2019
Interim Report

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

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Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Xia Xiufeng
(Chairman and Chief Executive Officer)
Mr. Lo Chun Yim
Mr. Lu Yongmin

Non-Executive Director

Mr. Liu Mingyong

Independent Non-Executive Directors

Mr. Jiang Bin
Mr. Luo Wenzhi
Mr. Wang Liang
(appointed on 17 June 2019)

LEGAL ADVISERS

Loong & Yeung (as to Hong Kong law)
Room 1603, 16/F
China Building
29 Queen's Road Central
Central, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

Mr. Xia Xiufeng
Mr. Lo Chun Yim

COMPANY SECRETARY

Mr. Chan Tsz Kit
HKICPA, AICPA, ACCA

COMPLIANCE OFFICER

Mr. Xia Xiufeng

AUDIT COMMITTEE MEMBERS

Mr. Jiang Bin *(Chairman)*
Mr. Luo Wenzhi
Mr. Liu Mingyong
Mr. Wang Liang
(appointed on 17 June 2019)

REMUNERATION COMMITTEE MEMBERS

Mr. Luo Wenzhi *(Chairman)*
Mr. Xia Xiufeng
Mr. Wang Liang
(appointed on 17 June 2019)

NOMINATION COMMITTEE MEMBERS

Mr. Wang Liang *(Chairman)*
(appointed on 17 June 2019)
Mr. Jiang Bin
Mr. Lu Yongmin

REGISTERED OFFICE

20/F Winbase Center
208 Queen's Road
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.12 Fengbei Road
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PRINCIPAL PLACES OF BUSINESS IN HONG KONG

20/F Winbase Centre
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Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Beijing Rural Commercial Bank

HONG KONG SHARE REGISTRAR

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183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

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STOCK CODE

8135

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 2019, together with the comparative unaudited figures for the corresponding periods in 2018, are as follows:

	Notes	Six months ended 30 June 2019 (unaudited) RMB'000	Six months ended 30 June 2018 (unaudited) RMB'000	Three months ended 30 June 2019 (unaudited) RMB'000	Three months ended 30 June 2018 (unaudited) RMB'000
Revenue	6	**50,439**	75,441	**30,102**	38,682
Cost of sales		**(34,741)**	(40,899)	**(20,596)**	(22,729)
Gross profit		**15,698**	34,542	**9,506**	15,953
Other gain, net	7	**2,067**	114	**2,245**	95
Selling and distribution costs		**(9,035)**	(11,890)	**(3,867)**	(6,683)
Administrative expenses		**(11,826)**	(14,859)	**(5,180)**	(5,795)
		(3,096)	7,907	**2,704**	3,570
Finance income		**49**	56	**26**	14
Finance cost		**(345)**	(141)	**(162)**	(107)
Finance cost, net	8	**(296)**	(85)	**(136)**	(93)
(Loss)/Profit before income tax		**(3,392)**	7,822	**2,568**	3,477
Income tax expense	9	**(925)**	(3,805)	**(383)**	(997)
(Loss)/Profit for the period		**(4,317)**	4,017	**2,185**	2,480

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months and three months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (unaudited) RMB'000	Six months ended 30 June 2018 (unaudited) RMB'000	Three months ended 30 June 2019 (unaudited) RMB'000	Three months ended 30 June 2018 (unaudited) RMB'000
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Disposal of investments in equity instruments designated at fair value through other comprehensive income		**32**	–	**32**	–
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		**–**	193	**112**	193
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**(26)**	(987)	**30**	(86)
Total comprehensive (loss)/income for the period		**(4,311)**	3,223	**2,359**	2,587
(Loss)/Profit attributable to:					
Owners of the Company		**(3,905)**	4,181	**2,370**	2,367
Non-controlling interests		**(412)**	(164)	**(185)**	113
		(4,317)	4,017	**2,185**	2,480
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(3,899)**	3,387	**2,544**	2,474
Non-controlling interests		**(412)**	(164)	**(185)**	113
		(4,311)	3,223	**2,359**	2,587
(Loss)/Earnings per share attributable to owners of the Company for the period (expressed in RMB cents per share)					
Basic and diluted	11	**(0.49)**	0.54	**0.3**	0.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**64,972**	57,605
Intangible assets		**5,243**	5,243
Finance lease receivables	13	**24,424**	61,370
Deferred tax assets		**1,396**	1,921
		96,035	126,139
Current assets			
Inventories	14	**35,907**	34,518
Trade and other receivables	15	**19,250**	26,787
Finance lease receivables	13	**74,529**	37,734
Investments in equity instruments designated at fair value through other comprehensive income	16	**–**	647
Income tax recoverable		**249**	249
Cash and cash equivalents		**23,317**	28,122
		153,252	128,057
Total assets		**249,287**	254,196
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	17	**6,372**	6,372
Reserves		**213,086**	217,524

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Notes	**30 June 2019 (unaudited) RMB'000**	31 December 2018 (audited) RMB'000
		219,458	223,896
Non-controlling interests		**1,433**	1,845
Total equity		**220,891**	225,741
LIABILITIES			
Current liabilities			
Trade and other payables	18	**14,730**	14,934
Operating lease liability		**2,069**	–
Deposits received from finance lease customers	19	**1,218**	–
Bank borrowings	20	**2,000**	2,000
Income tax payables		**445**	7,854
		20,462	24,788
Non-current liabilities			
Operating lease liability		**5,400**	–
Deposits received from finance lease customers	19	**2,534**	3,667
		7,934	3,667
Total liabilities		**28,396**	28,455
Total equity and liabilities		**249,287**	254,196
Net current assets		**132,790**	103,269
Total assets less current liabilities		**228,825**	229,408
Net assets		**220,891**	225,741

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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	FVOCI 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 31 December 2017 as originally presented	6,257	311,715	(47,484)	7,117	(9,968)	5,493	–	2,361	(81,550)	193,941	1,244	195,185
Initial application of Hong Kong Financial Reporting Standards ("HKFRSs") 9	–	–	–	–	–	–	(992)	–	773	(219)	–	(219)
Restated balance at 1 January 2018	6,257	311,715	(47,484)	7,117	(9,968)	5,493	(992)	2,361	(80,777)	193,722	1,244	194,966
Comprehensive income												
Profit for the period	–	–	–	–	–	–	–	–	4,181	4,181	(164)	4,017
Other comprehensive income												
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income	–	–	–	–	–	–	–	–	193	193	–	193
Currency translation differences	–	–	–	–	–	–	–	(987)	–	(987)	–	(987)
Total comprehensive income	–	–	–	–	–	–	–	(987)	4,374	3,387	(164)	3,223

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	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	FVOCI reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	–	–	–	–	–	(2,550)	–	–	–	(2,550)	–	(2,550)
Vesting of awarded shares	–	–	–	–	1,823	(2,943)	–	–	1,120	–	–	–
Disposal of a subsidiary	–	–	–	(212)	–	–	–	–	212	–	–	–
Appropriation to PRC statutory reserve	–	–	–	1,132	–	–	–	–	(1,132)	–	–	–
Balance at 30 June 2018 (Unaudited)	6,372	315,864	(47,484)	8,037	(8,145)	–	(992)	1,374	(76,203)	198,823	1,080	199,903

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	FVOCI 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 31 December 2018 as originally presented (Audited)	6,372	315,864	(47,484)	9,744	(435)	647	(60,812)	223,896	1,845	225,741
Initial application of Hong Kong Financial Reporting Standards ("HKFRSs") 16	–	–	–	–	–	–	(539)	(539)	–	(539)
Restated balance at 1 January 2019	6,372	315,864	(47,484)	9,744	(435)	647	(61,351)	223,357	1,845	225,202
Comprehensive income										
Loss for the period	–	–	–	–	–	–	(3,905)	(3,905)	(412)	(4,317)
Other comprehensive income										
Disposal of investments in equity instruments designated at fair value through other comprehensive income	–	–	–	–	435	–	(403)	32	–	32
Currency translation differences	–	–	–	–	–	(26)	–	(26)	–	(26)
Total comprehensive income	–	–	–	–	435	(26)	(4,308)	(3,899)	(412)	(4,311)
Transactions with equity owners of the Company recognised directly in equity										
Appropriation to PRC statutory reserve	–	–	–	–	–	–	–	–	–	–
Balance at 30 June 2019 (Unaudited)	6,372	315,864	(47,484)	9,744	–	621	(65,659)	219,458	1,433	220,891

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	**(3,011)**	(66,230)
Net cash generated from investing activities	**12**	2,383
Net cash (used in)/generated from financing activities	**(1,780)**	20,161
Net decrease in cash and cash equivalents	**(4,779)**	(43,686)
Cash and cash equivalents at beginning of the period	**28,122**	66,000
Effect of foreign exchange	**(26)**	(984)
Cash and cash equivalents at end of the period	**23,317**	21,330

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, installation services of photovoltaic system, business consultancy services and finance lease business in the People's Republic of China (the "**PRC**").

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

2. 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, except for certain financial instruments which are measured at fair value, as appropriate. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated financial information are applied consistently with those applied in the Group's audited consolidated financial statements for the year ended 31 December 2018, except for those that relate to new standards or interpretations effective for the first time for the period beginning on or after 1 January 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial information:

Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs
Amendments to HKFRS 9	Payment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except for the effects of the application of HKFRS 16, the application of other new and amendments to HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or disclosures set out in these condensed consolidated financial information.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

HKFRS 16, Leases

HKFRS 16, which superseded HKAS 17 "*Leases*" and related interpretations on and after 1 January 2019, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

HKFRS 16, Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for offices which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As at 30 June 2019, the Group had non-cancellable operating lease commitments of approximately RMB13,160,000 as set out in Note 21. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

The Group has adopted HKFRS 16 "*Leases*" from 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in these unaudited condensed consolidated financial information. In accordance with the transition provisions in HKFRS 16, the Group has adopted the new rules retrospectively and restated the Group's accumulated losses at the date of initial application (1 January 2019).

The lease liabilities were discounted at an incremental borrowing rate at 1 January 2019.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Decrease)/Increase in comprehensive income:		
Decrease in rental expense	**(1,328)**	(1,234)
Increase in depreciation	**1,251**	1,238
Increase in finance cost	**194**	252
Total increase in loss attributable to owners of the Company	**117**	256
Increase in loss per share (expressed in RMB cents per share) Basic and Diluted	**(0.01)**	(0.03)

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Condensed Consolidated Statement of Financial Position

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Unaudited) RMB'000
Increase in right-of-use assets	**8,792**	9,684
Decrease in prepayments for rental (included in trade and other receivables)	**(1,980)**	(1,528)
Increase in lease liabilities – current	**2,069**	2,379
Increase in lease liabilities – non-current	**5,399**	6,316
Increase in accumulated losses	**(656)**	(539)

The following table summarises the impact, net of tax, of transition to HKFRS 16 on the opening balance of accumulated losses as at 1 January 2019 as follows:

	RMB'000
Accumulated losses	
Balance as at 31 December 2018	(60,812)
Initial application of Hong Kong Financial Reporting Standards ("HKFRSs") 16	(539)
Restated balance as at 1 January 2019	(61,351)

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKFRS 3, Business Combination

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Amendments to HKFRS 9, Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 "Income Taxes", by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings.

5. 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 profit or loss and other 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.

5. BASIS OF CONSOLIDATION (CONTINUED)

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

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

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

6. SEGMENT REPORTING

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

6. SEGMENT REPORTING (CONTINUED)

The Group launched the business consultancy services through the acquisition of CAS Valley Company Inc. on 18 September 2017 and established finance lease services in January 2018. Information reported to CODM for the purpose of resource allocation and assessment of segment performance is now based on the business segments of the Group. No geographical analysis of information is presented to the CODM for such purposes as the Group's major operations and assets were situated in the PRC. CODM considered the performance and business prospects of the operations relating to sales of automobile glass with installation/ repair services and trading of automobile glass in the PRC in a collective manner, hence these operations constituted the automobile glass operating segment. The photovoltaic system segment mainly represented the provision of installation services of photovoltaic system in the PRC. Business consultancy services became a business segment in 2017 and finance lease services became a business segment in 2018. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented four reportable segments – "Automobile glass", "Photovoltaic system", "Business consultancy services" and "Finance lease services" in its condensed consolidated financial information for the six months ended 30 June 2019. No operating segments have been aggregated to form a reportable segment for the purpose of segment reporting in the condensed consolidated financial information.

As at 30 June 2019 and 2018, the Group's non-current assets were entirely located in the PRC. There is one external customer contributing 10% or more of the Group's revenue for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

6. SEGMENT REPORTING (CONTINUED)

	Automobile glass Six months ended 30 June		Photovoltaic system Six months ended 30 June		Business consultancy services Six months ended 30 June		Finance lease services Six months ended 30 June		Reportable segments total Six months ended 30 June	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue										
– Sales of automobile glass with installation/repair services	**38,719**	39,661	**–**	–	**–**	–	**–**	–	**38,719**	39,661
– Trading of automobile glass	**4,082**	4,731	**–**	–	**–**	–	**–**	–	**4,082**	4,731
– Installation services of photovoltaic system	**–**	–	**–**	368	**–**	–	**–**	–	**–**	368
– Business consultancy services	**–**	–	**–**	–	**1,793**	29,609	**–**	–	**1,793**	29,609
– Finance lease services	**–**	–	**–**	–	**–**	–	**6,009**	1,282	**6,009**	1,282
	42,801	44,392	**–**	368	**1,793**	29,609	**6,009**	1,282	**50,603**	75,651
Inter-segment sales	**(164)**	(210)	**–**	–	**–**	–	**–**	–	**(164)**	(210)
Reportable segment revenue	**42,637**	44,182	**–**	368	**1,793**	29,609	**6,009**	1,282	**50,439**	75,441
Gross profit of reportable segments	**8,385**	7,938	**–**	(138)	**1,339**	25,478	**5,974**	1,264	**15,698**	34,542
(Loss)/Profit before income tax of reportable segments	**(915)**	(6,491)	**(511)**	(438)	**(7,520)**	12,717	**6,806**	782	**(2,140)**	6,570
Depreciation	**(2,419)**	(2,232)	**(3)**	(4)	**(288)**	(310)	**–**	–	**(2,710)**	(2,546)
Amortisation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Interest expense	**(249)**	(45)	**–**	–	**–**	–	**(85)**	–	**(334)**	(45)
Interest income	**22**	6	**3**	2	**3**	40	**20**	7	**48**	55
Loss allowance on finance lease receivables	**–**	–	**–**	–	**–**	–	**2,116**	–	**2,116**	–
Capital expenditure	**(406)**	(345)	**–**	–	**–**	(158)	**–**	–	**(406)**	(503)

6. SEGMENT REPORTING (CONTINUED)

A reconciliation of results of reportable segments to (loss)/profit for the six months ended 30 June 2019 and 2018 is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total of (loss)/profit before income tax of reportable segments	**(2,140)**	6,570
Finance cost	**(9)**	(84)
Unallocated expenses	**(1,243)**	1,336
(Loss)/Profit before income tax of the Group	**(3,392)**	7,822

6. SEGMENT REPORTING (CONTINUED)

Reportable segments assets and liabilities as at 30 June 2019 and 31 December 2018, and the reconciliation to consolidated total assets and liabilities of the Group, is as follows:

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
Segment assets	**116,411**	106,894	**3,149**	3,431	**18,562**	40,317	**110,885**	103,100	**249,007**	253,742
Cash and cash equivalents									**78**	160
Unallocated corporate assets									**202**	294
Total assets									**249,287**	254,196
Segment liabilities	**19,157**	8,223	**1,131**	902	**2,871**	12,742	**4,350**	4,269	**27,509**	26,136
Unallocated corporate liabilities									**887**	2,319
Total liabilities									**28,396**	28,455

7. OTHER GAIN, NET

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Gain on disposal of a subsidiary	**–**	112	**–**	112
(Loss)/Gain on disposals of property, plant and equipment	**(3)**	9	**(1)**	(10)
Loss allowance on finance lease receivables (Note 13)	**2,116**	–	**2,187**	–
Others	**(46)**	(7)	**59**	(7)
Total	**2,067**	114	**2,245**	95

8. FINANCE COST, NET

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance cost:				
Interest expense on bank and other borrowings	**(56)**	(57)	**(23)**	(30)
Interest expense on shareholder's loan	**(10)**	(84)	**–**	(77)
Imputed interest expense on interest-free deposits from finance lease customers	**(85)**	–	**(43)**	–
Imputed interest expense on operating lease liabilities	**(194)**	–	**(96)**	–
	(345)	(141)	**(162)**	(107)
Finance income:				
Interest income on bank deposits	**49**	56	**26**	14
	49	56	**26**	14
	(296)	(85)	**(136)**	(93)

9. INCOME TAX EXPENSE

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current income tax				
- PRC profits tax	**400**	3,693	**(170)**	940
Deferred tax	**525**	112	**553**	57
Income tax expense	**925**	3,805	**383**	997

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 six months ended 30 June 2019 (for the six months ended 30 June 2018: 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 of the PRC subsidiaries are subject to the PRC corporate income tax at a rate of 25% for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 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 six months ended 30 June 2019, Shangshi Kuaiche (Hengqin) enjoyed a reduced corporate income tax of 15% as a result of the above reduction on the statutory tax rate. 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 six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

10. DIVIDENDS

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
(Loss) /Profit attributable to owners of the Company for the purpose of basic and diluted (loss)/ earnings per share	**(3,905)**	4,181	**2,370**	2,367

	Number of shares		Number of shares	
	Six months ended 30 June		Three months ended 30 June	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	'000	'000	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**793,200**	767,720	**793,200**	767,720
Effect of dilutive potential ordinary shares in respect of shares award	**–**	9,968	**–**	8,242
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**793,200**	777,688	**793,200**	775,962

11. (LOSS)/EARNINGS PER SHARE (CONTINUED)

For the six months ended 30 June 2019, basic loss per share is based on the loss for the period attributable to owners of the Company of approximately RMB3,905,000 and on the weighted average number of ordinary shares of 793,200,000 used in basic loss per share calculation. Diluted loss per share is equal to basic loss per share.

For the six months ended 30 June 2018, diluted earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB4,181,000 and on the adjusted weighted average number of 777,688,000 ordinary shares outstanding during the six months period, being the weighted average number of ordinary shares of 767,720,000 used in basic earnings per share calculation and adjusted for the effects of deemed vesting of awarded shares of 9,968,000 existing during the period.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Right-of-use asset RMB'000	Total RMB'000
Year ended 31 December 2018						
Opening net book amount	57,447	334	2,089	143	–	60,013
Disposals of subsidiaries	–	(255)	(248)	(6)	–	(509)
Additions	–	93	346	93	–	532
Depreciation charge	(2,087)	(85)	(164)	(75)	–	(2,411)
Disposals	–	–	(16)	(4)	–	(20)
Net book amount	55,360	87	2,007	151	–	57,605
Six months ended 30 June 2019						
Opening net book amount at 31 December 2018 as originally presented (Audited)	**55,360**	**87**	**2,007**	**151**	**–**	**57,605**
Initial application of HKFRSs 16	**–**	**–**	**–**	**–**	**9,684**	**9,684**
Restated opening net book amount at 1 January 2019	**55,360**	**87**	**2,007**	**151**	**9,684**	**67,289**
Additions	**–**	**–**	**46**	**–**	**360**	**406**
Depreciation charge	**(1,043)**	**(15)**	**(386)**	**(15)**	**(1,251)**	**(2,710)**
Disposals	**–**	**–**	**(13)**	**–**	**–**	**(13)**
Net book amount	**54,317**	**72**	**1,654**	**136**	**8,793**	**64,972**

The Group obtained right to control the use of offices in the People's Republic of China through lease arrangements. Lease arrangements were negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 6 years. Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease arrangements. The leased assets may not be used as security for borrowing purposes.

Additions to the right-of-use assets during the six months ended 30 June 2019 were approximately RMB360,000.

13. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
Finance lease receivables comprise:				
Within one year	**83,761**	51,204	**76,998**	40,277
In more than one year but not more than five years	**26,782**	67,975	**25,327**	64,315
	110,543	119,179	**102,325**	104,592
Less: Unearned finance income	**(8,218)**	(14,587)	**–**	–
Present value of minimum lease Payment	**102,325**	104,592	**102,325**	104,592
Less: Impairment loss allowance – Lifetime ECLs allowance	**(3,372)**	(5,488)	**(3,372)**	(5,488)
	98,953	99,104	**98,953**	99,104
Analysis for reporting purposes as:				
Current assets	**74,529**	37,734	**74,529**	37,734
Non-current assets	**24,424**	61,370	**24,424**	61,370
	98,953	99,104	**98,953**	99,104

The Group's finance lease receivables are denominated in RMB. The annualized interest rates of the finance leases of all outstanding contracts in the business segment as at 30 June 2019 ranged from 12.38% to 13.18% (2018: from 12.38% to 13.18%) per annum.

13. FINANCE LEASE RECEIVABLES (CONTINUED)

Finance lease receivables are mainly secured by the leased assets used in the coal mining and biomass production industries and customers' deposits where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 30 June 2019, the customers' deposits of RMB4,000,000 (2018: RMB4,000,000) were received in advance. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

The finance lease receivables at the end of the reporting period are not past due.

The Group applies simplified approach to provide for ECLs prescribed by HKFRS 9. To measure the ECLs of finance lease receivables, finance lease receivables have been grouped based on the shared credit risk characteristics.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors, the realisation of collateral and guarantee and study of other corporates' default and recovery data from international credit-rating agencies including Moody's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The debtors are grouped under a provision matrix into five internal credit rating buckets (namely: Normal, Special-mentioned, Substandard, Doubtful and Loss) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

The customers of finance lease receivables as at 30 June 2019 are categorised based on the internal credit rating and the estimated loss rate of 2.49% to 8.24% is applied. Accordingly, a reversal of loss allowance of RMB2,116,000 was recognised in profit or loss for the six months ended 30 June 2019 (2018: loss allowance of approximately RMB5,488,000).

14. INVENTORIES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Work-in-progress	**1,568**	2,237
Finished goods	**34,339**	32,281
Total	**35,907**	34,518

Cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB25,025,000 for the six months ended 30 June 2019 (Six months ended 30 June 2018: RMB24,761,000).

15. TRADE AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Trade and bill receivables	**16,244**	21,054
Prepayments (Note)		
– Third parties	**1,145**	4,011
Deposit and other receivables (Note)		
– Third parties	**1,837**	1,697
– Related parties	**24**	25
	19,250	26,787

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Prepayments		
Advances to suppliers	**474**	709
Prepayments for rental	**359**	2,145
Others	**312**	1,157
	1,145	4,011
Deposits and other receivables		
Rental and utility deposits	**1,055**	981
Amount due from non-controlling interests	**24**	25
Others	**782**	716
	1,861	1,722

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Majority of the Group's revenue are with credit terms of 0 to 150 days (2018: 0 to 150 days) and ageing analysis of the trade receivables at 30 June 2019 and 31 December 2018, based on invoice date is as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
0-30 days	**7,313**	11,845
31-60 days	**1,785**	3,825
61-90 days	**1,583**	2,991
Over 90 days	**5,563**	2,393
Total	**16,244**	21,054

16. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Current assets		
Unlisted equity investments in the PRC	**–**	647

16. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Particulars of the unlisted equity instruments in the PRC as at 31 December 2018 are shown as follows:

Name of the company	**Principal business**	**Shareholding held by the Group %**
Shenyang Zhengmei Automobile Glass Co., Ltd	Sales and trading of automobile glass; providing installation service of automobile glass	49.00

Disposal of the unlisted equity investment was completed on 19 June 2019.

17. SHARE CAPITAL

	Number of shares	**RMB'000**
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 December 2018 and 30 June 2019	**1,560,000,000**	**13,016**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 31 December 2018	793,200,000	6,372
Issuance of new shares	–	–
As at 30 June 2019	**793,200,000**	**6,372**

18. TRADE AND OTHER PAYABLES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Trade payables		
– Third parties	**5,160**	1,101
– Related parties	**–**	–
	5,160	1,101
Value-added tax payables	**584**	2,716
Salaries payables	**5,049**	6,468
Receipts in advance	**1,237**	1,410
Other payables and accruals	**2,700**	3,239
	14,730	14,934

Credit terms granted by suppliers are generally within 60 days.

18. TRADE AND OTHER PAYABLES (CONTINUED)

Ageing analysis of trade payables at 30 June 2019 and 31 December 2018 based on invoice date is as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Current	**533**	162
0-30 days	**3,247**	411
31-60 days	**862**	258
61-90 days	**249**	90
Over 90 days	**269**	180
Total	**5,160**	1,101

19. DEPOSITS RECEIVED FROM FINANCE LEASE SERVICES CUSTOMERS

The balance as at 30 June 2019 represented security pledged by the customers to the Group for the corresponding finance leases. The amount of customer's deposits for which the finance leases will expire within twelve months from the end of reporting period is included in current liabilities, and the amount of customer's deposits for which the finance leases will expire after twelve months from the end of reporting period is included under non-current liabilities

20. BANK BORROWINGS

As at 30 June 2019, the bank borrowing was unsecured, carrying interest at the rate of Loan Prime Rate plus 2.23% per annum and repayable within one year.

21. OPERATING LEASE COMMITMENTS

As at 30 June 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 1 year	**4,985**	8,621
After 1 year but within 5 years	**7,491**	7,034
Over 5 years	**684**	1,233
Total	**13,160**	16,888

Certain leases have escalation clauses and rent-free periods.

22. RELATED PARTY TRANSACTIONS

		Six months ended 30 June		**Three months ended 30 June**	
	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
Sales of inventories to a fellow subsidiary of Xinyi Glass (BVI)	1,2	**157**	11	**83**	10
Purchase of inventories from fellow subsidiaries of Xinyi Glass (BVI)	1,2	**3,283**	5,080	**1,559**	3,546
Loan interest expense paid to a substantial shareholder	1,2	**10**	84	**–**	7

22. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

1 During the six months ended 30 June 2019, the directors are of the view that related parties of the Group include the following parties:

Name of party	Relationship
Shareholders:	
Lu Yu Global Limited	Substantial shareholder
Mr. Xia Xiufeng	Beneficiary owner of a substantial shareholder
Rise Grace Development Limited	Substantial shareholder
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI)**")	Non-controlling shareholder of the Group
中投宏源（橫琴）投資有限公司	Non-controlling shareholder of the Group
張仁哲	Non-controlling shareholder of the Group
曹克難	Non-controlling shareholder of the Group
Fellow subsidiaries of non-controlling shareholder:	
信義玻璃（天津）有限公司	Fellow subsidiary of Xinyi Glass (BVI)
信義汽車部件（天津）有限公司	Fellow subsidiary of Xinyi Glass (BVI)
東莞奔迅汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass (BVI)
信義汽車玻璃（深圳）有限公司上海分公司	Fellow subsidiary of Xinyi Glass (BVI)
信義汽車部件（蕪湖）有限公司	Fellow subsidiary of Xinyi Glass (BVI)
信義汽車部件（東莞）有限公司	Fellow subsidiary of Xinyi Glass (BVI)
深圳市信義房地產開發有限公司	Fellow subsidiary of Xinyi Glass (BVI)
深圳市信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass (BVI)
Directors:	
Mr. Xia Xiufeng (Chairman)	Director of the Company
Mr. Lo Chun Yim	Director of the Company
Mr. Lu Yongmin	Director of the Company
Mr. Liu Mingyong	Director of the Company
Mr. Jiang Bin	Director of the Company
Mr. Luo Wenzhi	Director of the Company
Mr. Wang Liang	Director of the Company
Mr. Guo Mingang (resigned on 18 March 2019)	Director of the Company
Related company:	
北京豐業正美安裝工程有限公司	Controlled by a close member of the family of a director

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

23. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Financial assets		
Investments in equity instruments designated at fair value through other comprehensive income	–	647
Financial assets at amortised cost:		
Financial lease receivables	**98,953**	99,104
Trade and other receivables	**18,081**	22,751
Amount due from non-controlling interests	**24**	25
Cash and cash equivalents	**23,317**	28,122
	140,375	150,649
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**12,909**	10,808
Bank borrowings	**2,000**	2,000
Deposits received from finance lease customers	**3,752**	3,667
	18,661	16,475

23. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include finance lease receivables, trade and other receivables, amount due from non-controlling interests, cash and cash equivalents, trade and other payables, bank borrowings and deposits received from finance lease customers.

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

(b) Financial instruments measured at fair value

The group has no financial instruments measured at fair value after the disposal of Shenyang Zhengmei Automobile Glass Co., Ltd (Note 16).

24. EVENT AFTER THE REPORTING DATE

On 25 July 2019, certain customer in the finance lease services made full repayments on principal and interests in accordance with the contract terms, resulting in a reversal of loss allowance during the six months ended 30 June 2019 of approximately RMB2,116,000. The loss allowance was previously recognised based on the Group's internal credit rating and provision policy.

BUSINESS REVIEW

The Group's total revenue for the six months ended 30 June 2019 (the "**Period**") amounted to approximately RMB50,439,000, representing a decrease of approximately RMB25,002,000 or 33.1% as compared to that of approximately RMB75,441,000 for the six months ended 30 June 2018, which was mainly due to a business slowdown experienced by the business consultancy segment. Overall gross profit decreased by approximately RMB18,844,000 or 54.6% to approximately RMB15,698,000 for the Period from approximately RMB34,542,000 for the six months ended 30 June 2018. The gross profit margin for the Period decreased to approximately 31.1% from approximately 45.8% for the six months ended 30 June 2018.

The loss attributable to owners of the Company for the Period amounted to approximately RMB3,905,000, representing a decrease of approximately RMB8,086,000 as compared to profit of approximately RMB4,181,000 for the six months ended 30 June 2018.

The substantial decline in revenue and net profit were mainly attributable to the following reasons:

(i) the continued deficit, although such deficit dropped by 85.9% from loss before income tax of RMB6,491,000 in the six months ended 30 June 2018 to RMB915,000 for the Period, resulting from the automobile glass business of the Company due to the unfavourable business environment that persisted during the Period; and

(ii) certain clients in the business consultancy services sector of the Company requested to postpone the execution of their clean energy fund advisory projects as they foresaw difficulty in raising funds in the upcoming months from the government sector, causing a substantial decrease in revenue. This in turn leads to loss for the Period as the operating costs in this sector were mainly fixed costs in nature.

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 RMB1,545,000 or 3.5% from approximately RMB44,182,000 for the six months ended 30 June 2018 to approximately RMB42,637,000 for the Period. The decrease was mainly due to the continuous decline in the demand of automobile glass in the PRC and the intensified competition in the automobile market in Beijing.

Gross profit from sales of automobile glass with installation/repair services and trading of automobile glass for the Period amounted to approximately RMB8,385,000 (for the six months ended 30 June 2018: RMB7,938,000), representing an increase of approximately RMB447,000 or 5.6% as compared to that of the six months ended 30 June 2018. Gross profit margin had slightly increased from approximately 18.0% for the corresponding period in 2018 to approximately 19.7% for the Period.

Provision of Installation Services of Photovoltaic System

The provision of installation services of photovoltaic system by the Group is mostly conducted in an one-off or ad-hoc nature. Accordingly, it does not provide a predictable and stable revenue stream to the Group, and therefore, is considered as a supplementary income source of the Group. During the Period, the Group derived no revenue from the provision of installation services of photovoltaic system (for the six months ended 30 June 2018: RMB368,000).

Business Consultancy Services

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 of approximately RMB54.75 million (equivalent to approximately HK$65.04 million) to purchase the entire issued share capital of CAS Valley Company Inc. and its subsidiaries (collectively referred as "**CAS Group**"). The CAS Group was 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 to business consultancy services.

On 11 June 2018, ZM Asset Management Limited ("**ZM Asset**"), a wholly-owned subsidiary of the Company has obtained the approval from the Securities and Futures Commission ("**SFC**") to carry out Type 9 (Asset Management) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). ZM Asset was incorporated in Hong Kong in October 2017 to engage in the provision of securities advisory service and asset management. Upon obtaining of the licenses, the Company has expanded into investment advisory and asset management services in Hong Kong.

For the Period, this segment generated a revenue of approximately RMB1,793,000, representing a substantial decrease of 93.9% from that of the six months ended 30 June 2018 and resulted in loss before income tax of approximately RMB7,520,000. During the six months ended 30 June 2018, revenue and profit before income tax generated were approximately RMB29,609,000 and RMB12,717,000 respectively. The decrease in revenue and profit before income tax was mainly attributable to the overall industry slowdown experienced in the segment.

Finance Lease Services

On 5 January 2018, the Group launched the finance lease services business, for which it derived revenue from the provision of finance lease services to its industrial customers in the PRC. For the Period, revenue and profit before income tax generated from finance lease services were approximately RMB6,009,000 and RMB6,806,000 respectively. During the six months ended 30 June 2018, revenue and profit before income tax generated were approximately RMB1,282,000 and RMB782,000 respectively.

Other Gain or Loss

A net gain of approximately RMB2,067,000 was recorded for the Period, mainly due to the reversal of loss allowance on finance lease receivables of approximately RMB2,116,000 as a result of recent collection of repayment from finance lease clients.

Loss allowance on finance lease receivables

The Group's finance lease customers are grouped under a provision matrix into five internal credit rating buckets (namely: Normal, Special-mentioned, Substandard, Doubtful and Loss) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the customers. The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors, the realisation of collateral and guarantee and study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information that is available without undue cost or effort.

The customers of finance lease receivables as at 30 June 2019 were categorised based on the internal credit rating and the estimated loss rate of 2.49% to 8.24% was applied. On July 25 2019, certain customers made full repayments on principal and interests in accordance with the contract terms. Accordingly, a reversal of loss allowance of approximately RMB2,116,000 was recognised as a gain during the Period.

Going forward and as the Group further develops its business, the Directors believe that impairment losses may arise (or decline) to reflect (i) an increase of finance lease receivables and a growing customer base; and (ii) an increase (or decline) in individual impairment allowance as subsequent collection of receivables takes place.

Selling and Distribution Costs

Selling and distribution costs decreased by approximately RMB2,855,000 or 24.0% from approximately RMB11,890,000 for the six months ended 30 June 2018 to approximately RMB9,035,000 for the Period. The decrease was mainly a result of staff reduction and other cost cutting efforts made by the Company in all of its subsidiaries.

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including directors' remunerations), depreciation and rental expenses. The total administrative expenses decreased by approximately RMB3,033,000 or 20.4% from approximately RMB14,859,000 for the six months ended 30 June 2018 to approximately RMB11,826,000 for the Period. The decrease was mainly a result of staff reduction and other cost cutting efforts made by the Company in all of its subsidiaries.

Finance Income/(Cost), Net

Net finance cost for the Period amounted to approximately RMB296,000 (for the six months ended 30 June 2018: RMB85,000). The increase in net finance cost was mainly attributable to the imputed interest expense on interest-free deposits from finance lease customers of approximately RMB85,000 and the imputed interest expense on operating lease liabilities of approximately RMB194,000, as a result of application of HKFRS 9 and HKFRS 16 respectively.

Income Tax Expense

Income tax expense decreased by approximately RMB2,880,000 or 75.7% from approximately RMB3,805,000 for the six months ended 30 June 2018 to approximately RMB925,000 for the Period. The decrease in income tax expense was mainly attributable to a decreased level of taxable income during the Period.

(Loss)/Profit for the Period

The Group recorded a net loss of approximately RMB4,317,000 for the Period, as compared with the net profit of approximately RMB4,017,000 for the six months ended 30 June 2018. The decrease in net profit for the Period was mainly attributable to the underperformance and massive loss generated by the business consultancy segment which was historically a major profit contributor to the Company.

Current Ratio

The Group's current ratio were approximately 7.5 and 5.2 as at 30 June 2019 and 31 December 2018, respectively.

Capital Structure

As at 30 June 2019, the Group had net assets of approximately RMB220,891,000 (31 December 2018: RMB225,741,000), comprising non-current assets of approximately RMB96,035,000 (31 December 2018: RMB126,139,000), and current assets of approximately RMB153,252,000 (31 December 2018: RMB128,057,000). The Group recorded a net current asset position of approximately RMB132,790,000 (31 December 2018: RMB103,269,000), primarily consisting of cash and cash equivalents of approximately RMB23,317,000 (31 December 2018: RMB28,122,000), inventories of approximately RMB35,907,000 (31 December 2018: RMB34,518,000), trade and other receivables of approximately RMB19,250,000 (31 December 2018: RMB26,787,000) and current portion of finance lease receivables of approximately RMB74,529,000 (31 December 2018: RMB37,734,000). Major current liabilities were trade and other payables of approximately RMB14,730,000 (31 December 2018: approximately RMB14,934,000), bank borrowings of approximately RMB2,000,000 (31 December 2018: RMB2,000,000), current portion of operating lease liability of approximately RMB2,069,000 (31 December 2018: Nil), current portion of deposits received from finance lease customers of approximately RMB1,218,000 (31 December 2018: Nil) and income tax payables of approximately RMB445,000 (31 December 2018: approximately RMB7,854,000).

Liquidity and Financial Resources

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately RMB23,317,000, representing a net decrease of approximately RMB4,805,000 as compared to that of approximately RMB28,122,000 as at 31 December 2018. Net cash outflow from operating activities amounted to approximately RMB3,011,000 (for the six months ended 30 June 2018: outflow of RMB66,230,000). During the six months ended 30 June 2018, the Group launched finance lease operation, which resulted in cash outflow of approximately RMB47,875,000. As at 30 June 2019, the Group had a short-term bank borrowings of RMB2,000,000 (31 December 2018: RMB2,000,000). In view of the Group's current level of cash and bank balances, funds generated internally from our operations, the Board is confident that the Group has sufficient resources to meet its finance needs for its operations.

Charges on the Group's assets

As at 30 June 2019, the Group did not have any material charge on its assets (as at 30 June 2018: Nil).

Contingent Liabilities

On 24 December 2014, Xinyi Glass issued an originating summons (the "**Originating Summons**") and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region against the Company, the vendor of the Daqing Property, the holder of the convertible bonds of the Company, certain existing and former executive and non-executive Directors and independent non-executive Directors (the "**Defendants**") with respect to the acquisition of a property in Daqing Property Acquisition. For details of the Legal Proceeding, please refer to the annual report of the Company for the year ended 31 December 2018.

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

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

(ii) the convertible bonds of the Company issued to satisfy the consideration of the Daqing Acquisition and 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 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 certain existing and former executive Directors, non-executive Directors and independent non-executive Directors.

The litigation is still ongoing but no step has been taken by Xinyi Glass to prosecute the same against all the Defendants for more than three years since 12 November 2015. Management has consulted legal advisors in both the PRC and Hong Kong in response to the Originating Summons. The Directors have thoroughly revisited the situation based on the advice of the PRC and Hong Kong legal advisors during the year ended 31 December 2018, 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 any material adverse impact to the consolidated financial statements as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, the Group did not have any other significant contingent liabilities (as at 31 December 2018: Nil).

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2019.

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 Period, the Group did not hedge any exposure in foreign currency risk.

Employees and Remuneration Policy

As at 30 June 2019, the Group employed a total of 266 employees (31 December 2018: 321 employees). The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the Period, the total staff costs (including directors' emoluments) amounted to approximately RMB17,808,000 (for the six months ended 30 June 2018: RMB21,727,000).

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 2019, no share options under the Scheme were outstanding.

On 12 October 2015, the Group adopted a share award scheme (the "**Award Scheme**") for its employees. On 12 November 2015, the Group granted 41,300,000 award shares to 16 employees (the "**Selected Participants**") under the Award Scheme. The award shares will be vested in full to the Selected Participants respectively in five tranches each over six years, with approximately 10% to be vested on the first tranche, 20% to be vested on each of the second and third tranches and 25% to be vested on each of the fourth and fifth tranches. On 11 January 2017, the Group granted 4,500,000 award shares to Mr. He Changsheng, a former executive Director, and these award shares will be vested in full in four tranches each over four years. During the year ended 31 December 2018, 9,220,000 award shares have been forfeited as a result of resignation of certain eligible employees, 1,050,000 award shares have been vested to an eligible employee due to her retirement. On 5 June 2018, the Board approved to accelerate vesting of 900,000 award shares to Mr. Xia Xiufeng ("**Mr. Xia**"), an executive Director and the only eligible employee, following the resignation of the employees who were eligible to participate in the Award Scheme on 4 June 2018. After the acceleration vesting to Mr. Xia, the Award Scheme was terminated with effect from 6 June 2018. In October 2018, all remaining award shares were disposed of by trustee of the Award Scheme to independent third parties of the Company. Accordingly, as at 30 June 2019, there is no outstanding award shares.

Significant Investments

Save as disclosed in note 16, the Group did not have any other significant investments as at 30 June 2019.

Future Plans for Material Investments And Capital Assets

Save as disclosed in other sections of this report, the Group had no other plan for material investment or capital assets as at 30 June 2019. However, the Group will continue to explore new opportunities in other industries to enhance the returns to shareholders of the Company.

Material Acquisition and Disposal

The Group did not have any major acquisition and disposal during the Period.

PROSPECTS

Going forward, the Board will try its best endeavour to seek suitable merger and acquisition opportunities and/or business collaboration to further expand into the financial services industry. Apart from strengthening the Group's automobile glass services and business consultancy services, the Group has a plan to further develop the finance lease services, corporate finance advisory services and asset management services in the future, and expects to generate a stable stream of income from providing such services.

Corporate Governance

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

Code provision A.2.1 of 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 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.

On 18 March 2019, Mr. Guo Mingang ("**Mr. Guo**") resigned as an independent non-executive Director, a member of each of the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and the chairman of the nomination committee (the "**Nomination Committee**") of the Company.

Following the resignation of Mr. Guo, the Company has only two independent non-executive Directors and two members in the Remuneration Committee and hence the number of the independent non-executive Directors and the number of the Remuneration Committee have fallen below the minimum number required under Rules 5.05(1) and 5.34 of the GEM Listing Rules. Furthermore, the chairman of the Nomination Committee falls vacant and the members of Nomination Committee do not comprise a majority of independent non-executive Directors and hence the Company no longer fulfils the requirements under code provision A.5.1 of the CG Code.

Following the appointment of Mr. Wang Liang ("**Mr. Wang**") as the independent non-executive Director, a member of each of the Audit Committee and Remuneration Committee and the chairman of the Nomination Committee on 17 June 2019, the Board has seven members, being three executive Directors, one non-executive Director and three independent non-executive Directors, which fulfils the requirement of Rules 5.05(1) and 5.05(A) of the GEM Listing Rules. Further, each of the Audit Committee, Nomination Committee and Remuneration Committee (collectively, the "**Committees**") will have no less than three members and comprises a majority of independent non-executive Directors, which fulfils the requirements of the terms of reference of the Committees and complies with Chapter 5 and code provision A5.1 of the Appendix 15 of the GEM Listing Rules.

Save for the deviation from the code provisions as mentioned above, the Board is satisfied that the Company had complied with all the other code provisions set out under the CG Code for the Period.

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

Dividends

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

Directors' Interests in Competing Interests

For the Period, 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 Period, 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 2019, 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	Number of Shares and underlying shares held	Approximate percentage of Shareholding (%)
			(Note 4)
Xia Xiufeng	Beneficial interest	1,000,000 (Note 1)	0.13%
	Interest in a controlled corporation	216,000,000 (Note 1)	27.23%
Lo Chun Yim	Interest in controlled corporations	166,307,500 (Note 2)	20.97%
Lu Yongmin	Interest in a controlled corporation	48,281,475 (Note 3)	6.09%

Notes:

(1) Mr. Xia Xiufeng was beneficially holding 1,000,000 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. Mr. Xia was therefore deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

(2) The 166,307,500 Shares represent 106,000,000 Shares held by Rise Grace, 29,562,500 Shares held by Urban Emotions Ltd ("**Urban**") and 30,745,000 Shares held by Mind Phenomenon Ltd ("**Mind Phenomenon**"). Rise Grace is 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 ("**Mr. Lo**"), an executive Director of the Company. Urban was a company incorporated in the BVI with limited liability which was directly wholly-owned by Mr. Lo Chun Yim.

On the other hand, Mind Phenomenon was a Company incorporated in the British Virgin Islands with limited liability, of which Mr. Lo purchased the entire issued share capital of Mind Phenomenon on 28 March 2019. Accordingly, Mr. Lo was deemed to be interested in all the Shares in which Rise Grace, Urban and Mind Phenomenon were interested by virtue of the SFO. On 7 August 2018, Rise Grace pledged 106,000,000 Shares to Dongxing Securities (Hong Kong) Financial Holdings Limited. The pledged has been released on 26 July 2019.

(3) 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. Mr. Lu Yongmin was deemed to be interested in all the Shares held by YinHe 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 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as is known to the Directors, as at 30 June 2019, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding (%)
			(Note 9)
Lu Yu (Note 1)	Beneficial owner	216,000,000	27.23%
Rise Grace (Note 2)	Beneficial owner	106,000,000	13.36%
Diamond Galaxy Limited (Note 2)	Interest in a controlled corporation	106,000,000	13.36%
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI)**") (Note 3)	Beneficial owner	120,360,000	15.17%
Xinyi Glass Holdings Limited ("**Xinyi Glass Holdings**") (Note 3)	Interest in a controlled corporation	120,360,000	15.17%
YinHe (Note 4)	Beneficial owner	48,281,475	6.09%
Ms. Lu Hong (Note 4)	Interest of spouse	48,281,475	6.09%
Ms. Hong Man Chu (Note 6)	Interest of spouse	166,307,500	20.97%
Dongxing Securities (Hong Kong) Financial Holdings Limited (Note 7)	Security Interest	106,000,000	13.36%
Dongxing Securities Co., Ltd (Note 7)	Interest in a controlled corporation	106,000,000	13.36%

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 Xiufeng. Mr. Xia Xiufeng was deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

(2) These Shares were held by Rise Grace, a direct wholly-owned subsidiary of Diamond Galaxy Limited, which was in turn wholly-owned by Mr. Lo Chun Yim. Therefore, each of Mr. Lo Chun Yim and Diamond Galaxy Limited was deemed to be interested in all the Shares in which Rise Grace was interested by virtue of the SFO.

(3) 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.

(4) YinHe, a company incorporated in the BVI and an 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 is the spouse of Mr. Lu Yongmin and she was therefore deemed to be interested in the Shares in which Mr. Lu Yongmin was interested by virtue of the SFO.

(6) Ms. Hong Man Chu is the spouse of Mr. Lo Chun Yim and she was therefore deemed to be interested in the shares in which Mr. Lo Chun Yim is interested by virtue of the SFO.

(7) Dongxing Securities (Hong Kong) Financial Holdings Limited, a company incorporated in Hong Kong on 17 July 2015, was wholly and beneficially owned by Dongxing Securities Co., Ltd. On 7 August 2018, Rise Grace pledged 106,000,000 Shares to Dongxing Securities (Hong Kong) Financial Holdings Limited. Therefore, Dongxing Securities Co., Ltd was deemed to be interested in all the shares in which Dongxing Securities (Hong Kong) Financial Holdings Limited was interested by virtue of the SFO. The pledge has been released on 26 July 2019.

(8) The approximate percentage of shareholding is calculated based on the total number of issued shares of the Company as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 required standard of dealings and the code of conduct concerning securities transactions by Directors throughout the Period.

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. Luo Wenzhi, Mr. Liu Mingyong and Mr. Wang Liang. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the Period 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, 7 August 2019

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. Luo Wenzhi and Mr. Wang Liang.