



2020

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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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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China Building,
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AUDITOR

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

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

Mr. Xia Xiufeng
Mr. Lo Chun Yim

COMPANY SECRETARY

Mr. Chan Tsz Kit
HKICPA, AICPA, ACCA

COMPLIANCE OFFICER

Mr. Xia Xiufeng

AUDIT COMMITTEE MEMBERS

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

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

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PRINCIPAL PLACES OF BUSINESS IN HONG KONG

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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 2020

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

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000	2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000
Revenue	5	57,606	78,581	24,500	28,142
Cost of sales		(39,706)	(54,498)	(16,755)	(19,757)
Gross profit		17,900	24,083	7,745	8,385
Other gain or loss, net	6	(230)	477	240	(1,590)
Selling and distribution costs		(8,804)	(13,201)	(3,399)	(4,166)
Administrative expenses		(12,470)	(17,447)	(4,137)	(5,621)
		(3,604)	(6,088)	449	(2,992)
Finance income		41	79	11	30
Finance cost		(613)	(577)	(242)	(232)
Finance cost, net	7	(572)	(498)	(231)	(202)
Loss before income tax		(4,176)	(6,586)	218	(3,194)
Income tax expense	8	(1,758)	(1,083)	(637)	(158)
Loss for the period		(5,934)	(7,669)	(419)	(3,352)

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

For the nine months and three months ended 30 September 2020

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000	2020 (unaudited) RMB' 000	2019 (unaudited) RMB' 000
Other comprehensive income:					
<i>Item 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	-	-
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Currency translation differences		(32)	389	(34)	415
Total comprehensive income for the period		(5,966)	(7,248)	(453)	(2,937)
Loss attributable to:					
Owners of the Company		(5,915)	(7,058)	(442)	(3,153)
Non-controlling interests		(19)	(611)	23	(199)
		(5,934)	(7,669)	(419)	(3,352)
Total comprehensive income attributable to:					
Owners of the Company		(5,947)	(6,637)	(476)	(2,738)
Non-controlling interests		(19)	(611)	23	(199)
		(5,966)	(7,248)	(453)	(2,937)
Loss per share attributable to owners of the Company for the period (expressed in RMB cents per share)					
Basic		(0.75)	(0.89)	(0.06)	(0.40)
Diluted	10	(0.75)	(0.89)	(0.06)	(0.40)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	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	FVOCI reserve RMB' 000	Exchange reserve RMB' 000	Accumulated losses RMB' 000			
Balance at										
31 December 2018										
as originally presented										
(Audited)	6,372	315,864	(47,484)	9,744	(435)	647	(60,812)	223,896	1,845	225,741
Initial application of Hong Kong Financial Reporting Standards ("HKFRSs") 16	-	-	-	-	-	-	(539)	(539)	-	(539)
Restated balance at										
1 January 2019	6,372	315,864	(47,484)	9,744	(435)	647	(61,351)	223,357	1,845	225,202
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(7,058)	(7,058)	(611)	(7,669)
Other comprehensive income										
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	435	-	(403)	32	-	32
Currency translation differences	-	-	-	-	-	389	-	389	-	389
Total comprehensive income	-	-	-	-	435	389	(7,461)	(6,637)	(611)	(7,248)
Balance at 30 September 2019										
(Unaudited)	6,372	315,864	(47,484)	9,744	-	1,036	(68,812)	216,720	1,234	217,954

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2020

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	PRC			Accumulated losses	Subtotal		
				statutory reserve	FVOCI reserve	Exchange reserve				
RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
Balance at 1 January 2020	6,372	315,864	(47,484)	10,129	396	581	(92,911)	192,947	(168)	192,779
Loss for the period	-	-	-	-	-	-	(5,915)	(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

NOTES TO CONDENSED CONSOLIDATED 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 is unaudited but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

2. BASIS OF PREPARATION

The condensed consolidated financial information has 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 has 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 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 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 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 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 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 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 nine months ended 30 September 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 September 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 nine months ended 30 September 2020 (for the nine months ended 30 September 2019: One).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Revenue										
- Sales of automobile glass with installation/repair services	47,497	61,606	-	-	-	-	-	-	47,497	61,606
- Trading of automobile glass	1,387	5,826	-	-	-	-	-	-	1,387	5,826
- Installation services of photovoltaic system	-	-	152	996	-	-	-	-	152	996
- Business consultancy services	-	-	-	-	-	1,805	-	-	-	1,805
- Finance lease services	-	-	-	-	-	-	8,752	8,610	8,752	8,610
	48,884	67,432	152	996	-	1,805	8,752	8,610	57,788	78,843
Inter-segment sales	(182)	(262)	-	-	-	-	-	-	(182)	(262)
Reportable segment revenue	48,702	67,170	152	996	-	1,805	8,752	8,610	57,606	78,581
Timing of revenue recognition										
- At a point of time	48,702	67,170	-	-	-	1,805	-	-	48,702	68,975
- Over time	-	-	152	996	-	-	8,752	8,610	8,904	9,606
	48,702	67,170	152	996	-	1,805	8,752	8,610	57,606	78,581
Results of reportable segments	(5,601)	(590)	(162)	(637)	(3,231)	(10,404)	6,809	7,413	(2,185)	(4,218)
Depreciation	(4,182)	(3,920)	(4)	(5)	(406)	(430)	-	-	(4,592)	(4,355)
Interest expense	(504)	(435)	-	-	-	-	(104)	(132)	(608)	(567)
Interest income	16	31	6	8	1	3	18	36	41	78
Loss allowance on finance lease receivables	-	-	-	-	-	-	(162)	609	(162)	609
Write off of inventories	-	-	-	-	(235)	-	-	-	(235)	-
Write off of trade receivables	-	-	-	-	(136)	-	-	-	(136)	-
Addition to non-current assets	(1,124)	(394)	-	-	-	-	-	-	(1,124)	(394)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

A reconciliation of results of reportable segments to loss for the nine months ended 30 September 2020 and 2019 is as follows:

	Nine months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Total of results of reportable segments	(2,185)	(4,218)
Unallocated finance cost	(5)	(9)
Unallocated corporate expenses	(1,986)	(2,359)
Loss before income tax of the Group	(4,176)	(6,586)

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 FINANCIAL INFORMATION (CONTINUED)

6. OTHER GAIN OR LOSS, NET

	Nine months ended 30 September		Three months ended 30 September	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
(Loss)/Gain on disposals of property, plant and equipment	(34)	(1)	(16)	2
Imputed interest income	17	18	-	18
Loss allowance on finance lease receivables	(162)	609	252	(1,507)
Write off of trade receivables	(136)	-	-	-
Others	85	(149)	4	(103)
	(230)	477	240	(1,590)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7. FINANCE COST, NET

	Nine months ended 30 September		Three months ended 30 September	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Finance cost:				
Interest expense on bank borrowings	-	(76)	-	(20)
Interest expense on loan from a shareholder	(5)	(10)	-	-
Imputed interest expense on interest-free deposits from finance lease customers	(104)	(132)	(34)	(47)
Interest expense on lease liabilities	(504)	(359)	(208)	(165)
	(613)	(577)	(242)	(232)
Finance income:				
Interest income on bank deposits	41	79	11	30
Finance cost, net	(572)	(498)	(231)	(202)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Current income tax				
– PRC profits tax	1,758	930	637	530
Deferred taxation	–	153	–	(372)
Income tax expense	1,758	1,083	637	158

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 nine months ended 30 September 2020 (for the nine months ended 30 September 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 nine months ended 30 September 2020 (for the nine months ended 30 September 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 a reduced corporate income tax of 15% for the years from 2017 to 2020.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9. DIVIDENDS

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

10. LOSS PER SHARE

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

	Nine months ended 30 September		Three months ended 30 September	
	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	(5,915)	(7,058)	(442)	(3,153)

	Number of shares Nine months ended 30 September		Number of shares Three months ended 30 September	
	2020 (Unaudited) '000	2019 (Unaudited) '000	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 FINANCIAL INFORMATION (CONTINUED)

10. LOSS PER SHARE (CONTINUED)

The calculation of basic loss per share attributable to owners of the Company for the nine months ended 30 September 2020 is based on the loss attributable to owners of the Company of approximately RMB5,915,000 (for the nine months ended 30 September 2019: approximately RMB7,058,000) and on the weighted average number of 793,200,000 (for the nine months ended 30 September 2019: 793,200,000) ordinary shares outstanding during the period.

For the nine months ended 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's total revenue for the nine months ended 30 September 2020 (the "**Period**") amounted to approximately RMB57,606,000, representing a decrease of approximately RMB20,975,000 or 26.7% as compared to that of approximately RMB78,581,000 for the nine months ended 30 September 2019. Overall gross profit decreased by approximately RMB6,183,000 or 25.7% to approximately RMB17,900,000 for the Period from approximately RMB24,083,000 for the nine months ended 30 September 2019.

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 RMB18,468,000 or 27.5% from approximately RMB67,170,000 for the nine months ended 30 September 2019 to approximately RMB48,702,000 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 the overall business slow-down.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the same reason, loss from this segment increased by approximately RMB5,011,000 from approximately RMB590,000 for the nine months ended 30 September 2019 to approximately RMB5,601,000 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 is considered as a supplementary income source of the Group. During the Period, revenue from the provision of installation services of photovoltaic system by the Group amounted to approximately RMB152,000 (for the nine months ended 30 September 2019: RMB996,000).

Business Consultancy Services

For the Period, the Group derived no revenue from the provision of business consultancy services (for the nine months ended 30 September 2019: approximately RMB1,805,000). This segment recorded a loss of approximately RMB3,231,000 for the Period (for the nine months ended 30 September 2019: loss of approximately RMB10,404,000). The decrease in loss was mainly attributable to the Group's constant cost cutting effort.

Finance Lease Services

Revenue from finance lease services increased by approximately RMB142,000 or 1.6% from approximately RMB8,610,000 for the nine months ended 30 September 2019 to approximately RMB8,752,000 for the Period.

Results of reportable segments from finance lease services decreased by approximately RMB604,000 or 8.1% from profit of approximately RMB7,413,000 for the nine months ended 30 September 2019 to profit of approximately RMB6,809,000 for the Period. The decline was mainly due to the increase in loss allowance of approximately RMB771,000.

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 based on shared credit risk characteristics by reference to past default experience and current past due exposure of the customers, namely Normal, Special-mentioned, Substandard, Doubtful and Loss.

The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors, the realization 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.

Estimated loss rates in the range of 4.67% to 12.00% were applied to the financial lease receivable balance as at 30 September 2020, compared to the range of 2.49% to 8.24% which was used during the nine months ended 30 September 2019. Accordingly a loss allowance of approximately RMB162,000 was recorded during the Period, compared to a reversal of loss allowance of approximately RMB609,000 for the nine months ended 30 September 2019.

Other Gain or Loss

A net loss of approximately RMB230,000 was recorded for the Period, comprising of a loss allowance on finance lease receivables of approximately RMB162,000 (as discussed in the above section) and write off of trade receivables of approximately RMB136,000.

Selling and Distribution Costs

Selling and distribution costs of the Group decreased by approximately RMB4,397,000 or 33.3% from approximately RMB13,201,000 for the nine months ended 30 September 2019 to approximately RMB8,804,000 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 RMB4,977,000 or 28.5% from approximately RMB17,447,000 for the nine months ended 30 September 2019 to approximately RMB12,470,000 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 RMB572,000 (for the nine months ended 30 September 2019: RMB498,000). The increase in net finance cost was mainly attributable to the increase in interest expense on lease liabilities by approximately RMB145,000 and the decrease in interest expense on bank borrowings by approximately RMB76,000.

Income Tax Expense

Income tax expense increased by approximately RMB675,000 or 62.3% from approximately RMB1,083,000 for the nine months ended 30 September 2019 to approximately RMB1,758,000 for the Period. The increase in income tax expense was mainly attributable to an increased level of taxable income reported in the finance lease services segment during the Period.

Loss for the Period

The Group recorded a net loss of approximately RMB5,934,000 for the Period, as compared with the net loss of approximately RMB7,669,000 for the nine months ended 30 September 2019.

Charges on the Group's assets

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

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 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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.

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 dividend for the nine months ended 30 September 2020 (for the nine months ended 30 September 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 September 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 September 2020.

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

Save as disclosed above, as at 30 September 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, 9 November 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.