximately RMB2,808,000 for the three months ended 31 March 2018. The arising of income tax expense was mainly attributable to the increase in taxable income from the business consultancy services during the three months ended 31 March 2018.

Profit/(Loss) for the Period

The Group recorded a net profit of approximately RMB1,537,000 for the three months ended 31 March 2018, as compared with the net loss of approximately RMB12,984,000 for the three months ended 31 March 2017. The increase in net profit for the period was mainly attributable to the acquisition of CAS Group in 18 September 2017 and whose financial performance have been consolidated in the consolidated financial performance of the Group since then.

Borrowings

On 15 March 2018, the Company entered into a loan agreement with Rise Grace Development Limited ("**Rise Grace**"), pursuant to which Rise Grace agreed to provide to the Company an unsecured term loan facility in the amount of HK$30,000,000 with interest rate at 2% per annum and repayable on 31 December 2019. As at 31 March 2018, such facility has been drawn up to approximately RMB15,191,000 (HK$19,000,000). For further details in relation to the loan facility please refer to the Company's announcement dated 15 March 2018.

Pledge of Assets

As at 31 March 2018, the Group had no assets pledged for bank borrowings or for other purposes.

Contingent Liabilities

On 24 December 2014, Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI)**") issued an originating summons (the "**Originating Summons**") and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region against the Company, the vendor of the Daqing property, the holder of the convertible bonds, the former executive and non-executive Directors and independent non-executive Directors, (the "**Defendants**") 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 2017.

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

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

(ii) the convertible bonds of the Company issued to satisfy the consideration of the Daqing Acquisition, the conversion shares already allotted and issued to the vendor of the Daqing property as at the date of the Originating Summons be declared void or, in the alternative, voidable;

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

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

Contingent Liabilities (Continued)

The litigation is still ongoing but no step has been taken by Xinyi Glass (BVI) 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 statements as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, the Group did not have any other significant contingent liabilities (31 March 2017: Nil).

PROSPECTS

The Board is pleased to announce that the Group now further extended to finance leasing business as a result of a new subsidiary company, ZM Leasing has been established by the Group on 5 January 2018 in the PRC. Going forward, the Board will use its best endeavour to seek suitable merger and acquisition opportunities and/or business collaboration to further expand and diversify the Group's existing businesses. Apart from strengthening the Group's automobile glass services and business consultancy services, the Group has a plan to develop corporate finance advisory services and asset management services to broaden the sources of income.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CORPORATE GOVERNANCE PRACTICES

Code provision A.2.1 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**") stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xia Xiufeng ("**Mr. Xia**") is the chairman of our Board and the chief executive officer of the Company. During the period from 1 January 2018 to 23 March 2018, Mr. Xia was the Chairman and non-executive director of the Group. Following the resignation of Ms. Xia Lu as an executive director and chief executive officer of the Group on 23 March 2018, Mr. Xia was re-designated as an executive director and chief executive officer of the Group on the same date. Given the fact that Mr. Xia joined the Group since July 2015, all the other Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Xia is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group.

Mr. Xia provides leadership to the Company and is responsible for strategic planning and the overall management and supervision of operations of our Group. Save for the deviation from code provision A.2.1 as mentioned above, the Board is satisfied that the Company had complied with all the code provisions of the CG Code during the three months ended 31 March 2018.

Directors' Interests in Competing Interests

For the three months ended 31 March 2018, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

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

During the three months ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 March 2018, 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 5)
Mr. Xia	–	900,000 (Note 1)	216,100,000 (Note 2)	217,000,000	27.36%
Lo Chun Yim	–	–	106,000,000 (Note 3)	106,000,000	13.36%
Lu Yongmin	–	–	48,281,475 (Note 4)	48,281,475	6.09%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

(1) These Shares represented 900,000 granted to Mr. Xia on 12 November 2015, pursuant to the share award scheme of the Company adopted on 12 October 2015 ("**Share Award Scheme**") which remain unvested as at 31 March 2018. The award shares granted on 12 November 2015 will be vested in full in five tranches over five years. These Shares were registered in the name of Computershare Hong Kong Trustees Limited, the trustee of the Share Award Scheme. Therefore, Mr. Xia was deemed to be interested in the Shares in which Computershare Hong Kong Trustees Limited was interested by virtue of the SFO.

(2) Mr. Xia is holding 100,000 shares of the Company and indirectly holding 216,000,000 shares of the Company through Lu Yu Global Limited ("**Lu Yu**"). 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 Mr. Xia was deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

(3) These Shares were held by 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, an 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) These Shares were held by YinHe Holding Limited ("**YinHe**"), a company incorporated in the BVI and an investing holding company, was wholly owned by Mr. Lu Yongmin, an executive Director of the Company. Mr. Lu Yongmin was deemed to be interested in all the Shares held by YinHe 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 31 March 2018.

Save as disclosed above, as at 31 March 2018, 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 31 March 2018, 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 6)
Lu Yu (Note 1)	Beneficial owner	216,000,000	27.23%
Mr. Xia (Note 1)	Interest in a controlled corporation	216,000,000	27.23%
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI)**") (Note 2)	Beneficial owner	120,360,000	15.17%
Xinyi Glass Holdings Limited ("**Xinyi Glass Holdings**") (Note 2)	Interest in a controlled corporation	120,360,000	15.17%
Rise Grace (Note 3)	Beneficial owner	106,000,000	13.36%
Diamond Galaxy Limited (Note 3)	Interest in a controlled corporation	106,000,000	13.36%
YinHe (Note 4)	Beneficial owner	48,281,475	6.09%
Mr. Lu Yongmin (Note 4)	Interest in a controlled corporation	48,281,475	6.09%
Ms. Lu Hong (Note 5)	Interest of spouse	48,281,475	6.09%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

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

(2) Xinyi Glass (BVI), 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 Glass (BVI) was interested by virtue of the SFO.

(3) 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.

(4) YinHe, a company incorporated in the BVI and investing holding company, was wholly and beneficially owned by Mr. Lu Yongmin. Mr. Lu Yongmin was deemed to be interested in the 48,281,475 Shares held by YinHe by virtue of the SFO.

(5) 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.

(6) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, 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 three months ended 31 March 2018.

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 Group; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control and review the risk management systems of the Group. The Audit Committee has four members comprising Mr. Jiang Bin (Chairman), Mr. Guo Mingang, Mr. Luo Wenzhi and Mr. Liu Mingyong. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2018 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 Xiufeng
Executive Director

Hong Kong, 9 May 2018

As at the date of this report, the executive Directors are Mr. Xia Xiufeng (Chairman and Chief Executive Officer), Mr. Lo Chun Yim and Mr. Lu Yongmin; the non-executive Director is Mr. Liu Mingyong; and the independent non-executive Directors are Mr. Jiang Bin, Mr. Guo Mingang and Mr. Luo Wenzhi.