



正美丰业

建筑装饰玻璃
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正美丰业
汽车玻璃服务

2021

Third Quarterly 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 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.*



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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)
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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

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PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Hua Xia Bank

HONG KONG SHARE REGISTRAR

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STOCK CODE

8135

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months and three months ended 30 September 2021

Third Quarterly Results

The unaudited condensed consolidated results of ZMFY Automobile Glass Services Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the nine months and three months ended 30 September 2021, together with the comparative unaudited figures for the corresponding periods in 2020, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2021	2020	2021	2020
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	5	67,155	57,606	28,687	24,500
Cost of sales		(49,042)	(39,706)	(21,461)	(16,755)
Gross profit		18,113	17,900	7,226	7,745
Other gain or loss, net	6	976	68	(24)	(12)
Loss allowance on financial assets	7	(3,939)	(298)	(1,320)	252
Selling and distribution costs		(10,974)	(8,804)	(3,727)	(3,399)
Administrative expenses		(13,243)	(12,470)	(4,292)	(4,137)
		(9,067)	(3,604)	(2,137)	449
Finance income		30	41	11	11
Finance cost		(393)	(613)	(108)	(242)
Finance cost, net	8	(363)	(572)	(97)	(231)
Loss before income tax		(9,430)	(4,176)	(2,234)	218
Income tax expense	9	(1,529)	(1,758)	(486)	(637)
Loss for the period		(10,959)	(5,934)	(2,720)	(419)

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

For the nine months and three months ended 30 September 2021

	Note	Nine months ended 30 September		Three months ended 30 September	
		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		4	(32)	(6)	(34)
Total comprehensive income for the period		(10,955)	(5,966)	(2,726)	(453)
Loss attributable to:					
Owners of the Company		(10,291)	(5,915)	(2,520)	(442)
Non-controlling interests		(668)	(19)	(200)	23
		(10,959)	(5,934)	(2,720)	(419)
Total comprehensive income attributable to:					
Owners of the Company		(10,287)	(5,947)	(2,526)	(476)
Non-controlling interests		(668)	(19)	(200)	23
		(10,955)	(5,966)	(2,726)	(453)
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	(1.30)	(0.75)	(0.32)	(0.06)
Diluted		(1.30)	(0.75)	(0.32)	(0.06)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to owners of the Company							Subtotal RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	General reserve RMB'000	Exchange reserve RMB'000	Accumulated losses 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	-	-	-	-	-	-	(5,915)	(5,915)	(19)	(5,934)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	(32)	-	(32)	-	(32)
Total comprehensive income	-	-	-	-	-	(32)	(5,915)	(5,947)	(19)	(5,966)
Transactions with equity owners of the Company recognised directly in equity										
De-registration of subsidiaries	-	-	-	(921)	-	-	921	-	-	-
Balance at 30 September 2020 (Unaudited)	6,372	315,864	(47,484)	9,208	396	549	(97,905)	187,000	(187)	186,813

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2021

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	PRC			Accumulated losses	Subtotal		
				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	-	-	-	-	-	-	(10,291)	(10,291)	(668)	(10,959)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	4	-	4	-	4
Total comprehensive income	-	-	-	-	-	4	(10,291)	(10,287)	(668)	(10,955)
Balance at 30 September 2021 (Unaudited)	6,372	315,864	(47,484)	9,901	790	575	(123,268)	162,750	3,305	166,055

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

ZMFY Automobile Glass Services Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’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 services in the PRC.

The condensed consolidated financial statements 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 convention. 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 statements 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 or amended HKFRSs

In the current 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new or amended HKFRSs (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 condensed consolidated financial performance and positions and/or the disclosures to the condensed 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 statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

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 nine months ended 30 September 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 nine months ended 30 September 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 September 2021 and 2020, the Group’s non-current assets were all located in the PRC. For the nine months ended 30 September 2021, revenue of approximately RMB11,858,000 (for the nine months ended 30 September 2020: approximately RMB9,063,000) 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 FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Automobile glass		Photovoltaic system		Finance lease services		Reportable segments total	
	Nine months ended		Nine months ended		Nine months ended		Nine months ended	
	30 September		30 September		30 September		30 September	
	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	57,210	47,497	-	-	-	-	57,210	47,497
- Trading of automobile glass	13,861	1,387	-	-	-	-	13,861	1,387
- Provision of installation services of photovoltaic system	-	-	-	152	-	-	-	152
	71,071	48,884	-	152	-	-	71,071	49,036
Inter-segment sales	(12,131)	(182)	-	-	-	-	(12,131)	(182)
	58,940	48,702	-	152	-	-	58,940	48,854
Revenue from other source								
- Finance lease income	-	-	-	-	8,215	8,752	8,215	8,752
Reportable segment revenue	58,940	48,702	-	152	8,215	8,752	67,155	57,606
Timing of revenue recognition								
- At a point of time	58,940	48,702	-	-	-	-	58,940	48,702
- Over time	-	-	-	152	8,215	8,752	8,215	8,904
	58,940	48,702	-	152	8,215	8,752	67,155	57,606
Results of reportable segments	(9,879)	(5,601)	(249)	(162)	2,471	6,809	(7,657)	1,046
Items included in arriving at segment results or assets:								
Depreciation of property, plant and equipment	(4,826)	(4,182)	(8)	(4)	-	-	(4,834)	(4,186)
Gain/(Loss) on disposals of property, plant and equipment	70	(22)	-	-	-	-	70	(22)
Interest expense	(336)	(504)	-	-	(44)	(104)	(380)	(608)
Interest income	12	16	4	6	12	18	28	40
Loss allowance on finance lease receivables	-	-	-	-	(3,939)	(162)	(3,939)	(162)
Addition to non-current assets	(3,556)	(1,124)	-	-	-	-	(3,556)	(1,124)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

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

	Nine months ended 30 September	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Total of results of reportable segments	(7,657)	1,046
Unallocated finance cost, net	(11)	(4)
Unallocated corporate expenses	(1,762)	(5,218)
Loss before income tax of the Group	(9,430)	(4,176)

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 segments that is used by CODM for assessment of segment performance.

6. OTHER GAIN OR LOSS, NET

	Nine months ended 30 September		Three months ended 30 September	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Gain on disposals of subsidiaries	792	-	4	-
Gain/(Loss) on disposals of property, plant and equipment	70	(34)	(21)	(16)
Imputed interest income	6	17	-	-
Others	108	85	(7)	4
	976	68	(24)	(12)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. LOSS ALLOWANCE ON FINANCIAL ASSETS

	Nine months ended 30 September		Three months ended 30 September	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Loss allowance on finance lease receivables	(3,939)	(162)	(1,320)	252
Write off of trade receivables	-	(136)	-	-
	(3,939)	(298)	(1,320)	252

8. FINANCE COST, NET

	Nine months ended 30 September		Three months ended 30 September	
	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	(13)	(5)	(5)	-
Imputed interest expense on interest-free deposits from finance lease customers	(44)	(104)	(4)	(34)
Interest expense on lease liabilities	(336)	(504)	(99)	(208)
	(393)	(613)	(108)	(242)
Finance income:				
Interest income on bank deposits	30	41	11	11
Finance cost, net	(363)	(572)	(97)	(231)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current income tax				
– PRC profits tax	1,549	1,758	500	637
Deferred taxation	(20)	–	(14)	–
Income tax expense	1,529	1,758	486	637

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 nine months ended 30 September 2021 (for the nine months ended 30 September 2020: Nil).

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

10. DIVIDENDS

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

11. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the nine months ended 30 September 2021 is based on the loss attributable to owners of the Company of approximately RMB10,291,000 (for the nine months ended 30 September 2020: approximately RMB5,915,000) and on the weighted average number of 793,200,000 (for the nine months ended 30 September 2020: 793,200,000) ordinary shares outstanding during the period.

For the nine months ended 30 September 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.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's total revenue for the nine months ended 30 September 2021 (the "Period") amounted to approximately RMB67,155,000, representing an increase of approximately RMB9,549,000 or 16.6% as compared to that of approximately RMB57,606,000 for the nine months ended 30 September 2020. Overall gross profit increased by approximately RMB213,000 or 1.2% to approximately RMB18,113,000 for the Period from approximately RMB17,900,000 for the nine months ended 30 September 2020. The gross profit margin for the Period decreased to approximately 27.0% from approximately 31.1% for the nine months ended 30 September 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 RMB58,940,000 and gross profit of approximately RMB9,971,000 for the Period, as compared to revenue of approximately RMB48,702,000 and gross profit of approximately RMB9,369,000 for the nine months ended 30 September 2020.

The loss attributable to owners of the Company for the Period amounted to approximately RMB10,291,000, representing an increase of approximately RMB4,376,000 as compared to loss of approximately RMB5,915,000 for the nine months ended 30 September 2020.

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 RMB10,238,000 or 21.0% to approximately RMB58,940,000 for the Period from that of approximately RMB48,702,000 for the nine months ended 30 September 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.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 RMB9,879,000, up by approximately RMB4,278,000 from that of approximately RMB5,601,000 for the nine months ended 30 September 2020, as a result of the increased raw material costs and employee costs during this Period.

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 nine months ended 30 September 2020: approximately RMB152,000), as the Company has lost its market leadership as the business environment changed over time. As at 30 September 2021, there was no staff in this segment. Going forward, the Company does not foresee any business turnaround opportunity.

Finance Lease Services

Revenue from finance lease services decreased by approximately RMB537,000 or 6.1% to approximately RMB8,215,000 for the Period from approximately RMB8,752,000 for the nine months ended 30 September 2020.

Results of reportable segments from finance lease services decreased by approximately RMB4,338,000 or 63.7% to profit of approximately RMB2,471,000 for the Period from profit of approximately RMB6,809,000 for the nine months ended 30 September 2020. The decrease was mainly attributable to the increase in loss allowance on finance lease receivables of approximately RMB3,777,000.

On 20 August 2021, the Group was informed by Henan Tuonong Biomass New Material Co., Ltd.* (河南省拓農生物質新材料有限公司) (“**Henan Tuonong**”) that its production facilities, being the leased assets under the finance leases between Henan Tuonong and ZM Leasing (Tianjin) Limited* (正澤美業融資租賃(天津)有限公司) (“**ZM Leasing**”), had been flooded due to the heavy rainstorm in the Henan province and its operation had been disrupted, resulting in a default of finance lease receivables of approximately RMB15,557,000 (the “**Default**”). Henan Tuonong also informed the Group that it has filed insurance claims on the damage due to the leased assets and the amount of insurance claims will be paid directly to ZM Leasing to set off the Default.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 September 2021, the total finance lease receivables from Henan Tuonong, inclusive of the aforesaid RMB15,557,000 upon Default, amounted to approximately RMB17,990,000.

The amount of the insurance claims to be recovered by the Group will be assessed in accordance with the terms and provisions of the relevant insurance policies. A loss allowance of approximately RMB1,290,000 was recorded on the basis of the Group's best estimate of potential loss upon Default.

The Group is actively working with the insurer and Henan Tuonong on recovering from the loss, while going after Henan Tuonong for further collection.

Detailed information in relation to the Default was set out in the Company's announcement dated 24 August 2021.

* *for identification only*

Business Consultancy Services

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

Gross Profit

The Group's gross profit increased by approximately RMB213,000 or 1.2% to approximately RMB18,113,000 for the Period from approximately RMB17,900,000 for the nine months ended 30 September 2020. The gross profit margin for the Period decreased to approximately 27.0% from approximately 31.1% for the nine months ended 30 September 2020.

Other Gain or Loss

A net gain of approximately RMB976,000 was recorded for the Period, compared to a net gain of approximately RMB68,000 for the nine months ended 30 September 2020. The net gain for the Period was mainly attributable to gain on disposals of subsidiaries of approximately RMB792,000 and gain on disposals of property, plant and equipment of approximately RMB70,000.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Loss Allowance on Financial Assets

Loss allowance of approximately RMB3,939,000 was recorded for the Period (for the nine months ended 30 September 2020: approximately RMB298,000). Loss allowance on financial assets for the Period was attributable to loss allowance on finance lease receivables of approximately RMB3,939,000.

Selling and Distribution Costs

Selling and distribution costs of the Group increased by approximately RMB2,170,000 or 24.6% to approximately RMB10,974,000 for the Period from approximately RMB8,804,000 for the nine months ended 30 September 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 RMB773,000 or 6.2% to approximately RMB13,243,000 for the Period from approximately RMB12,470,000 for the nine months ended 30 September 2020.

Finance Cost, Net

Net finance cost for the Period amounted to approximately RMB363,000 (for the nine months ended 30 September 2020: approximately RMB572,000). The decrease in net finance cost was mainly attributable to the decrease in interest expense on lease liabilities by approximately RMB168,000 and the decrease in imputed interest expense on interest-free deposits from finance lease customers by approximately RMB60,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income Tax Expense

Income tax expense decreased by approximately RMB229,000 or 13.0% to approximately RMB1,529,000 for the Period from approximately RMB1,758,000 for the nine months ended 30 September 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 RMB10,959,000 for the Period, as compared to the net loss of approximately RMB5,934,000 for the nine months ended 30 September 2020. The increase in net loss for the Period was mainly attributable to the enlarged loss of the automobile glass segment and the increase in loss allowance on finance lease receivables.

Loan from a Shareholder

As at 30 September 2021, the Group had outstanding loan of HK\$1,000,000 (equivalent to approximately RMB828,000) 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 September 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 September 2021.

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Commitments

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

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 to foreign exchange risk.

Significant Investments

The Group did not have any significant investments as at 30 September 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 September 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 nine months ended on 30 September 2021.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

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 dividend for the nine months ended 30 September 2021 (for the nine months ended 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 September 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 owner	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 September 2021.

Save as disclosed above, as at 30 September 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 September 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 September 2021.

Save as disclosed above, as at 30 September 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.

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.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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, 10 November 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.