



2021 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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*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 for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



Contents

Corporate Information	03
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	05
Condensed Consolidated Statement of Financial Position	07
Condensed Consolidated Statement of Changes in Equity	09
Condensed Consolidated Statement of Cash Flows	10
Notes to Condensed Consolidated Interim Financial Information	11
Management Discussion and Analysis	35

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

LEGAL ADVISERS

Loong & Yeung (as to Hong Kong laws)
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

Miss Zhou Yan

COMPLIANCE OFFICER

Mr. Xia Xiufeng

AUDIT COMMITTEE MEMBERS

Mr. Jiang Bin (*Chairman*)
Mr. Liu Mingyong
Mr. Luo Wenzhi
Mr. Wang Liang

REMUNERATION COMMITTEE MEMBERS

Mr. Luo Wenzhi (*Chairman*)
Mr. Xia Xiufeng
Mr. Wang Liang



CORPORATE INFORMATION (CONTINUED)

NOMINATION COMMITTEE MEMBERS

Mr. Wang Liang (*Chairman*)
Mr. Jiang Bin
Mr. Lu Yongmin

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.12 Fengbei Road
Fengtai District
Beijing
China

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

B6-8, Room 1011, Block B,
Hung Hom Commercial Centre,
39 Ma Tau Wai Road,
Hung Hom, Kowloon, Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Hua Xia Bank

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

<http://www.zmfy.com.hk>

STOCK CODE

8135

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2021

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 2021, together with the comparative unaudited figures for the corresponding periods in 2020, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2021	2020	2021	2020
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	5	38,468	33,106	23,885	22,205
Cost of sales		(27,581)	(22,951)	(17,014)	(14,046)
Gross profit		10,887	10,155	6,871	8,159
Other gain or loss, net	6	1,000	80	922	48
Loss allowance on financial assets	7	(2,619)	(550)	(2,440)	123
Selling and distribution costs		(7,247)	(5,405)	(3,714)	(3,084)
Administrative expenses		(8,951)	(8,333)	(4,214)	(4,104)
		(6,930)	(4,053)	(2,575)	1,142
Finance income		19	30	8	14
Finance cost		(285)	(371)	(126)	(159)
Finance cost, net	8	(266)	(341)	(118)	(145)
Loss before income tax		(7,196)	(4,394)	(2,693)	997
Income tax expense	9	(1,043)	(1,121)	(554)	(604)
Loss for the period		(8,239)	(5,515)	(3,247)	393

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

For the six months and three months ended 30 June 2021

	Notes	Six months ended 30 June		Three months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Other comprehensive income:					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Currency translation differences		10	2	31	5
Total comprehensive income for the period		(8,229)	(5,513)	(3,216)	398
Loss attributable to:					
Owners of the Company		(7,771)	(5,473)	(3,358)	347
Non-controlling interests		(468)	(42)	111	46
		(8,239)	(5,515)	(3,247)	393
Total comprehensive income attributable to:					
Owners of the Company		(7,761)	(5,471)	(3,327)	352
Non-controlling interests		(468)	(42)	111	46
		(8,229)	(5,513)	(3,216)	398
Loss per share attributable to owners of the Company for the period					
		(Unaudited) RMB cents	(Unaudited) RMB cents	(Unaudited) RMB cents	(Unaudited) RMB cents
Basic	11	(0.98)	(0.69)	(0.42)	0.04
Diluted		(0.98)	(0.69)	(0.42)	0.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	54,838	55,102
Intangible assets		–	–
Finance lease receivables	13	9,500	14,313
Deferred tax assets		1,928	1,922
		66,266	71,337
Current assets			
Inventories	14	24,886	23,308
Trade and other receivables	15	5,926	12,067
Finance lease receivables	13	77,892	75,045
Income tax recoverable		248	248
Cash and cash equivalents		13,300	16,808
		122,252	127,476
Total assets		188,518	198,813
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	6,372	6,372
Reserves		158,904	166,665
		165,276	173,037
Non-controlling interests		3,505	3,973
Total equity		168,781	177,010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	17	10,020	9,166
Lease liabilities	18	1,669	1,947
Deposits received from finance lease customers	19	1,647	3,658
Income tax payables		509	473
		13,845	15,244
Non-current liabilities			
Lease liabilities	18	4,868	5,413
Deposits received from finance lease customers	19	192	304
Loan from a shareholder	20	832	842
		5,892	6,559
Total liabilities		19,737	21,803
Total equity and liabilities		188,518	198,813
Net current assets		108,407	112,232
Total assets less current liabilities		174,673	183,569
Net assets		168,781	177,010

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	PRC			Accumulated losses	Subtotal	Non-controlling interests	Total Equity
				statutory reserve	General reserve	Exchange reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2020	6,372	315,864	(47,484)	10,129	396	581	(92,911)	192,947	(168)	192,779
Loss for the period	-	-	-	-	-	-	(5,473)	(5,473)	(42)	(5,515)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	2	-	2	-	2
Total comprehensive income	-	-	-	-	-	2	(5,473)	(5,471)	(42)	(5,513)
Transactions with equity owners of the Company recognised directly in equity										
De-registration of subsidiaries	-	-	-	(640)	-	-	640	-	-	-
Balance at 30 June 2020 (Unaudited)	6,372	315,864	(47,484)	9,489	396	583	(97,744)	187,476	(210)	187,266

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	PRC			Accumulated losses	Subtotal	Non-controlling interests	Total equity
				statutory reserve	General reserve	Exchange reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2021	6,372	315,864	(47,484)	9,901	790	571	(112,977)	173,037	3,973	177,010
Loss for the period	-	-	-	-	-	-	(7,771)	(7,771)	(468)	(8,239)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	10	-	10	-	10
Total comprehensive income	-	-	-	-	-	10	(7,771)	(7,761)	(468)	(8,229)
Balance at 30 June 2021 (Unaudited)	6,372	315,864	(47,484)	9,901	790	581	(120,748)	165,276	3,505	168,781

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Net cash generated from/(used in) operating activities	458	(2,498)
Net cash used in investing activities	(3,142)	(690)
Net cash used in financing activities	(823)	(1,508)
Net decrease in cash and cash equivalents	(3,507)	(4,696)
Cash and cash equivalents at beginning of the period	16,808	20,211
Effect of foreign exchange	(1)	11
Cash and cash equivalents at end of the period	13,300	15,526

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’s principal place of business is located at No. 12 Fengbei Road, Fengtai District, Beijing, the People’s Republic of China (the “**PRC**”).

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 and finance lease business in 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 statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The condensed consolidated financial statements have been prepared under the historical cost basis. The condensed consolidated financial statements are presented in Renminbi (“**RMB**”) since majority of the Group’s operations are carried out in RMB. The Company’s functional currency is Hong Kong Dollars (“**HK\$**”) since majority of the activities of the Company are conducted in HK\$.

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 2020, except for those that relate to new standards or interpretations effective for the first time for the period beginning on or after 1 January 2021.

Adoption of new and amended HKFRSs

In the current interim period, the Group has applied for the first time the following new or amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 16 – COVID-19-Related Rent Concessions

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequent of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and amended HKFRSs (Continued)

Amendments to HKFRS 16 – COVID-19-Related Rent Concessions (Continued)

The directors of the Company anticipate that the application of these new or amended HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

4. BASIS OF CONSOLIDATION

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

The results of subsidiaries acquired or disposed of during the periods are included in the profit or loss 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.

4. BASIS OF CONSOLIDATION (CONTINUED)

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.

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 of the subsidiary. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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 non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests 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 interests. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. 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.

Information reported to CODM for the purpose of resource allocation and assessment of segment performance is 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 in which all of its revenue was derived. In a manner consistent with the way in which information is reported internally to the CODM for the purposes of resource allocation and performance assessment, the Group has presented three reportable segments – “Automobile glass”, “Photovoltaic system” and “Finance lease services” in its condensed consolidated financial statements for the six months ended 30 June 2021 and 2020. The Group has not presented “Business consultancy services” as a reportable segment due to the downsizing of the business consultancy services, and no revenue was derived from business consultancy services for the six months ended 30 June 2021 and 2020. No operating segments have been aggregated to form a reportable segment for the purpose of segment reporting in the condensed consolidated financial statements.

As at 30 June 2021 and 2020, the Group’s non-current assets were all located in the PRC. For the six months ended 30 June 2021, revenue of approximately RMB6,047,000 (for the six months ended 30 June 2020: approximately RMB4,387,000) was derived from sales by automobile glass segment to an external customer, which contributed 10% or more of the Group’s revenue.

Sales between segments are carried out at terms mutually agreed by both parties. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Automobile glass		Photovoltaic system		Finance lease services		Reportable segments total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15								
- Sales of automobile glass with installation/repair services	31,126	26,219	-	-	-	-	31,126	26,219
- Trading of automobile glass	7,078	1,142	-	-	-	-	7,078	1,142
- Provision of installation services of photovoltaic system	-	-	-	152	-	-	-	152
	38,204	27,361	-	152	-	-	38,204	27,513
Inter-segment sales	(5,348)	(91)	-	-	-	-	(5,348)	(91)
	32,856	27,270	-	152	-	-	32,856	27,422
Revenue from other source								
- Finance lease income	-	-	-	-	5,612	5,684	5,612	5,684
Reportable segment revenue	32,856	27,270	-	152	5,612	5,684	38,468	33,106
Timing of revenue recognition								
- At a point of time	32,856	27,270	-	-	-	-	32,856	27,270
- Over time	-	-	-	152	5,612	5,684	5,612	5,836
	32,856	27,270	-	152	5,612	5,684	38,468	33,106
Results of reportable segments	(7,870)	(4,417)	(182)	(162)	1,791	4,050	(6,261)	(529)
Items included in arriving at segment results or assets:								
Depreciation of property, plant and equipment	(3,266)	(2,855)	(8)	(3)	-	-	(3,274)	(2,858)
Gain/(Loss) on disposals of property, plant and equipment	91	(6)	-	-	-	-	91	(6)
Interest expense	(237)	(296)	-	-	(40)	(70)	(277)	(366)
Interest income	8	13	2	4	8	12	18	29
Loss allowance on finance lease receivables	-	-	-	-	(2,619)	(414)	(2,619)	(414)
Addition to non-current assets	(3,322)	(693)	-	-	-	-	(3,322)	(693)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

A reconciliation of results of reportable segments to loss for the six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Total of results of reportable segments	(6,261)	(529)
Unallocated finance cost	(7)	(4)
Unallocated corporate expenses	(928)	(3,861)
Loss before income tax of the Group	(7,196)	(4,394)

Certain finance cost and corporate expenses are not allocated to the reportable segments as they are not included in the measure of the results of reportable segment that is used by CODM for assessment of segment performance.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

Reportable segments assets and liabilities as at 30 June 2021 and 31 December 2020, and the reconciliation to consolidated total assets and liabilities of the Group, is as follows:

	Automobile glass		Photovoltaic system		Finance lease services		Reportable segments total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	86,937	93,831	840	1,053	94,679	96,738	182,456	191,622
Unallocated cash and cash equivalents							695	1,504
Unallocated corporate assets							5,367	5,687
Total assets							188,518	198,813
Segment liabilities	15,198	14,217	51	82	2,508	4,544	17,757	18,843
Unallocated corporate liabilities							1,980	2,960
Total liabilities							19,737	21,803

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. OTHER GAIN OR LOSS, NET

	Six months ended 30 June		Three months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Gain on disposals of subsidiaries	788	–	788	–
Gain/(Loss) on disposals of property, plant and equipment	91	(18)	91	–
Imputed interest income	6	17	–	–
Others	115	81	43	48
Total	1,000	80	922	48

7. LOSS ALLOWANCE ON FINANCIAL ASSETS

	Six months ended 30 June		Three months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Loss allowance on finance lease receivables	(2,619)	(414)	(2,440)	123
Write off of trade receivables	–	(136)	–	–
Total	(2,619)	(550)	(2,440)	123

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. FINANCE COST, NET

	Six months ended 30 June		Three months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Finance cost:				
Interest expense on loan from a shareholder	(8)	(5)	(4)	(2)
Imputed interest expense on interest-free deposits from finance lease customers	(40)	(70)	(7)	(34)
Interest expense on lease liabilities	(237)	(296)	(115)	(123)
	(285)	(371)	(126)	(159)
Finance income:				
Interest income on bank deposits	19	30	8	14
Finance cost, net	(266)	(341)	(118)	(145)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. INCOME TAX EXPENSE

	Six months ended 30 June		Three months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current income tax				
– PRC profits tax	1,049	1,121	557	604
Deferred taxation	(6)	–	(3)	–
Income tax expense	1,043	1,121	554	604

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. There is no estimated assessable profit subject to Hong Kong Profits Tax for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

Subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 25%).

10. DIVIDENDS

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 June 2021 is based on the loss attributable to owners of the Company of approximately RMB7,771,000 (for the six months ended 30 June 2020: approximately RMB5,473,000) and on the weighted average number of 793,200,000 (for the six months ended 30 June 2020: 793,200,000) ordinary shares outstanding during the period.

For the six months ended 30 June 2021 and 2020, diluted loss per share was equal to the basic loss per share as there was no potential ordinary share in issue for both periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office Equipment RMB'000	Total RMB'000
Year ended 31 December 2020					
Opening net book amount	63,511	56	1,729	125	65,421
Additions	1,404	489	860	6	2,759
Lease modification	(460)	-	-	-	(460)
Provision for impairment	(2,354)	-	-	-	(2,354)
Depreciation charge	(5,208)	(208)	(570)	(1)	(5,987)
Disposals	(4,196)	-	(54)	(27)	(4,277)
Closing net book amount	52,697	337	1,965	103	55,102
Six months ended 30 June 2021					
Opening net book amount	52,697	337	1,965	103	55,102
Additions	-	2,872	398	52	3,322
Depreciation charge	(2,411)	(849)	(255)	-	(3,515)
Disposals	-	-	(71)	-	(71)
Closing net book amount	50,286	2,360	2,037	155	54,838

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The analysis of the net book value of right-of-use assets included in property, plant and equipment by class of underlying assets is as follows:

	Leased land and buildings for own use RMB'000	Leased Properties RMB'000	Total RMB'000
As at 1 January 2020	52,804	10,707	63,511
Additions	–	1,404	1,404
Lease modification	–	(460)	(460)
Provision for impairment	(2,354)	–	(2,354)
Depreciation charge	(1,986)	(3,222)	(5,208)
Disposal	(4,196)	–	(4,196)
As at 31 December 2020	44,268	8,429	52,697
As at 1 January 2021	44,268	8,429	52,697
Additions	–	–	–
Depreciation charge	(862)	(1,549)	(2,411)
As at 30 June 2021	43,406	6,880	50,286

Depreciation charge for the six months ended 30 June 2021 of approximately RMB661,000 (for the six months ended 30 June 2020: approximately RMB1,691,000), approximately RMB1,147,000 (for the six months ended 30 June 2020: approximately RMB318,000) and approximately RMB1,707,000 (for the six months ended 30 June 2020: approximately RMB1,123,000) were included in cost of sales, selling and distribution costs and administrative expenses, respectively.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(CONTINUED)

13. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Finance lease receivables comprise:				
Within one year	99,648	93,168	92,653	87,209
In more than one year but no more than five years	11,904	17,149	10,541	15,332
	111,552	110,317	103,194	102,541
Less: Unearned finance income	(8,358)	(7,776)	–	–
Present value of minimum lease payments	103,194	102,541	103,194	102,541
Less: Loss allowance	(15,802)	(13,183)	(15,802)	(13,183)
	87,392	89,358	87,392	89,358

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. FINANCE LEASE RECEIVABLES (CONTINUED)

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Analysis for reporting purpose as:		
Current assets	77,892	75,045
Non-current assets	9,500	14,313
	87,392	89,358

The Group's finance lease receivables are denominated in RMB. The effective rates of the finance leases as at 30 June 2021 ranged from 9.75% to 15.49% (2020: 9.75% to 15.49%) per annum.

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 2021, the customers' deposits of approximately RMB1,873,000 (31 December 2020: RMB4,030,000) 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. FINANCE LEASE RECEIVABLES (CONTINUED)

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

The customers of finance lease receivables as at 30 June 2021 are categorised based on the internal credit rating and the estimated loss rate of 5.79% to 50% (for the six months ended 30 June 2020: 4.67% to 12.00%) is applied. Accordingly, a loss allowance of approximately RMB2,619,000 was recognised in profit or loss for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately RMB414,000).

14. INVENTORIES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Finished goods	24,886	23,308

Cost of inventories recognised as expense in “cost of sales” amounted to approximately RMB20,778,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB16,309,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	4,587	7,183
Prepayments (Note) – Third parties	568	528
Deposit and other receivables (Note) – Third parties	744	899
– Related parties	27	3,457
	5,926	12,067

Note: Prepayments, deposits and other receivables comprise the following:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Prepayments		
Advances to suppliers	8	–
Prepayments for rental	202	122
Others	358	406
	568	528
Deposits and other receivables		
Rental and utility deposits	21	596
Amount due from non-controlling interests	27	3,457
Others	723	303
	771	4,356

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Majority of the Group's revenue are with credit terms of 0 to 90 days (2020: 0 to 90 days).

Ageing analysis of the trade receivables at 30 June 2021 and 31 December 2020 based on invoice date is as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
0-30 days	2,367	3,575
31-60 days	954	1,729
61-90 days	1,051	1,158
Over 90 days	215	721
Total	4,587	7,183

16. SHARE CAPITAL

	Number of shares	RMB'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2020 and 30 June 2021	1,560,000,000	13,016
Issued and fully paid:		
As at 31 December 2020 and 30 June 2021	793,200,000	6,372

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade payables	4,100	783
Other payables		
– Value-added tax payables	474	1,090
– Salary payables	2,233	3,692
– Other payables and accruals	3,213	3,601
Total	10,020	9,166

Credit terms granted by suppliers are generally within 60 days (2020: 60 days).

Ageing analysis of trade payables at 30 June 2021 and 31 December 2020 based on invoice date is as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Current	–	103
0-30 days	3,527	385
31-60 days	410	35
61-90 days	113	209
Over 90 days	50	51
Total	4,100	783

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18. LEASE LIABILITIES

The Group leases various offices, warehouses and retail store in the PRC for its operations. Lease contracts are entered into for term of 1 year to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 30 June 2021 and 31 December 2020, the Group did not enter into any lease that is not yet commenced.

The present value of future lease payments of the Group's leases are analysed as:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Current	1,669	1,947
Non-current	4,868	5,413
	6,537	7,360

Movement of the Group's lease liabilities is analysed as follows:

	(Unaudited) RMB'000
At 1 January 2021	7,360
Additions	–
Interest expense	237
Interest element of lease payment	(237)
Capital element of lease payment	(823)
At 30 June 2021	6,537

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18. LEASE LIABILITIES (CONTINUED)

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Minimum lease payment RMB'000	Interest RMB'000	Present value RMB'000
At 30 June 2021			
Not later than one year	2,031	362	1,669
Later than one year but not later than two years	2,085	246	1,839
Later than two years but not later than five years	3,161	132	3,029
	7,277	740	6,537
At 31 December 2020			
Not later than one year	2,374	427	1,947
Later than one year but not later than two years	2,085	305	1,780
Later than two years but not later than five years	3,877	244	3,633
	8,336	976	7,360

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19. DEPOSITS RECEIVED FROM FINANCE LEASE CUSTOMERS

The balances represented security deposits placed by the customers to the Group for the corresponding finance leases. The amounts of customer's deposits of which the finance leases are expected to be expired after twelve months from the end of reporting period is included under non-current liabilities.

20. LOAN FROM A SHAREHOLDER

As at 30 June 2021, the balance of HK\$1,000,000 (equivalent to approximately RMB832,000) was unsecured, carrying interest rate at 2% per annum and repayable on 31 December 2022 (31 December 2020: balance of HK\$1,000,000 (equivalent to approximately RMB842,000) was unsecured, carried interest rate at 2% per annum and repayable on 31 December 2022).

21. RELATED PARTY TRANSACTIONS

	Notes	Six months ended 30 June		Three months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Purchase of inventories from fellow subsidiaries of Xinyi Glass	1, 2	838	1,069	453	813
Loan interest expense payable to a substantial shareholder	1, 2	8	5	4	2

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- 1 During the six months ended 30 June 2021, the directors are of the view that related parties of the Group include the following parties:

Name of party	Relationship
Shareholders:	
Lu Yu	Substantial shareholder
Mr. Xia Xiufeng	Beneficiary owner of a substantial shareholder
Rise Grace Development Limited	Substantial shareholder
Xinyi Glass	Non-controlling shareholder of certain subsidiaries of the Group
中投宏源（橫琴）投資管理有限公司	Non-controlling shareholder of certain subsidiaries of the Group
Mr. Liu Zhenghao	Non-controlling shareholder of certain subsidiaries of the Group
Fellow subsidiaries of non-controlling shareholder:	
信義汽車部件（天津）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)
信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass (BVI)
信義汽車部件（蕪湖）有限公司	Fellow subsidiary of Xinyi Glass (BVI)
上海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. Liu Mingyong	Director of the Company
Mr. Lo Chun Yim	Director of the Company
Mr. Jiang Bin	Director of the Company
Mr. Lu Yongmin	Director of the Company
Mr. Luo Wenzhi	Director of the Company
Mr. Wang Liang	Director of the Company

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	5,358	11,539
Finance lease receivables	87,392	89,358
Cash and cash equivalents	13,300	16,808
	106,050	117,705
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	9,546	8,076
Lease liabilities	6,537	7,360
Deposits received from finance lease customers	1,839	3,962
Loan from a shareholder	832	842
	18,754	20,240

Financial instruments not measured at fair value include trade and other receivables, finance lease receivables, cash and cash equivalents, trade and other payables, lease liabilities, deposits received from finance lease customers and loan from a shareholder classified as current liabilities. Due to their short term nature, their carrying values of those financial assets and liabilities classified as current assets and liabilities approximate their fair values.

The fair value of loan from a shareholder classified as non-current liabilities approximates its carrying value as the impact of discounting were immaterial.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's total revenue for the six months ended 30 June 2021 (the "Period") amounted to approximately RMB38,468,000, representing an increase of approximately RMB5,362,000 or 16.2% as compared to that of approximately RMB33,106,000 for the six months ended 30 June 2020. Overall gross profit increased by approximately RMB732,000 or 7.2% to approximately RMB10,887,000 for the Period from approximately RMB10,155,000 for the six months ended 30 June 2020. The gross profit margin for the Period decreased to approximately 28.3% from approximately 30.7% for the six months ended 30 June 2020.

The increase in revenue and gross profit were mainly attributable to the increased business volume resulting from the automobile glass business of the Group. The automobile glass segment recorded revenue of approximately RMB32,856,000 and gross profit of approximately RMB5,331,000 for the Period, as compared to revenue of approximately RMB27,270,000 and gross loss of approximately RMB4,656,000 for the six months ended 30 June 2020.

The loss attributable to owners of the Company for the Period amounted to approximately RMB7,771,000, representing an increase of approximately RMB2,298,000 as compared to loss of approximately RMB5,473,000 for the six months ended 30 June 2020.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue and Segment Result

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 increased by approximately RMB5,586,000 or 20.5% to approximately RMB32,856,000 for the Period from that of approximately RMB27,270,000 for the six months ended 30 June 2020. The increase was mainly due to the increased demand and improved business volume in the segment as the Company recovered from the business disruption caused by COVID-19 lockdown.

Despite the increased revenue and consequent gross profit level, concerning the results of reportable segments from sales of automobile glass with installation/repair services and trading of automobile glass, this Period saw an enlarged loss of approximately RMB7,870,000, up by approximately RMB3,453,000 from that of approximately RMB4,417,000 for the six months ended 30 June 2020, as a result of the increased employee costs and operational costs, including repair maintenance cost and sales commission, which incurred at a much lower level for the six months ended 30 June 2020.

Provision of Installation Services of Photovoltaic System

Provision of installation services of photovoltaic system is mostly one-off or ad-hoc projects in nature, seldom providing a predictable and stable revenue stream to the Group. This segment contributed no revenue for the Period (for the six months ended 30 June 2020: approximately RMB152,000), as the Company has lost its market leadership as the business environment changed over time. As at 30 June 2021, there was no staff in this segment. Going forward, the Company does not foresee any business turnaround opportunity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance Lease Services

Revenue from finance lease services decreased by approximately RMB72,000 or 1.3% to approximately RMB5,612,000 for the Period from approximately RMB5,684,000 for the six months ended 30 June 2020.

Results of reportable segments from finance lease services decreased by approximately RMB2,259,000 or 55.8% to profit of approximately RMB1,791,000 for the Period from profit of approximately RMB4,050,000 for the six months ended 30 June 2020. The decline was mainly attributable to the increase in loss allowance on finance lease receivables by approximately RMB2,205,000.

Business Consultancy Services

The Group has discontinued to report Business Consultancy Services as a reportable segment since this Period.

In January 2021, the Company entered into a sale and purchase agreement to sell its entire shareholding in Hengqin Holding Limited including its subsidiaries (collectively referred to as “**Hengqin Group**”), with one of its subsidiaries being ZM Asset Management Limited, a company being approved in 2018 by 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) to independent third parties at an aggregated consideration of HK\$800,000. The disposal of Hengqin Group was completed on 26 May 2021.

Gross Profit

The Group’s gross profit increased by approximately RMB732,000 or 7.2% to approximately RMB10,887,000 for the Period from approximately RMB10,155,000 for the six months ended 30 June 2020. The gross profit margin for the Period decreased to approximately 28.3% from approximately 30.7% for the six months ended 30 June 2020.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Gain or Loss

A net gain of approximately RMB1,000,000 was recorded for the Period, compared to a net gain of approximately RMB80,000 for the six months ended 30 June 2020. The net gain for the Period was mainly attributable to gain on disposal of subsidiaries of approximately RMB788,000 and gain on disposal of property, plant and equipment of approximately RMB91,000.

Loss Allowance on Financial Assets

Loss allowance of approximately RMB2,619,000 was recorded for the Period (for the six months ended 30 June 2020: approximately RMB550,000). Loss allowance on financial assets for the Period was attributable to loss allowance on finance lease receivables of approximately RMB2,619,000.

Selling and Distribution Costs

Selling and distribution costs of the Group increased by approximately RMB1,842,000 or 34.1% to approximately RMB7,247,000 for the Period from approximately RMB5,405,000 for the six months ended 30 June 2020. The increase was mainly attributable to the increase of employee costs and depreciation on property, plant and equipment in the automobile glass segment.

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including directors' remunerations), depreciation and lease expenses. The total administrative expenses increased by approximately RMB618,000 or 7.4% to approximately RMB8,951,000 for the Period from approximately RMB8,333,000 for the six months ended 30 June 2020.

Finance Cost, Net

Net finance cost for the Period amounted to approximately RMB266,000 (for the six months ended 30 June 2020: approximately RMB341,000).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income Tax Expense

Income tax expense decreased by approximately RMB78,000 or 7.0% to approximately RMB1,043,000 for the Period from approximately RMB1,121,000 for the six months ended 30 June 2020. The decrease in income tax expense was mainly attributable to a decreased level of taxable income in the finance lease services segment during the Period.

Loss for the Period

The Group recorded a net loss of approximately RMB8,239,000 for the Period, as compared to the net loss of approximately RMB5,515,000 for the six months ended 30 June 2020. The increase in net loss for the Period was mainly attributable to the increase in loss allowance on finance lease receivables and selling and distribution costs.

Current Ratio

The Group's current ratio as at 30 June 2021 was approximately 8.8, as compared with 8.4 as at 31 December 2020.

Capital Structure

As at 30 June 2021, the Group had net assets of approximately RMB168,781,000 (31 December 2020: approximately RMB177,010,000), comprising non-current assets of approximately RMB66,266,000 (31 December 2020: approximately RMB71,337,000), and current assets of approximately RMB122,252,000 (31 December 2020: approximately RMB127,476,000). The Group recorded a net current asset position of approximately RMB108,407,000 (31 December 2020: approximately RMB112,232,000), primarily consisting of cash and cash equivalents of approximately RMB13,300,000 (31 December 2020: approximately RMB16,808,000), inventories of approximately RMB24,886,000 (31 December 2020: approximately RMB23,308,000), trade and other receivables of approximately RMB5,926,000 (31 December 2020: approximately RMB12,067,000) and finance lease receivables of approximately RMB77,892,000 (31 December 2020: approximately RMB75,045,000). Major current liabilities are trade and other payables of approximately RMB10,020,000 (31 December 2020: approximately RMB9,166,000), lease liabilities of approximately RMB1,669,000 (31 December 2020: approximately RMB1,947,000), deposits received from finance lease customers of approximately RMB1,647,000 (31 December 2020: approximately RMB3,658,000) and income tax payables of approximately RMB509,000 (31 December 2020: approximately RMB473,000).



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB13,300,000, representing a net decrease of approximately RMB3,508,000 as compared to that of approximately RMB16,808,000 as at 31 December 2020. Net cash inflow from operating activities amounted to approximately RMB458,000 (for the six months ended 30 June 2020: outflow of approximately RMB2,498,000). 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 will have sufficient resources to meet its finance needs for its operations.

Gearing Ratio

The gearing ratio of the Group, calculated as total debt divided by total equity, as at 30 June 2021 is 0.5% (31 December 2020: 0.5%).

Loan from a Shareholder

As at 30 June 2021, the Group had outstanding loan of HK\$1,000,000 (equivalent to approximately RMB832,000) due to a shareholder. The loan was unsecured, carried interest rate at 2% per annum and repayable on 31 December 2022 (as at 31 December 2020: an outstanding loan of HK\$1,000,000 (equivalent to approximately RMB842,000) due to a shareholder, which was unsecured and carried interest rate at 2% per annum and repayable on 31 December 2022).

Save as disclosed above, the Group did not have any other borrowings.

Pledge of Assets

As at 30 June 2021, the Group had no assets pledged for bank borrowings or for other purposes (as at 31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 with respect to the acquisition of a property in Daqing (the “**Daqing Property Acquisition**”) against the following persons:

- (a) the Company as the 1st Defendant;
- (b) the vendor in the Daqing Acquisition Agreement (the “**Vendor**”), as the 2nd Defendant;
- (c) Xia Lu, who is a former executive Director and the former chief executive officer of the Company, as the 3rd Defendant;
- (d) He Changsheng, who is a former executive Director, as the 4th Defendant;
- (e) Li Honglin, who is a former executive Director, as the 5th Defendant;
- (f) Natsu Kumiko, who is a former non-executive Director and the chairman of the Company, as the 6th Defendant;
- (g) Fong William, who is a former independent non-executive Director, as the 7th Defendant;
- (h) Chen Jinliang, who is a former independent non-executive Director, as the 8th Defendant;
- (i) Ling Kit Wah Joseph, who is a former independent non-executive Director, as the 9th Defendant; and
- (j) Aleta Global Limited, who is the holder of the Bonds nominated by the Vendor, as the 10th Defendant, (collectively referred to as the “**Defendants**”).



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Pursuant to the Originating Summons, Xinyi Glass (BVI) contended that the terms of the Daqing Property Acquisition might not serve the best interests of the Company and the shareholders of the Company (the “**Shareholders**”) as a whole and it doubted on the legality surrounding the Daqing Property Acquisition. Accordingly, Xinyi Glass (BVI) 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 Property 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 then 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 (BVI) to prosecute the same against all the Defendants for over 5 years since 12 November 2015. The Management has consulted its legal advisor in Hong Kong in response to the Originating Summons. The Directors have thoroughly revisited the situation based on the advice of its Hong Kong legal advisor during the year, 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 would not have any material adverse impact to the condensed consolidated financial statements as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Group did not have any other significant contingent liabilities.

Events after the Reporting Period

There was no significant event after the end of the reporting period and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2021.

Foreign Exchange Risk

The Group mainly operates in 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 to foreign exchange risk.

Employees and Remuneration Policy

As at 30 June 2021, the Group employed a total of 198 employees (as at 31 December 2020: 214 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 RMB11,780,000 (for the six months ended 30 June 2020: approximately RMB10,978,000).

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 2021, no share options under the Scheme were outstanding.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments

The Group did not have any significant investments as at 30 June 2021.

Future Plans for Material Investments or Capital Assets

Save as disclosed in other sections of this report, the Group has no other plan for material investment or capital assets as at 30 June 2021. 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 had no material acquisition or disposal of subsidiaries and associated companies during the six months ended on 30 June 2021.

USE OF PROCEEDS

On 3 September 2013, the Company issued 100,000,000 new shares by way of placing (the “**Share Placing**”). All such shares issued were ordinary shares and the 100,000,000 new shares were issued at HK\$0.45 per share. The net proceeds of the Share Placing received by the Company were approximately HK\$32,639,000 (equivalent to approximately RMB25,761,000).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the period from the latest practicable date (the “LPD”) (as defined in the Prospectus) to 30 June 2021, the net proceeds from the Share Placing had been applied as follows:

Business objectives as stated in the Prospectus for the period from the LPD to 30 June 2021	Planned use of proceeds as stated in the Prospectus from the LPD to 30 June 2021 (HK\$ million) (Note)	Actual use of proceeds from the LPD to 30 June 2021 (HK\$ million)	Unutilised use of proceeds from the LPD to 30 June 2021 (HK\$ million)
1. Setting up new service centres	19.4	9.1	10.3
2. Merger, acquisitions and business collaboration	10.9	10.9	–
3. General working capital	2.3	2.3	–
Total	32.6	22.3	10.3

Note: This sum represents an aggregate amount of the planned use of proceeds as stated in the Prospectus from the LPD to 30 June 2021 being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For setting up new service centres, the postponement in utilizing the net proceeds is due to changes in the business environment, continuous losses in the sales of automobile glass with installation/repair services, and the impact of the COVID-19.

As at 30 June 2021, the unutilised use of proceeds of approximately HK\$10.3 million has been placed as deposits into licensed banks in the PRC. Such amount is expected to be fully utilized by 31 December 2021.

The planned use of proceeds as disclosed in the Prospectus was based on the best estimation made by the Group in relation to the then future market conditions as at the LPD of the Prospectus, while the net proceeds would be applied in accordance with the actual development of the market from time to time.

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

PROSPECTS

Going forward, the Board will focus to strengthen its existing business position, and continue its best endeavour to seek suitable merger and acquisition opportunities and/or business collaboration.

Corporate Governance

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 Xiufeng (“**Mr. Xia**”) is the chairman of our Board and the chief executive officer of the Company. 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.

Save for the deviation from the code provisions as mentioned above, the Board is satisfied that the Company had complied with all the code provisions of the CG Code, the Company has complied with all the 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 2021 (for the six months ended 30 June 2020: Nil).

Directors’ Interests in Competing Interests

During the Period, the Directors were not aware of any business or interest of each of the Directors, controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares of the Company (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 issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in 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%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Mr. Xia is beneficially holding 1,000,000 Shares and indirectly holding 216,000,000 Shares 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, is wholly and beneficially owned by Mr. Xia. Mr. Xia is 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 Development Limited (“**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 is wholly and beneficially owned by Diamond Galaxy Limited (“**Diamond Galaxy**”), which is in turn wholly and beneficially owned by Mr. Lo Chun Yim, an executive Director of the Company. Urban is a company incorporated in the BVI with limited liability which is directly wholly-owned by Mr. Lo Chun Yim. Mind Phenomenon is a company incorporated in the BVI with limited liability, which is directly wholly-owned by Mr. Lo Chun Yim. Accordingly, Mr. Lo Chun Yim is deemed to be interested in all the Shares in which Rise Grace, Urban and Mind Phenomenon are interested by virtue of the SFO.
- (3) These Shares are held by YinHe Holding Limited (“**YinHe**”), a company incorporated in the BVI and an investment holding company, is wholly owned by Mr. Lu Yongmin, an executive Director of the Company. Mr. Lu Yongmin is 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 as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

So far as is known to the Directors, as at 30 June 2021, 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 7)
Lu Yu (Note 1)	Beneficial owner	216,000,000	27.23%
Rise Grace (Note 2)	Beneficial owner	106,000,000	13.36%
Diamond Galaxy (Note 2)	Interest in a controlled corporation	106,000,000	13.36%
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 5)	Interest of spouse	48,281,475	6.09%
Ms. Hong Man Chu (Note 6)	Interest of spouse	166,307,500	20.97%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Lu Yu, a company incorporated in the BVI on 21 April 2011 and an investment holding company, is wholly and beneficially owned by Mr Xia. Mr. Xia is deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.
- (2) These Shares are held by Rise Grace, a direct wholly-owned subsidiary of Diamond Galaxy, which is in turn wholly-owned by Mr. Lo Chun Yim. Therefore, each of Mr. Lo Chun Yim and Diamond Galaxy is deemed to be interested in all the Shares in which Rise Grace is 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, is wholly and beneficially owned by Xinyi Glass Holdings. Therefore, Xinyi Glass Holdings is deemed to be interested in all the Shares in which Xinyi Glass (BVI) is interested by virtue of the SFO.
- (4) YinHe, a company incorporated in the BVI and an investment holding company, is wholly and beneficially owned by Mr. Lu Yongmin. Mr. Lu Yongmin is 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 is therefore deemed to be interested in the Shares in which Mr. Lu Yongmin is interested by virtue of the SFO.
- (6) Ms. Hong Man Chu is the spouse of Mr. Lo Chun Yim and she is therefore deemed to be interested in the Shares in which Mr. Lo Chun Yim is interested by virtue of the SFO.
- (7) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors 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 of all the Directors, all the Directors confirmed that they have complied with the required standard of dealings and 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 Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company.

As at the date of this report, 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 standards.

By order of the Board
ZMFY Automobile Glass Services Limited
Xia Xiufeng
Chairman

Hong Kong, 6 August 2021

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