



2020

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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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

Mr. Chan Tsz Kit
HKICPA, AICPA, ACCA

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

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

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 2020

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 2020, together with the comparative unaudited figures for the corresponding periods in 2019, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000	2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000
Revenue	5	33,106	50,439	22,205	30,102
Cost of sales		(22,951)	(34,741)	(14,046)	(20,596)
Gross profit		10,155	15,698	8,159	9,506
Other gain or loss, net	6	(470)	2,067	171	2,245
Selling and distribution costs		(5,405)	(9,035)	(3,084)	(3,867)
Administrative expenses		(8,333)	(11,826)	(4,104)	(5,180)
		(4,053)	(3,096)	1,142	2,704
Finance income		30	49	14	26
Finance cost		(371)	(345)	(159)	(162)
Finance cost, net	7	(341)	(296)	(145)	(136)
Loss before income tax		(4,394)	(3,392)	997	2,568
Income tax expense	8	(1,121)	(925)	(604)	(383)
Loss for the period		(5,515)	(4,317)	393	2,185

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

For the six months and three months ended 30 June 2020

	Notes	Six months ended 30 June		Three months ended 30 June	
		2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000	2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	32	-	32
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	112
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Currency translation differences		2	(26)	5	30
Total comprehensive income for the period		(5,513)	(4,311)	398	2,359
Loss attributable to:					
Owners of the Company		(5,473)	(3,905)	347	2,370
Non-controlling interests		(42)	(412)	46	(185)
		(5,515)	(4,317)	393	2,185
Total comprehensive income attributable to:					
Owners of the Company		(5,471)	(3,899)	352	2,544
Non-controlling interests		(42)	(412)	46	(185)
		(5,513)	(4,311)	398	2,359
Loss per share attributable to owners of the Company for the period (expressed in RMB cents per share)					
Basic and diluted	10	(0.69)	(0.49)	0.04	0.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (unaudited) RMB' 000	31 December 2019 (audited) RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	11	62,962	65,421
Intangible assets		–	–
Finance lease receivables	12	12,926	17,832
Deferred tax assets		1,917	1,917
		77,805	85,170
Current assets			
Inventories	13	30,027	28,277
Trade and other receivables	14	9,917	11,636
Finance lease receivables	12	76,631	71,645
Income tax recoverable		249	249
Cash and cash equivalents		15,526	20,211
		132,350	132,018
Total assets		210,155	217,188
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	6,372	6,372
Reserves		181,104	186,575

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

	Notes	30 June 2020 (unaudited) RMB' 000	31 December 2019 (audited) RMB' 000
Non-controlling interests		187,476 (210)	192,947 (168)
Total equity		187,266	192,779
LIABILITIES			
Current liabilities			
Trade and other payables	16	10,048	9,269
Lease liabilities	17	2,897	3,188
Deposits received from finance lease customers	18	3,595	1,737
Loan from a shareholder		–	447
Income tax payables		354	760
		16,894	15,401
Non-current liabilities			
Lease liabilities	17	5,242	6,286
Deposits received from finance lease customers	18	297	2,722
Loan from a shareholder	19	456	–
		5,995	9,008
Total liabilities		22,889	24,409
Total equity and liabilities		210,155	217,188
Net current assets		115,456	116,617
Total assets less current liabilities		193,261	201,787
Net assets		187,266	192,779

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020

	Attributable to owners of the Company								Non-controlling interests	Total Equity
	Share capital	Share premium	Capital reserve	PRC statutory reserve	General reserve	Exchange reserve	Accumulated losses	Subtotal		
	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Net cash (used in)/generated from operating activities	(2,498)	(3,011)
Net cash (used in)/generated from investing activities	(690)	12
Net cash (used in)/generated from financing activities	(1,508)	(1,780)
Net decrease in cash and cash equivalents	(4,696)	(4,779)
Cash and cash equivalents at beginning of the period	20,211	28,122
Effect of foreign exchange	11	(26)
Cash and cash equivalents at end of the period	15,526	23,317

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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, business consultancy services 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 information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) and have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value, as appropriate. They are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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 2019, except for those that relate to new standards or interpretations effective for the first time for the period beginning on or after 1 January 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial information:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1(Revised) and HKAS 8	Definition of Material

The directors do not expect that the amendments listed above will have a material impact on the Group's condensed consolidated financial statements upon application.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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 condensed consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4. BASIS OF CONSOLIDATION (CONTINUED)

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

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

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

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 four reportable segments – “Automobile glass”, “Photovoltaic system”, “Business consultancy services” and “Finance lease services” in its condensed consolidated financial statements for the six months ended 30 June 2020 and 2019. No operating segments have been aggregated to form a reportable segment for the purpose of segment reporting in the condensed consolidated financial statements. No change in the structure and no composition of the reportable segments.

As at 30 June 2020 and 2019, the Group’s non-current assets were all located in the PRC. There was one customer contributing 10% or more of the Group’s revenue for the six months ended 30 June 2020 (for the six months ended 30 June 2019: One).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Revenue										
- Sales of automobile glass with installation/repair services	26,219	38,719	-	-	-	-	-	-	26,219	38,719
- Trading of automobile glass	1,142	4,082	-	-	-	-	-	-	1,142	4,082
- Provision of installation services of photovoltaic system	-	-	152	-	-	-	-	-	152	-
- Business consultancy services	-	-	-	-	-	1,793	-	-	-	1,793
- Finance lease income	-	-	-	-	-	-	5,684	6,009	5,684	6,009
	27,361	42,801	152	-	-	1,793	5,684	6,009	33,197	50,603
Inter-segment sales	(91)	(164)	-	-	-	-	-	-	(91)	(164)
Reportable segment revenue	27,270	42,637	152	-	-	1,793	5,684	6,009	33,106	50,439
Timing of revenue recognition										
- At a point of time	27,270	42,637	-	-	-	1,793	-	-	27,270	44,430
- Over time	-	-	152	-	-	-	5,684	6,009	5,836	6,009
	27,270	42,637	152	-	-	1,793	5,684	6,009	33,106	50,439
Results of reportable segments	(4,417)	(915)	(162)	(511)	(2,612)	(7,520)	4,050	6,806	(3,141)	(2,140)
Depreciation	(2,855)	(2,419)	(3)	(3)	(274)	(288)	-	-	(3,132)	(2,710)
Interest expense	(296)	(249)	-	-	-	-	(70)	(85)	(366)	(334)
Interest income	13	22	4	3	1	3	12	20	30	48
Loss allowance on finance lease receivables	-	-	-	-	-	-	(414)	2,116	(414)	2,116
Write off of inventories	-	-	-	-	(235)	-	-	-	(235)	-
Write off of trade receivables	-	-	-	-	(136)	-	-	-	(136)	-
Addition to non-current assets	(693)	(406)	-	-	-	-	-	-	(693)	(406)

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 2020 and 2019 is as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Total of results of reportable segments	(3,141)	(2,140)
Unallocated finance cost	(5)	(9)
Unallocated corporate expenses	(1,248)	(1,243)
Loss before income tax of the Group	(4,394)	(3,392)

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 2020 and 31 December 2019, and the reconciliation to consolidated total assets and liabilities of the Group, is as follows:

	Automobile glass		Photovoltaic system		Business consultancy services				Finance lease Services		Reportable segments total	
	31		31		31				31		31	
	30 June	December	30 June	December	30 June	December	30 June	December	30 June	December	30 June	December
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
Segment assets	101,845	105,527	1,452	1,612	5,993	7,284	100,337	102,453	209,627	216,876		
Cash and cash equivalents									309	93		
Unallocated corporate assets									219	219		
Total assets									210,155	217,188		
Segment liabilities	16,205	15,468	126	124	265	906	4,391	5,158	20,987	21,656		
Unallocated corporate liabilities									1,902	2,753		
Total liabilities									22,889	24,409		

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	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Loss on disposals of property, plant and equipment	(18)	(3)	–	(1)
Imputed interest income	17	–	–	–
Loss allowance on finance lease receivables (Note 12)	(414)	2,116	123	2,187
Write off of trade receivables	(136)	–	–	–
Others	81	(46)	48	59
Total	(470)	2,067	171	2,245

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. FINANCE COST, NET

	Six months ended 30 June		Three months ended 30 June	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Finance cost:				
Interest expense on bank borrowings	–	(56)	–	(23)
Interest expense on loan from a shareholder	(5)	(10)	(2)	–
Imputed interest expense on interest-free deposits from finance lease customers	(70)	(85)	(34)	(43)
Interest expense on lease liabilities	(296)	(194)	(123)	(96)
	(371)	(345)	(159)	(162)
Finance income:				
Interest income on bank deposits	30	49	14	26
	(341)	49	(145)	26
Finance cost, net	(341)	(296)	(145)	(136)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. INCOME TAX EXPENSE

	Six months ended 30 June		Three months ended 30 June	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Current income tax				
– PRC profits tax	1,121	400	604	(170)
Deferred taxation	–	525	–	553
Income tax expense	1,121	925	604	383

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong for the six months ended 30 June 2020(for the six months ended 30 June 2019: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

All of the PRC subsidiaries are subject to the PRC corporate income tax at a rate of 25% for the six months ended 30 June 2020(for the six months ended 30 June 2019: 25%), except for Shangshi Kuaiche Enterprise Service (Hengqin) Company Limited (“**Shangshi Kuaiche (Hengqin)**”), which was qualified as an enterprise of Industries Encouraged to Develop (鼓勵類產業企業) in the PRC and hence entitled to 10% tax reduction since 2017 to 2020. For the six months ended 30 June 2020, Shangshi Kuaiche (Hengqin) enjoyed a reduced corporate income tax of 15% as a result of the above reduction on the statutory tax rate.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Island during the six months ended 30 June 2020(for the six months ended 30 June 2019: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. DIVIDENDS

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

10. LOSS PER SHARE

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

	Six months ended 30 June		Three months ended 30 June	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(5,473)	(3,905)	347	2,370

	Number of shares		Number of shares	
	Six months ended 30 June 2020 (Unaudited) '000	2019 (Unaudited) '000	Three months ended 30 June 2020 (Unaudited) '000	2019 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	793,200	793,200	793,200	793,200

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10. LOSS PER SHARE (CONTINUED)

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 June 2020 is based on the loss attributable to owners of the Company of approximately RMB5,473,000 (for the six months ended 30 June 2019: approximately RMB3,905,000) and on the weighted average number of 793,200,000 (for the six months ended 30 June 2019: 793,200,000) ordinary shares outstanding during the period.

For the six months ended 30 June 2020 and 2019, diluted loss per share was equal to the basic loss per share as there was no potential dilutive ordinary share in issue during the periods.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. 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 2019					
Opening net book amount	55,360	87	2,007	151	57,605
Initial application of HKFRS 16	6,750	-	-	-	6,750
Restated opening net book amount at 1 January 2019	62,110	87	2,007	151	64,355
Additions	6,945	-	473	15	7,433
Provision for impairment	(469)	-	-	-	(469)
Depreciation charge	(5,075)	(31)	(702)	(21)	(5,829)
Disposals	-	-	(49)	(20)	(69)
Closing net book amount	63,511	56	1,729	125	65,421
Six months ended 30 June 2020					
Opening net book amount	63,511	56	1,729	125	65,421
Additions	-	488	205	-	693
Depreciation charge	(2,733)	(75)	(323)	(1)	(3,132)
Disposals	-	-	(8)	(12)	(21)
Closing net book amount	60,778	469	1,603	112	62,962

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Leased land and buildings for own use RMB' 000	Leased Properties RMB' 000	Total RMB' 000
As at 1 January 2019	55,360	6,750	62,110
Additions	–	6,945	6,945
Provision for impairment	(469)	–	(469)
Depreciation charge	(2,087)	(2,988)	(5,075)
As at 31 December 2019	52,804	10,707	63,511
As at 1 January 2020	52,804	10,707	63,511
Additions	–	–	–
Depreciation charge	(1,040)	(1,693)	(2,733)
As at 30 June 2020	51,764	9,014	60,778

Depreciation charge for the six months ended 30 June 2020 of approximately RMB1,691,000 (for the six months ended 30 June 2019: approximately RMB1,235,000), approximately RMB318,000 (for the six months ended 30 June 2019: approximately RMB465,000) and approximately RMB1,123,000 (for the six months ended 30 June 2019: approximately RMB1,010,000) were included in cost of sales, selling and distribution costs and administrative expenses, respectively.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Finance lease receivables comprise:				
Within one year	92,280	86,206	84,975	79,350
In more than one year but no more than five years	16,716	21,974	13,966	19,097
	108,996	108,180	98,941	98,447
Less: Unearned finance income	(10,055)	(9,733)	–	–
Present value of minimum lease Payment	98,941	98,447	98,941	98,447
Less: Impairment loss allowance – Lifetime ECLs allowance	(9,384)	(8,970)	(9,384)	(8,970)
	89,557	89,477	89,557	89,477

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. FINANCE LEASE RECEIVABLES (CONTINUED)

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Analysis for reporting purpose as:		
Current assets	76,631	71,645
Non-current assets	12,926	17,832
	89,557	89,477

The Group's finance lease receivables are denominated in RMB. The effective rates of the finance leases as at 30 June 2020 ranged from 13.02% to 15.50% (2019: 12.38% to 14.30%) per annum.

Finance lease receivables are mainly secured by the leased assets used in the coal chemical industry 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 2020, the customers' deposits of RMB4,030,000 (31 December 2019: RMB4,650,000) 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)

12. FINANCE LEASE RECEIVABLES (CONTINUED)

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

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

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

The customers of finance lease receivables as at 30 June 2020 are categorised based on the internal credit rating and the estimated loss rate of 4.67% to 12.00% (for the six months ended 30 June 2019: 2.49% to 8.24%) is applied. Accordingly, a loss allowance of RMB414,000 was recognised in profit or loss for the six months ended 30 June 2020 (for the six months ended 30 June 2019: a reversal of loss allowance of approximately RMB2,116,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. INVENTORIES

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Work-in-progress	–	235
Finished goods	30,027	28,042
Total	30,027	28,277

Cost of inventories recognised as expense in “cost of sales” amounted to approximately RMB16,309,000 for the six months ended 30 June 2020(for the six months ended 30 June 2019: RMB25,025,000).

14. TRADE AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Trade receivables	8,122	9,594
Prepayments (Note)		
– Third parties	860	846
Deposit and other receivables (Note)		
– Third parties	910	1,171
– Related parties	25	25
Total	9,917	11,636

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Prepayments		
Advances to suppliers	2	84
Prepayments for rental	186	295
Others	672	467
	860	846
Deposits and other receivables		
Rental and utility deposits	560	533
Amount due from non-controlling interests	25	25
Others	350	638
	935	1,196

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Majority of the Group's revenue are with credit terms of 0 to 150 days (2019: 0 to 150 days) and ageing analysis of the trade receivables at 30 June 2020 and 31 December 2019, based on invoice date is as follows:

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
0-30 days	2,337	5,464
31-60 days	1,823	2,378
61-90 days	1,549	875
Over 90 days	2,413	877
Total	8,122	9,594

15. SHARE CAPITAL

	Number of shares	RMB' 000
Authorised: Ordinary shares of HK\$0.01 each		
As at 31 December 2019 and 30 June 2020	1,560,000,000	13,016
Issued and fully paid:		
As at 1 January 2020	793,200,000	6,372
Issuance of new shares	–	–
As at 30 June 2020	793,200,000	6,372

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Trade payables	4,590	1,723
Other payables		
– Value-added tax payables	551	1,314
– Salary payables	2,702	3,322
– Other payables and accruals	2,205	2,910
Total	10,048	9,269

Credit terms granted by suppliers are generally within 60 days.

Ageing analysis of trade payables at 30 June 2020 and 31 December 2019 based on invoice date is as follows:

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Current	1,044	340
0-30 days	2,602	901
31-60 days	687	341
61-90 days	132	36
Over 90 days	125	105
Total	4,590	1,723

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. LEASE LIABILITIES

The Group leases various offices, warehouses and retail stores 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 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 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Current	2,897	3,188
Non-current	5,242	6,286
	8,139	9,474

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. LEASE LIABILITIES (CONTINUED)

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

	30 June 2020 (Unaudited) RMB' 000
At 1 January 2020	9,474
Additions	–
Interest expense	296
Interest element of lease payment	(296)
Capital element of lease payment	(1,335)
At 30 June 2020	8,139

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

	Minimum lease payments RMB' 000	Interest RMB' 000	Present value RMB' 000
At 30 June 2020			
Not later than one year	3,421	524	2,897
Later than one year but not later than two years	1,721	336	1,385
Later than two years but not later than five years	4,256	399	3,857
	9,398	1,259	8,139

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. LEASE LIABILITIES (CONTINUED)

	Minimum lease payments RMB' 000	Interest RMB' 000	Present value RMB' 000
At 31 December 2019			
Not later than one year	3,826	638	3,188
Later than one year but not later than two years	2,231	389	1,842
Later than two years but not later than five years	4,972	528	4,444
	11,029	1,555	9,474

18. DEPOSITS RECEIVED FROM FINANCE LEASE SERVICES CUSTOMERS

The balances represented security pledged by the customers to the Group for the corresponding finance leases. The amount 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19. LOAN FROM A SHAREHOLDER

As at 30 June 2020, the balance was unsecured, carrying interest rate at 2% per annum and repayable on 31 December 2022.

20. RELATED PARTY TRANSACTIONS

	Notes	Six months ended 30 June		Three months ended 30 June	
		2020	2019	2020	2019
		(Unaudited) RMB' 000	(Unaudited) RMB' 000	(Unaudited) RMB' 000	(Unaudited) RMB' 000
Sales of inventories to fellow subsidiaries of Xinyi Glass	1, 2	-	157	-	83
Purchase of inventories from fellow subsidiaries of Xinyi Glass	1, 2	1,069	3,283	813	1,559
Loan interest expense paid to a substantial shareholder	1, 2	5	10	2	-

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- 1 During the six months ended 30 June 2020, 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 the Group
中投宏源（橫琴）投資管理有限公司	Non-controlling shareholder of the Group
Mr. Zhang Renzhe	Non-controlling shareholder of the Group
Mr. Cao Kenan	Non-controlling shareholder of the Group
Fellow subsidiaries of non-controlling shareholder:	
信義玻璃（天津）有限公司	Fellow subsidiary of Xinyi Glass (BVI)
信義汽車部件（天津）有限公司	Fellow subsidiary of Xinyi Glass (BVI)
東莞奔迅汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass (BVI)
信義汽車玻璃（深圳）有限公司上海分公司	Fellow subsidiary of Xinyi Glass (BVI)
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)
Directors:	
Mr. Xia Xiufeng (Chairman)	Director of the Company
Mr. Lo Chun Yim	Director of the Company
Mr. Lu Yongmin	Director of the Company
Mr. Liu Mingyong	Director of the Company
Mr. Jiang Bin	Director of the Company
Mr. Luo Wenzhi	Director of the Company
Mr. Wang Liang	Director of the Company
Related company:	
北京豐業正美安裝工程有限公司	Controlled by a close member of the family of a director

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2020 (Unaudited) RMB' 000	31 December 2019 (Audited) RMB' 000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	9,057	10,790
Finance lease receivables	89,557	89,477
Cash and cash equivalents	15,526	20,211
	114,140	120,478
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	9,497	7,955
Lease liabilities	8,139	9,474
Deposits received from finance lease customers	3,892	4,459
Loan from a shareholder	456	447
	21,984	22,335

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22. EVENTS AFTER THE REPORTING PERIOD

On 24 July 2020, ZM Leasing (Tianjin) Limited (“**ZM Leasing**”), a direct wholly-owned subsidiary of the Company, entered into the lease agreement with Qitaihe City Longpeng Coal Development Co., Ltd. (“**Qitaihe Longpeng**”), pursuant to which ZM Leasing agreed to provide finance lease to Qitaihe Longpeng by way of sale and leaseback the lease assets to Qitaihe Longpeng at a consideration of RMB10,000,000.

For details, please refer to the announcement of the Company dated 24 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's total revenue for the six months ended 30 June 2020 (the "Period") amounted to approximately RMB33,106,000, representing a decrease of approximately RMB17,333,000 or 34.4% as compared to that of approximately RMB50,439,000 for the six months ended 30 June 2019. Overall gross profit decreased by approximately RMB5,543,000 or 35.3% to approximately RMB10,155,000 for the Period from approximately RMB15,698,000 for the six months ended 30 June 2019. The gross profit margin for the Period decreased to approximately 30.7% from approximately 31.1% for the six months ended 30 June 2019.

Revenue from sales of automobile glass with installation/repair services and trading of automobile glass decreased by approximately RMB15,367,000 or 36.0% from approximately RMB42,637,000 for the six months ended 30 June 2019 to approximately RMB27,270,000 for the Period. The decrease was mainly due to, among other reasons, the close-down of retail outlets in an effort to prevent the spread of COVID-19 and a resulting weak performance during the three months ended 31 March 2020 (the "First Quarter"). Compared to the First Quarter, this quarter had seen a revenue increase of approximately RMB11,304,000 or 103.7%.

Revenue

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

Revenue from sales of automobile glass with installation/repair services and trading of automobile glass decreased by approximately RMB15,367,000 or 36.0% from approximately RMB42,637,000 for the six months ended 30 June 2019 to approximately RMB27,270,000 for the Period. The decrease was mainly due to, among other reasons, the close-down of retail outlets in an effort to prevent the spread of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the same reason, results of reportable segments from sales of automobile glass with installation/repair services and trading of automobile glass decreased by approximately RMB3,502,000 from loss of approximately RMB915,000 for the six months ended 30 June 2019 to loss of approximately RMB4,417,000 for the Period.

Provision of Installation Services of Photovoltaic System

The provision of installation services of photovoltaic system by the Group is mostly conducted in an one-off or ad-hoc nature. Accordingly, it does not provide a predictable and stable revenue stream to the Group, and therefore, is considered as a supplementary income source of the Group. During the Period, revenue from provision of installation services of photovoltaic system amounted to approximately RMB152,000 (for the six months ended 30 June 2019: Nil).

Business Consultancy Services

For the Period, the Group derived no revenue from the provision of business consultancy services (for the six months ended 30 June 2019: approximately RMB1,793,000). This segment recorded a loss of approximately RMB2,612,000 for the Period (for the six months ended 30 June 2019: loss of approximately RMB7,520,000). The decline in loss was mainly attributable to the Group's constant cost cutting effort.

Finance Lease Services

Revenue from finance lease services decreased by approximately RMB325,000 or 5.4% from approximately RMB6,009,000 for the six months ended 30 June 2019 to approximately RMB5,684,000 for the Period. The decline was mainly a result of less available funds compared to last year which were deployed in the finance lease services business.

Results of reportable segments from finance lease services decreased by approximately RMB2,756,000 or 40.5% from profit of approximately RMB6,806,000 for the six months ended 30 June 2019 to profit of approximately RMB4,050,000 for the Period. The decline was mainly due to the increase in loss allowance of approximately RMB2,530,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Loss allowance on finance lease receivables

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

The customers of finance lease receivables as at 30 June 2020 were categorised based on the internal credit rating and the estimated loss rate of 4.67% to 12.00% (for the six months ended 30 June 2019: 2.49% to 8.24%) is applied. Accordingly, a loss allowance of approximately RMB414,000 (for the six months ended 30 June 2019: a reversal of loss allowance of approximately RMB2,116,000) was recognised in profit or loss during the Period.

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

Other Gain or Loss

A net loss of approximately RMB470,000 was recorded for the Period, comprising of a loss allowance on finance lease receivables of approximately RMB414,000 and write off of trade receivables of approximately RMB136,000.

Selling and Distribution Costs

Selling and distribution costs decreased by approximately RMB3,630,000 or 40.2% from approximately RMB9,035,000 for the six months ended 30 June 2019 to approximately RMB5,405,000 for the Period. The decrease was mainly a result of staff reduction and other cost cutting efforts made by the Company across all business segments.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including directors' remunerations), depreciation and rental expenses. The total administrative expenses decreased by approximately RMB3,493,000 or 29.5% from approximately RMB11,826,000 for the six months ended 30 June 2019 to approximately RMB8,333,000 for the Period. The decrease was mainly the result of staff reduction and other cost cutting efforts made by the Company across all business segments.

Finance Cost, Net

Net finance cost for the Period amounted to approximately RMB341,000 (for the six months ended 30 June 2019: approximately RMB296,000). The increase in net finance cost was mainly attributable to the increase in interest expense on lease liabilities by approximately RMB102,000 and the decrease in interest expense on bank borrowings by approximately RMB56,000.

Income Tax Expense

Income tax expense increased by approximately RMB196,000 or 21.2% from approximately RMB925,000 for the six months ended 30 June 2019 to approximately RMB1,121,000 for the Period. The increase in income tax expense was mainly attributable to an increased level of taxable income during the Period.

Loss for the Period

The Group recorded a net loss of approximately RMB5,515,000 for the Period, as compared with the net loss of approximately RMB4,317,000 for the six months ended 30 June 2019.

Current Ratio

The Group's current ratio were approximately 7.8 and 8.6 as at 30 June 2020 and 31 December 2019, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure

As at 30 June 2020, the Group had net assets of approximately RMB187,266,000 (31 December 2019: approximately RMB192,779,000), comprising non-current assets of approximately RMB77,805,000 (31 December 2019: approximately RMB85,170,000), and current assets of approximately RMB132,350,000 (31 December 2019: approximately RMB132,018,000). The Group recorded a net current asset position of approximately RMB115,456,000 (31 December 2019: approximately RMB116,617,000), primarily consisting of cash and cash equivalents of approximately RMB15,526,000 (31 December 2019: approximately RMB20,211,000), inventories of approximately RMB30,027,000 (31 December 2019: approximately RMB28,277,000), trade and other receivables of approximately RMB9,917,000 (31 December 2019: approximately RMB11,636,000) and finance lease receivables of approximately RMB76,631,000 (31 December 2019: approximately RMB71,645,000). Major current liabilities were trade and other payables of approximately RMB10,048,000 (31 December 2019: approximately RMB9,269,000), lease liabilities of approximately RMB2,897,000 (31 December 2019: approximately RMB3,188,000), deposits received from finance lease customers of approximately RMB3,595,000 (31 December 2019: approximately RMB1,737,000) and income tax payables of approximately RMB354,000 (31 December 2019: approximately RMB760,000).

Liquidity and Financial Resources

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB15,526,000, representing a net decrease of approximately RMB4,685,000 as compared to that of approximately RMB20,211,000 as at 31 December 2019. Net cash outflow from operating activities amounted to approximately RMB2,498,000 (for the six months ended 30 June 2019: outflow of approximately RMB3,011,000). In view of the Group's current level of cash and bank balances, funds generated internally from our operations, the Board is confident that the Group has sufficient resources to meet its finance needs for its operations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Loan from a Shareholder

On 1 January 2020, the Company entered into a loan agreement (the “**Loan Agreement**”) with Rise Grace Development Limited (“**Rise Grace**”), pursuant to which Rise Grace provided to the Company an unsecured term loan facility in an amount of HK\$5,000,000 with an interest rate of 2% per annum and repayable on 31 December 2022. As Rise Grace is a substantial shareholder of the Company and therefore a connected person under the GEM Listing Rules, the entering into of the Loan Agreement constituted a connected transaction of the Company. As the Loan Agreement was on normal commercial terms and was not secured by any assets of the Group, it is a fully-exempted connected transaction of the Company under Rule 20.88 of the GEM Listing Rules. As at 30 June 2020, such facility has been drawn up to approximately HK\$500,000.

Charges on the Group’s assets

As at 30 June 2020, the Group did not have any material charge on its assets (as at 31 December 2019: Nil).

Contingent Liabilities

On 24 December 2014, Xinyi Automobile Glass (BVI) Company Limited (“**Xinyi Glass (BVI)**”) issued an originating summons (the “**Originating Summons**”) and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region against the Company, the vendor of the Daqing property, the holder of the convertible bonds of the Company, certain then and former executive Directors, non-executive Directors and independent non-executive Directors (the “**Defendants**”) with respect to the acquisition of a property in Daqing (the “**Daqing Property Acquisition**”). For details of the legal proceeding, please refer to the annual report of the Company for the year ended 31 December 2019.

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 4 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 will not have any material adverse impact to the consolidated financial statements as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Group did not have any other significant contingent liabilities (as at 31 December 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2020.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. During the Period, the Group did not hedge any exposure in foreign currency risk.

Employees and Remuneration Policy

As at 30 June 2020, the Group employed a total of 226 employees (31 December 2019: 241 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 RMB10,978,000 (for the six months ended 30 June 2019: approximately RMB17,808,000).

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 2020, no share options under the Scheme were outstanding.

Significant Investments

The Group did not have any significant investments as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Future Plans for Material Investments or Capital Assets

Save as disclosed in other sections of this report, the Group had no other plan for material investment or capital assets as at 30 June 2020. However, the Group will continue to explore new opportunities in other industries to enhance the returns to shareholders of the Company.

Material Acquisition and Disposal

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

PROSPECTS

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

Corporate Governance

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to 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 other code provisions set out under the CG Code for the Period.

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

Dividends

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

Directors’ Interests in Competing Interests

For 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 2020, 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, 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 (“**Mr. Lo**”), 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. Mind Phenomenon is a Company incorporated in the BVI with limited liability, which is directly wholly-owned by Mr. Lo. Accordingly, Mr. Lo 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 2020.

Save as disclosed above, as at 30 June 2020, 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.

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 2020, 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:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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%

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. Therefore, each of Mr. Lo 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (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 and she is therefore deemed to be interested in the Shares in which Mr. Lo 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 2020.

Save as disclosed above, as at 30 June 2020, 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 Group; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control and review the risk management systems of the Group. The Audit Committee has four members comprising Mr. Jiang Bin (Chairman), Mr. Luo Wenzhi, Mr. Liu Mingyong and Mr. Wang Liang. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the Period and was of the opinion that preparation of such results complied with the applicable accounting standard.

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

Hong Kong, 7 August 2020

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