2020

Annual 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

NOMINATION COMMITTEE MEMBERS

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

REGISTERED OFFICE

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Grand Cayman, KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 12 Fengbei Road
Fengtai District
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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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of ZMFY Automobile Glass Services Limited (the "**Company**"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020.

REVIEW

2020 was a volatile and weak year for all of our business segments. The global economy continued its slowing growth. The spread of the Novel Coronavirus ("**COVID-19**") in China and globally further deteriorated the Company's various business in all our business segments, and led to close-down of offices, logistic centres, and retail outlets from time to time across the entire year.

Our total revenue for the year ended 31 December 2020 amounted to approximately RMB80,469,000, representing a decrease of 21.3% as compared to that of approximately RMB102,194,000 in 2019. Overall gross profit decreased by approximately 24.1% to approximately RMB16,516,000 in 2020 from approximately RMB21,770,000 in 2019.

The substantial decline in revenue and gross profit were mainly attributable to the continued deficit resulting from the automobile glass business of the Group. The segment of sales of automobile glass with installation/repair services and trading of automobile glass recorded revenue of approximately RMB68,497,000 and gross profit of approximately RMB5,073,000 in 2020, as compared to revenue and gross profit of approximately RMB87,758,000 and RMB11,477,000 respectively in 2019.

The business consultancy services segment, comprising of CAS Valley Company Inc. and its subsidiaries (collectively referred as "**CAS Group**") and Hengqin Holding Ltd and its subsidiaries (collectively referred to as "**Hengqin Group**"), contributed no revenue and a segment loss of approximately RMB3,957,000 during the year. The loss mainly came from the administrative costs incurred during the year as this segment still had 2 offices and 3 staff as at 31 December 2020. The business consultancy services segment, which was established as a result of our acquisition of CAS Group in 2017 by the Company and once a profit contributor to the Company, lost its market leadership as the business environment changed over time. As the performance of the business consultancy services segment has been unsatisfactory, the Board decided to divest Hong Kong operations, mainly comprising of Hengqin Group, to reduce the administrative costs of the Company. In January 2021, the Company entered into a sale and purchase agreement to sell its entire shareholding in Hengqin Group, with one of its subsidiaries being ZM Asset Management Limited, a company being approved in 2018 by the Securities and Futures Commission ("**SFC**") to carry out Type 9 (Asset Management) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to independent third parties at an aggregated consideration of HK$800,000. The Company expected the disposal of Hengqin Group will be completed in the coming months.

In this difficult business environment, we continued our cost reduction efforts. Consequently, a net loss for the year ended 31 December 2020 amounted to approximately RMB20,659,000, while the loss being reduced by approximately 35.7% from net loss of approximately RMB32,128,000 in 2019.

BUSINESS PROSPECT AND LOOKING FORWARD

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

APPRECIATION

On behalf of the Board, I would like to express my appreciation to our management and staff for their unreserved dedication, to all our business partners who continuously support and work with us, and to all our shareholders for their recognition of our value and potential.

Xia Xiufeng
Chairman

Hong Kong, 23 March 2021

BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 2020 amounted to approximately RMB80,469,000, representing a decrease of approximately RMB21,725,000 or 21.3% as compared to that of approximately RMB102,194,000 in 2019. Overall gross profit decreased by approximately RMB5,254,000 or 24.1% to approximately RMB16,516,000 in 2020 from approximately RMB21,770,000 in 2019. The gross profit margin in 2020 decreased to approximately 20.5% from approximately 21.3% in 2019.

The substantial decline in revenue and gross profit were mainly attributable to the continued deficit resulting from the automobile glass business of the Group. The segment of sales of automobile glass with installation/repair services and trading of automobile glass recorded revenue of approximately RMB68,497,000 and gross profit of approximately RMB5,073,000 in 2020, as revenue and gross profit of approximately RMB87,758,000 and RMB11,477,000 respectively in 2019.

In this difficult business environment, the Company continued its cost reduction efforts. Consequently, a net loss for the year ended 31 December 2020 amounted to approximately RMB20,659,000, while the loss being reduced by approximately 35.7% from net loss of approximately RMB32,128,000 in 2019.

Revenue and Segment Result

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

Revenue from sales of automobile glass with installation/repair services and trading of automobile glass were the largest source of revenue of the Group, representing approximately 85.1% of the Group's total revenue in 2020 (2019: 85.9%). Revenue from sales of automobile glass with installation/repair services is provided either at the Group's service centres to walk-in customers, or by the Group's motorcade service teams to customers requiring door-to-door services in China. Trading of automobile glass takes place as the Group purchases automobile glass from its automobile glass suppliers and then re-sells the same to industry peers and traders of automobile glass in China.

Revenue from sales of automobile glass with installation/repair services and trading of automobile glass decreased by approximately RMB19,261,000 or 21.9% from approximately RMB87,758,000 in 2019 to approximately RMB68,497,000 in 2020. The decrease was mainly due to the continuous decline in the demand of automobile glass in the PRC, the intensified competition in the automobile market in Beijing and the business disruption caused by COVID-19 lockdown.

Results of this reportable segment was a loss of approximately RMB15,340,000 in 2020, while the loss increased by approximately RMB5,815,000 from that of approximately RMB9,525,000 in 2019. In addition to the declining business volume and consequent rise in fixed cost per unit, the increased loss was also attributable to higher material cost per unit in this segment in the year as well as increased delivery cost as the Group had to ship materials to various customers' sites for onsite installation service during the COVID-19 lockdown. The loss was offset by a reduced staff cost with the Group's contraction efforts.

Provision of Installation Services of Photovoltaic System

Provision of installation services of photovoltaic system are mostly one-off or ad-hoc projects in nature, seldom providing a predictable and stable revenue stream to the Group; and therefore, are considered as a supplementary income source of the Group. Revenue from provision of installation services of photovoltaic system in 2020 was approximately RMB241,000 (2019: approximately RMB1,301,000). Services provided during 2020 were mainly advisory services in nature and gross profit was RMB63,000, slightly higher than that of RMB62,000 in 2019. Segment loss was approximately RMB516,000 in 2020, decreased from that of approximately RMB1,041,000 in 2019.

Business Consultancy Services

The business consultancy services segment, comprising of CAS Valley Company Inc. and its subsidiaries (collectively referred as "**CAS Group**") and Hengqin Holding Ltd and its subsidiaries (collectively referred to as "**Hengqin Group**"), contributed no revenue during the year. The business consultancy services segment, which was established as a result of the acquisition of CAS Group in 2017 by the Company and once a profit contributor to the Company, lost its market leadership as the business environment changed over time. For the year ended 31 December 2019, the total revenue generated from this segment was approximately RMB1,810,000.

This segment recorded a segment loss of approximately RMB3,957,000 in 2020. The loss mainly came from the administrative costs incurred during the year as this segment still had 2 offices and 3 staff as at 31 December 2020. This segment recorded a segment loss of approximately RMB20,981,000 in 2019.

To reduce administrative costs of the Group, the Board decided to divest Hong Kong operations, mainly comprising of Hengqin Group. In January 2021, the Company entered into a sale and purchase agreement to sell its entire shareholding in Hengqin Group, with one of its subsidiaries being ZM Asset Management Limited, a company being approved in 2018 by the Securities and Futures Commission ("**SFC**") to carry out Type 9 (Asset Management) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to independent third parties at an aggregated consideration of HK$800,000. The Company expected the disposal of Hengqin Group will be completed in the coming months.

Finance Lease Services

For the year ended 31 December 2020, the revenue generated from finance lease services was approximately RMB11,731,000 (2019: approximately RMB11,325,000).

Results of reportable segments from finance lease services amounted to profit of approximately RMB4,825,000 in 2020, representing a decrease of approximately RMB670,000 as compared to profit of approximately RMB5,495,000 in 2019. The decline was mainly attributable to an increase in office rental expenses during the year.

Gross Profit

The Group's gross profit decreased by approximately RMB5,254,000 or 24.1% to approximately RMB16,516,000 in 2020 from approximately RMB21,770,000 in 2019. The gross profit margin in 2020 decreased to approximately 20.5% from approximately 21.3% in 2019.

Other Gain or Loss, net

A net gain of approximately RMB1,015,000 was recorded for the year ended 31 December 2020, compared to a net loss of approximately RMB6,057,000 recorded in 2019. The net gain for the year was mainly attributable to gain on disposals of property, plant and equipment of approximately RMB2,989,000, while being mainly offset by provision for impairment of property, plant and equipment of approximately RMB2,354,000.

Loss Allowance on Financial Assets

Loss allowance of approximately RMB4,554,000 was recorded for the year ended 31 December 2020 (2019: approximately RMB6,538,000). Loss allowance on financial assets for the year was mainly attributable to loss allowance on finance lease receivables of approximately RMB4,213,000.

Selling and Distribution Costs

Selling and distribution costs decreased by approximately RMB4,565,000 or 26.5% to approximately RMB12,642,000 in 2020 from approximately RMB17,207,000 in 2019. The decrease was mainly a result of continued cost cutting efforts made by the Group across all business segments.

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including directors' remunerations), depreciation and lease expenses. The total administrative expenses decreased by approximately RMB3,818,000 or 17.6% to approximately RMB17,824,000 in 2020 from approximately RMB21,642,000 in 2019. The decrease was mainly a result of staff reduction and other cost cutting efforts made by the Group across all business segments.

Finance Cost, net

Net finance cost for the year ended 31 December 2020 amounted to approximately RMB838,000 (2019: approximately RMB677,000). The increase in net finance cost was mainly attributable to the increase of interest expense on lease liabilities by approximately RMB232,000.

Income Tax Expense

The Group's income tax expense was approximately RMB2,332,000 in 2020, increased by approximately RMB555,000 or 31.2% from approximately RMB1,777,000 in 2019. The increase in income tax expense was mainly attributable to an increased level of taxable income during the year.

Loss for the Year

The Group recorded a net loss of approximately RMB20,659,000 for the year ended 31 December 2020, as compared to the net loss of approximately RMB32,128,000 for the year ended 31 December 2019. The decrease in net loss for the year was mainly attributable to the continued efforts in cost reduction by the Company.

Current Ratio

The Group's current ratio as at 31 December 2020 was 8.4, as compared with 8.6 as at 31 December 2019.

Capital Structure

As at 31 December 2020, the Group had net assets of approximately RMB177,010,000 (2019: approximately RMB192,779,000), comprising non-current assets of approximately RMB71,337,000 (2019: approximately RMB85,170,000), and current assets of approximately RMB127,476,000 (2019: approximately RMB132,018,000). The Group recorded a net current asset position of approximately RMB112,232,000 (2019: approximately RMB116,617,000), primarily consisting of cash and cash equivalents of approximately RMB16,808,000 (2019: approximately RMB20,211,000), inventories of approximately RMB23,308,000 (2019: approximately RMB28,277,000), trade and other receivables of approximately RMB12,067,000 (2019: approximately RMB11,636,000) and finance lease receivables of approximately RMB75,045,000 (2019: approximately RMB71,645,000). Major current liabilities are trade and other payables of approximately RMB9,166,000 (2019: approximately RMB9,269,000), lease liabilities of approximately RMB1,947,000 (2019: approximately RMB3,188,000), deposits received from finance lease customers of approximately RMB3,658,000 (2019: approximately RMB1,737,000) and income tax payables of approximately RMB473,000 (2019: approximately RMB760,000).

Liquidity and Financial Resources

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB16,808,000, representing a net decrease of approximately RMB3,403,000 as compared to that of approximately RMB20,211,000 as at 31 December 2019. Net cash outflows from operating activities amounted to approximately RMB8,265,000 (2019: approximately RMB2,077,000). In view of the Group's current level of cash and bank balances, funds generated internally from our operations, the Board is confident that the Group will have sufficient resources to meet its finance needs for its operations.

Gearing Ratio

The gearing ratio of the Group, calculated as total debt divided by total equity, as at 31 December 2020 is 0.5% (2019: 0.2%).

Loan from a Shareholder

As at 31 December 2020, the Group had outstanding loan of approximately RMB842,000 due to a shareholder. The loan was unsecured, carried interest rate at 2% per annum and repayable on 31 December 2022 (2019: an outstanding loan of approximately RMB447,000 due to a shareholder, which was unsecured and carried interest rate at 2% per annum and repayable within one year).

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

Pledge of Assets

As at 31 December 2020, the Group had no assets pledged for bank borrowings or for other purposes (2019: Nil).

Contingent Liabilities

Save as disclosed in Note 35 to the consolidated financial statements, the Group did not have any significant contingent liabilities as at 31 December 2020 and 2019.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2020 and 2019.

Foreign Exchange Risk

The Group mainly operates in China with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. The foreign exchange rate risk with respect to HK$ is disclosed in Note 30.1(a) to the consolidated financial statements. During the year ended 31 December 2020, the Group did not hedge its exposure to foreign exchange.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed a total of 214 employees (2019: 241 employees). The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year ended 31 December 2020, the total staff costs (including directors' emoluments) amounted to approximately RMB23,289,000 (2019: approximately RMB30,899,000).

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 31 December 2020, no share options under the Scheme were outstanding.

Future Plans for Material Investments or Capital Assets

Save as disclosed in other sections of this report, the Group has no other plan for material investment or capital assets in the coming financial year. However, the Group will continue to explore new opportunity in other industries to enhance the returns to shareholders of the Company.

Material Acquisition and Disposal

During the year ended 31 December 2020, the Group disposed of 35% equity interest in Beijing Zhengmei Fengye Automobile Glass Installation Co., Ltd. ("**Zhengmei Installation**") at a total consideration of RMB4,900,000 to an independent third party. After the disposal, the Group holds 65% equity interest in Zhengmei Installation and Zhengmei Installation became an indirect non-wholly owned subsidiary of the Company.

Save as disclosed above, the Group had no other material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2020.

Litigation

Legal proceedings by Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass (BVI)")

On 24 December 2014, Xinyi Glass (BVI) issued an originating summons (the "**Originating Summons**") and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region with respect to the acquisition of a property in Daqing (the "**Daqing Property Acquisition**") against the following persons:

(a) the Company as the 1st Defendant;

(b) the vendor in the Daqing Acquisition Agreement (the "**Vendor**"), as the 2nd Defendant;

(c) Xia Lu, who is a former executive Director and the former chief executive officer of the Company, as the 3rd Defendant;

(d) He Changsheng, who is a former executive Director, as the 4th Defendant;

(e) Li Honglin, who is a former executive Director, as the 5th Defendant;

(f) Natsu Kumiko, who is a former non-executive Director and the chairman of the Company, as the 6th Defendant;

(g) Fong William, who is a former independent non-executive Director, as the 7th Defendant;

(h) Chen Jinliang, who is a former independent non-executive Director, as the 8th Defendant;

(i) Ling Kit Wah Joseph, who is a former independent non-executive Director, as the 9th Defendant; and

(j) Aleta Global Limited, who is the holder of the Bonds nominated by the Vendor, as the 10th Defendant, (collectively referred to as the "**Defendants**").

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

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

(ii) the convertible bonds of the Company issued to satisfy the consideration of the Daqing Property Acquisition and the conversion shares already allotted and issued to the vendor of the Daqing property as at the date of the Originating Summons be declared void or, in the alternative, voidable;

(iii) in the event that the acquisition agreement and the convertible bonds are declared voidable, the Company and the vendor be compelled to terminate and/or rescind the same; and

(iv) in the alternative, damages from certain then and former executive Directors, non-executive Directors and independent non-executive Directors.

The litigation is still ongoing but no step has been taken by Xinyi Glass (BVI) to prosecute the same against all the Defendants for over 5 years since 12 November 2015. The Management has consulted its legal advisor in Hong Kong in response to the Originating Summons. The Directors have thoroughly revisited the situation based on the advice of its Hong Kong legal advisor during the year, and considered that the demands (i) to (iii) are still unattainable and demand (iv) does not impact the Company nor the Group. Accordingly, the Directors considered that the pending litigation would not have any material adverse impact to the consolidated financial statements as at 31 December 2020 and 2019.

CORPORATE GOVERNANCE PRACTICES

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xia Xiufeng ("**Mr. Xia**") is the chairman of our Board and the chief executive officer of the Company. Given the fact that Mr. Xia joined the Group since July 2015, all the other Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Xia is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group.

Save for the deviation from the code provisions as mentioned above, the Board is satisfied that the Company had complied with all the code provisions of the CG Code, the Company has complied with all the code provisions set out under the CG Code throughout the year ended 31 December 2020.

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.

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 year ended 31 December 2020.

BOARD COMPOSITION

The Board comprises seven Directors, one non-executive Director, three are executive Directors and three are independent non-executive Directors. The members of the Board throughout the year ended 31 December 2020 and up to 23 March 2021 are as follows:

Executive Directors

Mr. Xia Xiufeng *(Chief Executive Officer and Chairman)*
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

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 25 to 28 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. Save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above, the Company has complied with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules throughout the year relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board, and at least one of them having appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also met the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive Directors to be independent.

THE BOARD

The Board is responsible for the leadership and control of, and promoting the success, of the Company. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Company.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalised and adopted terms on the division of functions reserved to the Board and those delegated to the management. The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "**Company Secretary**") and senior management of the Company, with a view to ensure compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the Chief Executive Officer ("**CEO**") and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

COMPANY SECRETARY

The Company Secretary, Mr. Chan Tsz Kit ("**Mr. Chan**") is responsible for facilitating communications among Directors as well as with the management. A brief biography of Mr. Chan is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Mr. Chan has received relevant professional trainings of not less than 15 hours to update his skills and knowledge for the year ended 31 December 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xia, the chairman of the Company, was appointed as the CEO on 23 March 2018, and thus there has been no segregation of duties since his appointment. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Xia, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from (i) 16 July 2015 (in respect of Mr. Xia); or (ii) 15 March 2018 (in respect of Mr. Lo Chun Yim); or (iii) 23 March 2018 (in respect of Mr. Lu Yongmin), all of which shall be renewed and extended automatically for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice to determine the same.

The non-executive Director, Mr. Liu Mingyong has entered into a service contract or letter of appointment with the Company for an initial term of three years with effect from 30 September 2015, which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party giving not less than three months' prior written notice to determine the same.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from (i) 13 February 2015 (in respect of Mr. Jiang Bin); or (ii) 23 March 2018 (in respect of Mr. Luo Wenzhi); or (iii) 17 June 2019 (in respect of Mr. Wang Liang), subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") throughout the year ended 31 December 2020. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

The following measurable objectives have been set for implementing the Board Diversity Policy:

(a) at least 33% of the members of the Board shall have attained education from university or obtained accounting or other professional qualifications; and

(b) at least 33% of the members of the Board shall be independent non-executive Directors.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee would review the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the measurable objectives for implementing the Board Diversity Policy throughout the year ended 31 December 2020.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

The Board meets regularly and additional meetings will be convened when considered necessary by the Board; 10 board meetings and 1 general meeting were held throughout the year ended 31 December 2020. The following is the Directors' attendance record of the board meetings and the general meetings of the Company:

	Number of attendance/ number of Board meetings	Number of attendance/ number of general meetings
Mr. Xia Xiufeng	10/10	1/1
Mr. Lo Chun Yim	5/10	1/1
Mr. Lu Yongmin	8/10	1/1
Mr. Liu Mingyong	6/10	1/1
Mr. Jiang Bin	5/10	1/1
Mr. Luo Wenzhi	7/10	1/1
Mr. Wang Liang	5/10	1/1

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meetings and draft agenda of each Board meeting are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting (save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above).

The Company Secretary is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection. The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to code provision A.6.5 of the CG Code, for the financial year ended 31 December 2020, all Directors had participated in continuous professional development in the following manner:

	Type of trainings
Mr. Xia Xiufeng	A, B, C
Mr. Lo Chun Yim	A, B, C
Mr. Lu Yongmin	A, B, C
Mr. Liu Mingyong	A, B, C
Mr. Jiang Bin	A, B, C
Mr. Luo Wenzhi	A, B, C
Mr. Wang Liang	A, B, C

A: attending internal briefing session in relation to corporate governance
B: reading materials in relation to regulatory update
C: attending seminars/courses/conference to develop professional skills and knowledge

BOARD COMMITTEES

The Board has established three board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), with written terms of reference which are available for viewing on the website of the Stock Exchange and the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are mainly to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company.

As at the date of this report, the Audit Committee has four members comprising of three independent non-executive Directors and one non-executive Director, namely Mr. Jiang Bin (Chairman), Mr. Luo Wenzhi, Mr. Wang Liang and Mr. Liu Mingyong. The Audit Committee had reviewed the final results of the Group for the year ended 31 December 2020, the annual report of the Group for the year ended 31 December 2020, interim results and report for the six months ended 30 June 2020, the quarterly results and reports for the periods ended 31 March 2020 and 30 September 2020. The Audit Committee had reviewed the Group's risk management and internal control system for the year. Based on the review conducted by the Audit Committee during the year ended 31 December 2020, members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that the risk management and internal control system of the Group are effective and adequate.

The attendance of each member at the Audit Committee meeting held during the year ended 31 December 2020 is set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Audit Committee during the year ended 31 December 2020.

	Number of attendance/ number of meetings
Mr. Jiang Bin *(Chairman)*	4/4
Mr. Luo Wenzhi	4/4
Mr. Liu Mingyong	4/4
Mr. Wang Liang	4/4

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 9 August 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each Director and member of senior management, (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them, and (iii) making recommendations to the Board on remuneration packages of individual executive Directors and senior management and remuneration of non-executive Directors.

As at the date of this report, the Remuneration Committee has three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Luo Wenzhi (Chairman), Mr. Wang Liang and Mr. Xia Xiufeng. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. Throughout the year ended 31 December 2020, two meetings of the Remuneration Committee were held to review the remuneration package and terms of service contracts of the Directors and senior management of the Group.

The attendance of each member at the Remuneration Committee meeting held during the year ended 31 December 2020 is set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Remuneration Committee during the year ended 31 December 2020.

	Number of attendance/ number of meeting
Mr. Luo Wenzhi *(Chairman)*	2/2
Mr. Wang Liang	2/2
Mr. Xia Xiufeng	2/2

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 August 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive Directors. In reviewing and recommending the appointment of new Directors, the Nomination Committee would seek to identify the competencies required to enable the Board to fulfill its responsibilities. The Nomination Committee reviews the Board's composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy annually.

As at the date of this report, the Nomination Committee has three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Wang Liang (Chairman), Mr. Jiang Bin and Mr. Lu Yongmin. Throughout the year ended 31 December 2020, one meeting of the Nomination Committee was held to review the structure, composition of the Board and the succession plan for the Board.

The attendance of each member at the Nomination Committee meeting held during the year ended 31 December 2020 is set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Nomination Committee during the year ended 31 December 2020.

	Number of attendance/ number of meeting
Mr. Wang Liang *(Chairman)*	1/1
Mr. Jiang Bin	1/1
Mr. Lu Yongmin	1/1

CORPORATE GOVERNANCE

The Board is entrusted with the overall responsibility of developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Company's employees and Directors; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Throughout the year ended 31 December 2020, the Board reviewed and monitored the training and continuous professional development of the Directors and Company Secretary to comply with the CG Code and the GEM Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements and noted that the Group has complied with the relevant legal and regulatory requirements in all material respects for the year (save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above). The Board also reviewed the employees' manual applicable to the employees of the Company. Lastly, the Board reviewed the Company's compliance with the CG Code and the disclosure of the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Each of the Directors understand and acknowledge his responsibility for the preparation of the consolidated financial statements, which give a true and fair view of the financial position and the financial performance of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 December 2020, the remuneration paid or payable to the auditors of the Company in respect of the statutory audit services was approximately HK$1,200,000 (equivalent to approximately RMB1,065,000) (2019: HK$1,400,000 (equivalent to approximately RMB1,233,000)).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Company assets. The risk management and internal control system of the Group aims to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board, has conducted a review of its risk management and internal control system to ensure an effective and adequate risk management and internal control system in place. Based on the recommendations from the Audit Committee and the report prepared by an independent accounting firm, the Directors are satisfied with the risk management and internal control systems and consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorised use or misappropriation, maintaining accounting records properly, ensuring the reliability of financial information and ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. The Directors will continue to review the need for setting up an internal audit function should the need arise.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.zmfy.com.hk and meetings with investors and analysts.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, an extraordinary general meeting of the Company ("**EGM**") may be convened by the Board on requisition of one or more shareholders (the "**Requisitionist(s)**") holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meeting (the "**Requisition**"). Such Requisition shall be made in writing to the Directors or the Company Secretary and sent to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). For the purpose of requiring an EGM to be called by the Directors, such Requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionist(s). The EGM shall be held within two months after the deposit of such Requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Shareholders are reminded to lodge their questions together with their detailed contact information for prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong.

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong branch share registrar and upon confirmation by the Hong Kong branch share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

During the year ended 31 December 2020, there is no change in the Company's constitutional documents.

DIRECTORS

Executive Directors

Mr. Xia Xiufeng (夏秀峰), also known as Mr. Osaka Masami, aged 60, is an executive Director appointed on 23 March 2018. He is also the chairman of the Company and the director of sales of 天津豐業新能源科技有限公司 (Tianjin Fengye New Energy Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company. Mr. Xia served in the army under the 國防科學技術委員會 (Commission of Science and Technology for National Defence*) in the PRC from 1977 to 1981. Mr. Xia then worked as an officer at the 北京市科學技術委員會計算中心 (Computing Center of the Beijing Municipal Science and Technology Commission*) from August 1981 to August 1987. He also attended 北京市西城區職工大學 (Beijing Xicheng District Vocational College*) from September 1983 to July 1987 and graduated in Chinese studies. Mr. Xia later completed a course in Japanese language studies at 日本東京學院 (Academy of Tokyo*) from October 1987 to March 1989. He furthered his education in social studies as a graduate student at the 日本東京學藝大學 (Tokyo Gakugei University*) from April 1989 to March 1991. Mr. Xia was the president of 日本全日通株式會社 (Zennitsu Co., Ltd.*) from September 1992 to October 2010. He is currently engaged in management positions of various companies, including the chairman of 日本ISA株式會社 (ISA Co., Ltd.*) since December 1996, the chairman of ISA Co., Limited (ISA(香港)有限公司*) since December 2009, a director of Hirokou Co., Limited (宏幸實業(香港)有限公司) since December 2010 and a director of Zennitsu Co., Limited (香港全日通有限公司*) since May 2014.

As at 31 December 2020, Mr. Xia is the sole shareholder of Lu Yu Global Limited ("**Lu Yu**"), and therefore he is interested in the 216,000,000 Shares held by Lu Yu within the meaning of Part XV of the SFO. In addition, Mr. Xia is interested in 1,000,000 Shares within the meaning of Part XV of the SFO.

Mr. Lo Chun Yim (盧春焰), aged 51, was a non-executive Director appointed on 22 March 2016 and has been re-designated to an executive Director from 15 March 2018. He is a substantial shareholder of the Company interested in approximately 16.04% of the total issued share capital of the Company as at 31 December 2016. Mr. Lo has extensive experience in investment management and is participating in financing lease business in the PRC since 2016. Mr. Lo is currently a director of Rise Grace Development Limited ("**Rise Grace**"), a company incorporated in Hong Kong with limited liability which is principally engaged in the provision of investment consultancy services, and Diamond Galaxy Limited ("**Diamond Galaxy**"), a company incorporated in the British Virgin Islands with limited liability, both of which are substantial shareholders of the Company.

As at 31 December 2020, Mr. Lo is the sole beneficial shareholder of Diamond Galaxy, which is the sole beneficial shareholder of Rise Grace holding 106,000,000 shares of the Company, he is also the beneficial shareholder of Urban Emotions Ltd ("**Urban**") which holds 29,562,500 shares of the Company and the sole beneficial shareholder of Mind Phenomenon Ltd ("**Mind Phenomenon**") holding 30,745,000 shares of the Company. Therefore, Mr. Lo is interested in 166,307,500 shares of the Company within the meaning of Part XV of the SFO.

* *For identification purpose only*

Mr. Lu Yongmin (盧勇敏), aged 57, is the founder of the CAS Valley Company Inc, a subsidiary of the Group, and is an executive Director appointed on 23 March 2018. Mr. Lu has graduated from Xian University of Architecture and Technology (西安建築科技大學) with a bachelor degree in environmental engineering in October 1994. Mr. Lu has subsequently obtained a master in business administration from Dalian University of Technology (大連理工大學) in August 2000. From October 1986 to March 1997, he was an engineer of China Coal Science Group Shenyang Design Institute Co., Ltd. (中煤科集團瀋陽設計研究院有限公司) and was responsible for engineering design. From February 1999 to July 2007, he was an assistant general manager and secretary to the board of directors of Songdu Jiye Investment Co., Ltd. (宋都基業投資股份有限公司) (previously known as Liaoning Guoneng Group (Holdings) Co., Ltd. (遼寧國能集團股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600077) and was responsible for operation and production management. Since 2007 until now, he has been the chief executive officer of Oriental Valley (Beijing) International Investment Co., Ltd. (潤谷東方(北京)國際投資有限責任公司).

As at 31 December 2020, Mr. Lu is the beneficial shareholder of YinHe Holding Limited and therefore he is interested in the 48,281,475 shares of the Company held by YinHe Holding Limited within the meaning of Part XV of the SFO.

Non-executive Director

Mr. Liu Mingyong (劉明勇), aged 51, is a non-executive Director appointed on 30 September 2015. He is also a member of the Audit Committee. Mr. Liu obtained a bachelor's degree in economics from the School of Economics and Trade at 中國礦業大學 (China University of Mining and Technology*) in July 1992. He obtained the qualification of senior accountant in 2004. Mr. Liu worked as the finance supervisor at 中國地方煤炭總公司 (China Local Coal Corporation*) from May 1992 to July 1995. He then worked as the finance manager at 中國鄉鎮企業投資開發有限公司 (China Township Enterprise Investment & Development Company Limited*) from August 1995 to July 1998. Mr. Liu worked as the finance general manager at 豪力機械(中國)有限公司 (Haoli Machinery (China) Co., Ltd.*) from August 1998 to October 1999. He joined 北京海淀科技發展有限公司 (Beijing Haidian Science & Technology Development Co., Ltd.*) since November 1999 and became the deputy general manager in March 2014 and was in charge of the company's financial, investment and real estate businesses. From October 2006 to May 2011, Mr. Liu served successively as supervisor, director and the vice chairman at 中墾農業資源開發股份有限公司 (Zhongken Agricultural Resource Development Co., Ltd.*), a company listed on the Shanghai Stock Exchange (stock code: 600313) and now known as 中農發種業集團股份有限公司 (Zhongnongfa Seed Industry Group Co., Ltd*). From October 2010 to September 2020, he served as a director at 北京三聚環保新材料股份有限公司 (Beijing Sanju Environmental Protection and New Materials Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 300072). Since June 2013, he was also a director at 北京海科融通支付服務股份有限公司 (Beijing Haike Rongtong Payment Services Co., Ltd.*).

* *For identification purpose only*

Independent non-executive Directors

Mr. Jiang Bin (姜斌), aged 51, is an independent non-executive Director appointed on 13 February 2015. Mr. Jiang is also a member of the Nomination Committee and the chairman of the Audit Committee. Mr. Jiang has over 18 years of professional experiences in accounting, auditing and financial consulting. Mr. Jiang obtained a bachelor degree in economics from Renmin University of China in July 1993. He obtained a master degree in money and banking from Graduate School of Chinese Academy of Social Sciences in April 1999. He obtained the qualification of Chinese Certified Public Accountant in 1999. Mr. Jiang worked as an assistant accountant, chief accountant and assistant general manager in 北辰國際經濟技術合作公司 (Beijing North Star International Economy Technical Collaboration Company*) from August 1993 to January 1996. He worked as an assistant auditor, project manager, senior project manager and audit manager in 中華會計師事務所 (Beijing ZhongHua Certified Public Accountants*) from January 1996 to October 2000. He worked as a department manager of the audit department, deputy general manager and vice chief accountant in 中瑞岳華會計師事務所有限公司 (Beijing Office of RSM China Certified Public Accountants*) from October 2000, and has been a partner since 2007. He was also an independent non-executive director of Shunfeng International Clean Energy Limited (stock code: 1165), a company listed on the Main Board of the Stock Exchange, from February 2013 to July 2013.

Mr. Luo Wenzhi (羅文志), aged 51, is an independent non-executive Director appointed on 23 March 2018. Mr. Luo graduated from the Renmin University of China (中國人民大學) with a bachelor degree in economics in July 1992 and has obtained a master of laws from the Renmin University of China (中國人民大學) in July 2001. He has more than 15 years of experience in the field of capital market. From July 2001 to June 2002, Mr. Luo was a paralegal of EY Chen & Co. Law Firm (瑛明律師事務所). From July 2002 to January 2007, Mr. Luo was a lawyer of Zhong Yin Law Firm (中銀律師事務所). From January 2007 to June 2017, Mr. Luo was a lawyer of Bastion Law Firm (邦盛律師事務所). Since July 2017 until now, Mr. Luo is a lawyer of W&H Law Firm (煒衡律師事務所). Mr. Luo also served as a director of Guangdong Dongfang Precision Science & Technology Co., Ltd (廣東東方精工科技股份有限公司) (listed on the Shenzhen Stock Exchange: stock code: 002611) from May 2013 to July 2013. Mr. Luo is currently a partner-level lawyer in W&H Law Firm (煒衡律師事務所) in Beijing and an executive director at Hexie Yijiayi (Beijing) Management Consulting Ltd. (和諧一加一(北京)管理顧問有限公司) and Beijing Luzhixing Internet Technology Co., Ltd (北京律之星網絡科技有限公司).

Mr. Wang Liang (王亮), aged 50, is an independent non-executive Director appointed on 17 June 2019. Mr. Wang obtained a bachelor degree in dyeing and finishing engineering from Beijing Institute of Fashion Technology in 1995. Mr. Wang has nearly 13 years of experience in the auditing field. He was qualified as a PRC Certified Tax Agent in 2011 and qualified as a PRC Certified Public Accountant in 2012. He joined Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所) in July 2015 and is currently a partner. Mr. Wang has extensive experience in auditing and consultation on management and taxation.

* *For identification purpose only*

Senior Management

Miss Zhou Yan (周雁), aged 37, is the vice president of the Company. Miss Zhou graduated from Beijing Normal University in 2007 and Renmin University of China with a master degree in business administration. Miss Zhou has nearly ten years of experience in the investment and corporate governance. She joined the Yunnan Tin Co., Ltd (雲南錫業股份有限公司) as the investment manager and assistant of the general manager of Yunnan Yunxi Xinrunda Investment Co., Ltd. (雲南雲錫鑫潤達投資有限公司) from 2009 to 2014; For the period from 2014 to 2016, she was engaged in industry research and post-investment management in Zero 2IPO Group. She worked as the vice president of the company since 2017 until now.

Mr. Cao Yongsheng (曹永勝), aged 47, is the chief financial officer of the Company. Mr. Cao graduated from the Shanghai University of Finance and Economics (上海財經大學) in 2008 with a master degree in business administration. He has over 16 years of experience in accounting and financial management and is qualified as an accountant in the People's Republic of China. He worked as manager in an audit firm in China from 1999 to 2002. Mr. Cao then worked as a financial controller of Wanrong Sanjiu Pharmaceutical Co., Ltd. (萬榮三九藥業有限公司) from 2003 to 2007. For the period from 2007 to 2016, Mr. Cao joined Petrochemical Yinkeboxing Information Technology Co., Ltd. (石化盈科信息技術有限責任公司) as a branch departmental manager and responsible for financial and human resources matter. Mr. Cao was a deputy general manager and chief financial officer of Hainan Huanyu New Energy Co., Ltd. (海南環宇新能源有限公司) from July 2017 to July 2018. Mr. Cao joined the Company in August 2018.

Ms. Guan Xin (關馨), aged 33, is the financial manager of the Company. Ms. Guan graduated from University of Chinese Academy of Sciences in 2013 with a master degree in computer science. Ms. Guan has nearly seven years of experience in banking and financial management. Ms. Guan worked as a subsidiary operation manager in Lenovo Group Ltd. (聯想集團) from 2013 to 2015. For the period from 2015 to 2018, Ms. Guan joined Fudian Bank Co., Ltd (富滇銀行股份有限公司). Ms. Guan worked as the financial manager of the Company since 2018 until now.

Company Secretary

Mr. Chan Tsz Kit (陳子杰), aged 45, is the company secretary of the Company. Mr. Chan holds a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University and a Master of Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Chan has over 9 years of experience in accounting, financial management, merger and acquisition, capital market financing and listing compliance. Mr. Chan joined the Company in September 2018.

* *For identification purpose only*

The Directors are pleased to present their report and the audited financial statements of ZMFY Automobile Glass Services Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 December 2020.

USE OF PROCEEDS

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

During the period from the latest practicable date (the "**LPD**") (as defined in the Prospectus) to 31 December 2020, the net proceeds from the Share Placing had been applied as follows:

Business objectives as stated in the Prospectus for the period from the LPD to 31 December 2020	**Planned use of proceeds as stated in the Prospectus from the LPD to 31 December 2020** (HK$ million) (Note)	**Actual use of proceeds from the LPD to 31 December 2020** (HK$ million)	**Unutilised use of proceeds from the LPD to 31 December 2020** (HK$ million)
1. Setting up new service centres	19.4	9.1	10.3
2. Merger, acquisitions and business collaboration	10.9	10.9	–
3. General working capital	2.3	2.3	–
Total	32.6	22.3	10.3

Note: This sum represents an aggregate amount of the planned use of proceeds as stated in the Prospectus from the LPD to 31 December 2020 being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.

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

As at 31 December 2020, the unutilised use of proceeds of approximately HK$10.3 million has been placed as deposits into licensed banks in the PRC. Such amount is expected to be fully utilized by 31 December 2021.

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

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

Report of the Directors

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of automobile glass with installation/repair services, trading of automobile glass, provision of business consultancy services and finance lease services in China. The principal activities and other particulars of the Company's subsidiaries are set out in Note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on pages 66 to 67.

The Directors did not recommend the payment of a dividend for the year ended 31 December 2020.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in Note 21 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Detail of retirement schemes of the Group are set up under Note 4(n) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

CAPITALISATION OF INTEREST

The Group has no interest capitalised during the year ended 31 December 2020.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB96,135,000 (2019: approximately RMB105,449,000) as set out in Note 21 to the consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from Tuesday, 4 May 2021 to Friday, 7 May 2021, both dates inclusive, during which period no transfer of shares of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company. In order to qualify for attending the annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 3 May 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited financial statements in this and prior years' annual report, is set out on page 146 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 33.7% (2019: 34.4%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 13.6% (2019: 13.4%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 51.9% (2019: 53.5%) of the total purchase for the year and goods supplied from the Group's largest supplier included therein amounted to approximately 18.2% (2019: 17.9%) of the total purchase for the year. A substantial shareholder of the Company, Xinyi Glass Holdings, through Xinyi Glass (BVI), is one of the top 5 suppliers.

Save as disclosed above, none of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

BUSINESS REVIEW

A review of the development, performance and position of the business of the Company and the principal risks and uncertainties faced by the Company are set out in the section headed "Management Discussion and Analysis" of this annual report and Note 30 to the consolidated financial statements.

During the year ended 31 December 2020, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

Disclosures related to the Group's environmental policies and performances are included in the Environmental, Social and Governance Report on pages 44 to 58 of the annual report.

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long term goals. We have long and good relationships with our suppliers and customers with mutual trust. Accordingly, our management have kept good communications, promptly exchanged ideas and shares market update with them when appropriate. During the year ended 31 December 2020, there were no material and significant dispute between the Group and its suppliers and/or customers.

Employees are the valuable assets of the Group. The Group strives to motivate its employees with a clear career path and improvement of their skills by providing both internal and external training. The Group put efforts into providing staff with harmonious, positive and inspiring working environment. By providing employees with a good environment and competitive trainings, employees' productivities and their performance are greatly improved.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employees of the Company or any members of the Group (the "**Participants**"). The purpose of the Scheme is for the Group to reward, retain and motivate the Participants to strive for future development and expansion of the Group. The Company conditionally adopted a share option scheme (the "**Scheme**") on 9 August 2013 whereby the Board is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Participant. The Scheme will be valid and effective for a period of ten years commencing from the date on which the Scheme is adopted.

As at the date of this report, the total number of shares available for issue under the Scheme is 40,000,000 shares, representing 6.05% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "**Option**"), the Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares under the Scheme will be a price determined by the Board in its absolute discretion at the time of grant of the relevant Option and notified to each Participant and shall be no less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the relevant Option is granted which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant Option is granted; and (iii) the nominal value of a share of the Company.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Unless otherwise determined by the Board, there is no minimum period for which an Option must be held before it can be exercised.

Subject to the provisions of the Scheme, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the relevant class of securities of the Company in issue.

Since the adoption of the Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 31 December 2020, no share options under the Scheme were outstanding.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors

Mr. Xia Xiufeng *(Chief Executive Officer and Chairman)*
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

Pursuant to Article 84(1) of the Company's article of association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to Article 83(3) of the Company's articles of association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and be subject to re-election at such meeting.

By virtue of Articles 84(1) and 83(3) of the articles of the association of the Company, Mr. Lu Yongmin, Mr. Jiang Bin and Mr. Luo Wenzhi will retire at the forthcoming annual general meeting. Mr. Lu Yongmin, Mr. Jiang Bin and Mr. Luo Wenzhi, being eligible, will offer themselves for re-election at the annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 25 to 28 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from (i) 16 July 2015 (in respect of Mr. Xia Xiufeng); or (ii) 15 March 2018 (in respect of Mr. Lo Chun Yim); or (iii) 23 March 2018 (in respect of Mr. Lu Yongmin), all of which shall be renewed and extended automatically for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice to determine the same.

The non-executive Director, Mr. Liu Mingyong has entered into a service contract or letter of appointment with the Company for an initial term of three years with effect from 30 September 2015, which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party giving not less than three months' prior written notice to determine the same.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from (i) 13 February 2015 (in respect of Mr. Jiang Bin) or (ii) 23 March 2018 (in respect of Mr. Luo Wenzhi) or (iii) 17 June 2019 (in respect of Mr. Wang Liang), all of which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party giving at least three months' written notice. The appointments are subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors.

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors (or an entity connected with the Directors) or controlling shareholders or any of their subsidiaries had material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year ended 31 December 2020.

MANAGEMENT CONTRACT

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2020.

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of the Company (the "Shares") and underlying Shares of the Company

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

Notes:

(1) Mr. Xia Xiufeng ("**Mr. Xia**") was beneficially holding 1,000,000 Shares of the Company and indirectly holding 216,000,000 shares of the Company through Lu Yu Global Limited ("**Lu Yu**"). Lu Yu, a company incorporated in the British Virgin Islands (the "**BVI**") on 21 April 2011 and an investment holding company, was wholly and beneficially owned by Mr. Xia. Mr. Xia was therefore deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

(2) The 166,307,500 Shares represent 106,000,000 Shares held by Rise Grace, 29,562,500 Shares held by Urban and 30,745,000 Shares held by Mind Phenomenon. Rise Grace is a company incorporated in Hong Kong on 5 November 2009 and an investment holding company. Rise Grace was wholly and beneficially owned by Diamond Galaxy, which was in turn wholly and beneficially owned by Mr. Lo Chun Yim, an executive Director of the Company. Urban was a company incorporated in the BVI with limited liability which was directly wholly-owned by Mr. Lo Chun Yim. Mind Phenomenon was a Company incorporated in the BVI with limited liability, which is directly wholly-owned by Mr. Lo. Accordingly, Mr. Lo Chun Yim was deemed to be interested in all the Shares in which Rise Grace, Urban and Mind Phenomenon were interested by virtue of the SFO.

(3) These Shares were held by YinHe Holding Limited ("**YinHe**"), a company incorporated in the BVI and an investing holding company, was wholly owned by Mr. Lu Yongmin, an executive Director of the Company. Mr. Lu Yongmin was deemed to be interested in all the Shares held by YinHe by virtue of the SFO.

(4) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 31 December 2020.

Save as disclosed above, as at 31 December 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 31 December 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:

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 Limited (Note 2)	Interest in a controlled corporation	106,000,000	13.36%
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI)**") (Note 3)	Beneficial owner	120,360,000	15.17%
Xinyi Glass Holdings Limited ("**Xinyi Glass Holdings**") (Note 3)	Interest in a controlled corporation	120,360,000	15.17%
YinHe (Note 4)	Beneficial owner	48,281,475	6.09%
Ms. Lu Hong (Note 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, was wholly and beneficially owned by Mr Xia. Mr. Xia was deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

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

(3) Xinyi Glass (BVI), a company incorporated in the BVI on 13 June 2012 and an investment holding company, was wholly and beneficially owned by Xinyi Glass Holdings. Therefore, Xinyi Glass Holdings was deemed to be interested in all the Shares in which Xinyi Glass (BVI) was interested by virtue of the SFO.

(4) YinHe, a company incorporated in the BVI and an investing holding company, was wholly and beneficially owned by Mr. Lu Yongmin. Mr. Lu Yongmin was deemed to be interested in the 48,281,475 Shares held by YinHe by virtue of the SFO.

(5) Ms. Lu Hong is the spouse of Mr. Lu Yongmin and she was therefore deemed to be interested in the Shares in which Mr. Lu Yongmin is interested by virtue of the SFO.

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

(7) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 31 December 2020.

Save as disclosed above, as at 31 December 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.

CORPORATE GOVERNANCE

Save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" in the Corporate Governance Report, the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2020.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. No option was granted, exercised or lapsed under the share option scheme of the Company for the year ended 31 December 2020.

The remuneration of the senior management (including the Directors) of the Group by band for the year ended 31 December 2020 is set out below:

Remuneration bands	**Number of senior management**
Nil to HK$1,000,000	11
	11

Further details of the Directors' remuneration and the five highest paid individual are set out in Note 10 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group for the year ended 31 December 2020 are set out in Note 31 to the consolidated financial statements. Save for the purchase of inventories from fellow subsidiaries of Xinyi Glass Holdings (which is further summarised in the paragraph headed "Continuing Connected Transactions" below), all other related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the purchase of inventories from the fellow subsidiaries of Xinyi Glass Holdings.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2020, Xinyi Glass Holdings was indirectly interested in 15.17% of the share capital of the Company, as such, the transactions entered into by the Group with Xinyi Glass Holdings and its subsidiaries (the "**Xinyi Glass Group**") constituted non-exempt continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Details of such continuing connected transactions and the principal terms of the relevant agreement are set out below:

On 29 December 2015, the Group entered into a framework supply agreement with Xinyi Automobile Parts (Tianjin) Co., Ltd. ("**Xinyi (Tianjin)**") (the "**Supply Agreement**") pursuant to which, Xinyi Glass Group has agreed to supply automobile glass (the "**Xinyi Goods**") to the Group upon request from time to time, for a term of three years commencing from 1 January 2016 and ending on 31 December 2018. On 1 January 2019, Xinyi (Tianjin) entered into an agreement with the Group to continue the supply of the Xinyi Goods to the Group for the year ending 31 December 2019. On 10 March 2020, Xinyi (Tianjin) entered into an agreement with the Group to continue the supply of the Xinyi Goods to the Group for the year ending 31 December 2020 (the "**Renewal Agreement**").

The purchases of the Xinyi Goods from Xinyi Glass Group will be on an order-by-order basis, subject to the terms and conditions set out therein as follows: (i) at prices to be agreed between Xinyi Glass Group and the Group from time to time, which in any event shall be no less favourable than the then prevailing market price of the same type and quality of the products for comparable quantity; and (ii) on normal and usual commercial terms which are no less favourable than those applicable to the purchases of the same type and quality of the products for comparable quantity by the Group from independent third parties. Under the Renewal Agreement, the annual cap (inclusive of tax) of the purchase price payable by the Group to Xinyi Glass Group in respect of the supply of the Xinyi Goods should not exceed RMB6 million. The amount of total purchases (inclusive of tax) from Xinyi Glass Group for the year ended 31 December 2020 under the Renewal Agreement amounted to approximately RMB4,209,000 (2019: approximately RMB6,922,000).

A new supply agreement regarding Xinyi Goods was entered into on 25 January 2021, details of which are set out in the announcement of the Company dated 25 January 2021.

Confirmation of independent non-executive Directors

The independent non-executive Directors have, for the purpose of Rule 20.53 of GEM Listing Rules reviewed the above continuing connected transactions and confirmed that these transactions:

(1) have been entered into in the ordinary and usual course of business of the Group;

(2) have been entered into on normal commercial terms or better;

(3) have been entered into in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) have not exceeded the annual cap for the year ended 31 December 2020.

The Company also confirmed that it has complied with the disclosure requirements as applicable to the aforementioned continuing connected transactions under Chapter 20 of the GEM Listing Rules.

Confirmation of auditor of the Company

BDO Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Save as disclosed in Note 31 to the consolidated financial statements, no other material connected transactions incurred during the year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (within the meaning in Section 469 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) that provides for indemnity against liability incurred by Directors and executive officers of the Group is currently in force and was in force throughout the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

(a) On 25 January 2021, Xinyi (Tianjin) entered into an agreement with Beijing Zhengmei Fengye Automobile Service Co., Ltd, an indirect wholly-owned subsidiary of the Company, to continue the supply of the automobile glass to the Group for the year ending 31 December 2021.

For details, please refer to the announcement of the Company dated 25 January 2021.

(b) On 23 February 2021, ZM Leasing (Tianjin) Limited ("**ZM Leasing**"), a direct wholly-owned subsidiary of the Company, entered into the lease extension agreement with Heilongjiang Jiansanjiang Nongken Jiuzhou Fangyuan Biomass New Material Co., Ltd. ("**Heilongjiang Jiansanjiang**"), pursuant to which ZM Leasing and Heilongjiang Jiansanjiang agreed to extend the period of the lease term to 20 February 2022.

For details, please refer to the announcement and supplemental announcement of the Company dated 23 February 2021 and 1 March 2021 respectively.

(c) On 23 February 2021, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into a lease agreement with Henan Tuonong Biomass New Material Co., Ltd. ("**Henan Tuonong**"), pursuant to which ZM Leasing agreed to provide finance lease to Henan Tuonong by way of sale and leaseback the leased assets to Henan Tuonong at a consideration of RMB3,000,000.

For details, please refer to the announcement and supplemental announcement of the Company dated 23 February 2021 and 1 March 2021 respectively.

(d) On 22 March 2021, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into a lease agreement with Sichuan Jurun New Energy Technology Co., Ltd. ("**Sichuan Jurun**"), pursuant to which ZM Leasing agreed to provide finance lease to Sichuan Jurun by way of sale and leaseback the leased assets to Sichuan Jurun at a consideration of RMB8,000,000.

For details, please refer to the announcement of the Company dated 22 March 2021.

Save as disclosed above and in Note 36 to the consolidated financial statements, no other material events were taken by the Company or by the Group after 31 December 2020.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by BDO Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Xia Xiufeng
Chairman

Hong Kong, 23 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

About this report

The Board is pleased to present the 2020 Environmental, Social and Governance (ESG) report of the Company, which aimed at informing the stakeholders our performance and progress for the year ended 31 December 2020 and covered the Company's ESG approach, strategy, priorities and objectives. The Report was prepared in accordance with ESG reporting guides set out by Appendix 20 of the GEM Listing Rule, with the Board of Directors (the Board) taking the lead in the oversight of the Group's ESG matters and assuming the ultimate responsibility for the ESG report. This report has been reviewed and approved by the Board to ensure that all material issues and impacts are fairly presented.

Reporting period

This Report provides an overview of the Group's ESG performance during the reporting period from 1 January 2020 to 31 December 2020 ("FY2020" or, the "year under review") as well as the latest initiatives after FY2020 where specified.

Reporting scope and boundary

The Group understands the importance of the ESG report and strives to incorporate sustainability standards into our business. The following report will be mainly organised into four parts, namely social commitment, environmental protection, responsible operations and community investment.

This report covers all major operations of the Group, namely the sales of automobile with installation/repair services and trading of automobile glass ("Automobile glass"), installation services of photovoltaic system ("Photovoltaic system"), business consultancy services and finance lease services in the PRC and 11 subsidiaries of the Group in the PRC.

For the corporate governance section, please refer to the Group's Annual Report 2020 (Page 12 to 24).

Reporting principles

As the reporting principles underpin the preparation of the ESG Report, the content of this ESG Report has been determined, organised and presented in accordance with the principles of Materiality, Quantitative, Balance and Consistency, which specified therein were utilised as a basis for the preparation of this ESG Report.

Information Disclosure

The information in this ESG Report was gathered through numerous channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by different subsidiaries of the Group. Should there be any conflict or inconsistency, the English version shall prevail.

Stakeholders Feedback

We welcome and value your feedback on the Report and other sustainability-related matters. Please write to us at info@zmfy.com.cn.

The Group and its culture

The automobile glass segment aims to become the leading brand in automobile glass services in the PRC by providing professional and reliable services to the clients for achieving win-win situation for the Group and the clients. The segment's business objective is to strengthen its position in the automobile glass installation/repaired services industries in the PRC by further expanding its business operations in the PRC. The business consultancy services segment engages in the provision of advisory, investment consulting and management consulting services to enterprises in the PRC. The principal business of the finance lease segment includes providing lease services to quality customers in chemical industry in the PRC.

The environmental and social aspects also take a vital role for the development of the business of the Group in the PRC as there has been growing concerns regarding environmental protection and corporate responsibility by local community and government.

The Group has over 20 years of experience in automobile glass installation and repair industry and always focuses on improving its service performance by using the best technique and latest technology equipment to serve our clients within the shortest time. Currently, the Group operates 12 service centres providing automobile glass installation and repair services, and also engages in the trading of automobile glass in three cities in the PRC, namely Beijing, Tianjin and Sanhe.

The management also considers that the success of the business of the Group would largely depend on the satisfaction of our clients which are achieved and contributed to by the services provided by our staff. The Group has promoted the people-oriented culture and committed to providing fair and transparent performance assessment for all levels of staff. The Group is also committed to providing good working environment to promote employee's loyalty, passion and dedicated spirit.

The Group believes that being a socially responsible employer and building up an environmentally friendly culture would facilitate the Group to win the support of local community for future development of the Group.

Environmental, Social and Governance Report

Message from the chairman

Dear valued stakeholders,

On behalf of the Board, I am pleased to present to our stakeholders the FY2020 ESG report, which demonstrates in detail the Group's approach and performance in terms of sustainable development for the year ended 31 December 2020.

2020 was a challenging year for the world and all the events happened further put sustainability into the spotlight. The COVID-19 outbreak affected all segments of the society and created multi-faceted impacts on the economy, business activities, supply chains and social interactions. This global health crisis has triggered enormous changes in how the world operates including the perception of health and safety and the way business runs. While the pandemic has been seen as an immediate threat, climate change and environmental issues are still top risks in the global leaders' eyes. More and more governments and businesses have committed to lower the carbon emissions or even achieve a net-zero carbon emission. As the first listed company in the industry, the Group is fully aware of its role as a pioneer in the implementation of sustainability strategies and therefore will continue to spare no effort in taking the lead to uphold the spirit and follow the direction of China, which has pledged to achieve net-zero carbon emission by 2060.

In this era of change and uncertainty, the Group has remained firm in its sustainability commitment. On top of maintaining the Group's stable operations, we also keep in mind the integration of environmental and social considerations into our business activities so as to create shared value for all. The health, safety and wellness of our employees and customers are always our first priority. During the outbreak of COVID-19 in early 2020, we actively responded to the national epidemic prevention and control measures, for which we suspended all work in the service centres immediately. After the work resumed, we formulated and implemented relevant safety and hygiene standards to protect our staff and customers against possible virus infection. Specifically, we reminded all staff to keep social distance and distributed personal protection equipment such as surgical masks and hand sanitisers to our employees.

Over the years, the Group has implemented a variety of initiatives addressing the environmental issues and promoting green practices to reduce our environmental impacts in the PRC. In FY2020, our environmental footprint declined significantly due to the unwavering efforts as well as the temporary work suspension during the COVID-19 outbreak. To further our positive impacts, the Group has committed to extend our green efforts by regularly reviewing the current practices while actively exploring innovative ways to serve our customers, as well as maintaining our service quality at the same time.

Looking forward, we expect the near future will be filled with challenges and uncertainties as COVID-19 ripple effects will continue to impact the world. With sustainability being put in the centre, we have to adapt to the "new normal", which has significantly transformed the way of living and doing business. We believe that our commitment to sustainability shall well-position us to overcome the challenges ahead with resilience.

Last but not least, I would like to take this opportunity to thank each and everyone of our stakeholders for your perseverance and being considerate in such unprecedented times.

On behalf of the Board
Mr. Xia Xiufeng
Chairman

Hong Kong, 23 March 2021

Stakeholder engagement

An effective communication with both internal and external stakeholders is essential to keeping the Group adaptable to the ever-changing market in business development and vital to delivering the Group's environmental, social and economic commitment to long-term value creation. A stable relationship between the Group and its stakeholders with open communication channels can not only boost the level of the Group's sustainability, but also help the Group gain a better understanding of those topics material and relevant to different groups of stakeholders, thereby further controlling the underlying risks and capturing the potential opportunities. With the ongoing stakeholder engagement, the Group has gathered the valuable feedback from its significant stakeholders who are concerned of a variety of sustainability-themed topics in the Group's business development. Sticking to the four reporting principles, especially the principle of Materiality, the Group has prioritised the concerns from stakeholders and committed to allocating more resources to the topics that are relevant and material to the Group.

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Occupational health and safety	– Supervision on complying with local laws and regulations – Routing reports and taxes
Shareholders	– Return on the investment – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official website
Employees	– Employees' remuneration and benefits – General employees' satisfaction by making their voice heard – Health and safety in the workplace	– Regular training programs – Meetings (private meetings or AGMs) – Emails, notice boards, hotline, caring activities with management
Customers	– Production quality assurance – Protect the rights of customers	– Customer satisfaction survey – Customer service hotline and email
Suppliers	– Fair and open procurement – Win-win cooperation – Environmental protection	– Open tendering – Face-to-face meetings and on-site visits – Industry seminars
General public	– Involvement in communities – Awareness of environmental protection	– Media conferences and responses to enquiries – Public welfare activities

A. Social Commitment

A.1 Workplace equality

The Group is committed in a good workplace practice for our employees as they continue to be the driving force behind the Group. The Company's practices and policies with respect to: (i) compensation and dismissal; (ii) recruitment and promotion; (iii) working hours; (iv) rest periods; (v) equal opportunity; (vi) diversity; (vii) anti-discrimination; and (viii) welfare and other benefits have complied with the Labour Law of the People's Republic of China ("Labour Law")《中華人民共和國勞動法》, the Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》and other relevant laws and regulations. We have followed Chapter Two of the Labour Law on labour policy to ensure all of our employees are free from discrimination and receive equal opportunities despite age, gender, race, colour, sexual orientation, disability or marital status.

During the year ended 31 December 2020, the average turnover rate for employees was 14.1% and the employees age distribution is as below:

Table 1. Employee information of the Company in FY2020

Age Group	No. of Employee	Percentage
30 or below	52	24%
31 to 50	126	59%
51 or above	36	17%
	214	100%

For protecting the interest of our employees and in compliance with relevant labour laws and regulations, employment contract would be signed in accordance with the guidance of the Human Resources Department governing the labour compliance. Furthermore, a staff manual has been adopted by the Company to set out the benefits and rights of employees, e.g. compensation, working hours, dismissal, recruitment and promotion, leave benefits and other benefits and welfare.

Although the market labour supply for automobile glass installation and repair are dominated by male workers for the service centre, we target to improve gender diversity in our workplace by employing more female employees.

The Group cares about employees' welfare and satisfaction. We believe that work-life balance can raise team spirit and morale. During the year ended 31 December 2020, the Company organised a number of outdoor activities and an annual dinner to help maintain good relationship with our employees. The Group also has staff quarter, canteen and sports ground for our employees.

In order to attract and retain employees, the Group has also adopted a share option scheme for its employees. Details of the share option scheme are set out in the paragraph headed "Report of the Directors – Share Option Scheme".

In FY2020, the Group complied with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

A.2 Health and Safety

As the Group considers our staff as our valuable asset and the key to our success to our business, the health and safety of the workplace comes to the highest priority of the Group. The Group normally provides in-house training to its staff for use of the equipment and machinery of the service centre and they are required to wear industrial gloves and safety goggles when performing the repair or installation services. Safety notice has been placed in the eye-catching area in the service centres to remind our employees of certain important safety rules.

Each service centre is equipped with fire and safety equipment to prevent the outbreak of fire accident and the validity of fire facilities is regularly checked and strictly monitored by the professional team of the Group, which is responsible for the execution and monitoring of health and safety-related policies of the Group.

During the year ended 31 December 2020, the Group did not record any work injury and work-related fatalities (2019: Nil). The Group aims to provide a safe working environment and protecting employees from occupational hazards. The installation department manager will continue to evaluate the employee's safety measures to ensure they meet the standards.

The Group has fully complied with the related labour laws in the PRC during the year ended 31 December 2020, including:

- Law of the People's Republic of China on Prevention and Control of Occupational Diseases《中華人民共和國職業病防治法》; and

- Regulation on Work-Related Injury Insurance of the People's Republic of China《中華人民共和國工傷保險條例》.

Response to COVID-19

In early 2020, the outbreak of COVID-19 swept the globe. Putting the health, safety and wellbeing of our customers and staff in the first place, the Group was committed to a high standard of hygiene measures in a swift response to the public health emergency.

To maintain a safe working environment at our service centres, in FY2020, the Group ensured that all touched surfaces such as shared items and door handles were clean and disinfected by bleach and disinfectants on a regular basis. Hand sanitisers and alcohol swabs were readily available at the information desk. Everyone, including staff and customers, had to have body temperature monitored when entering and mask wearing was a mandatory requirement.

To further prevent the risk of infection, all staff of the Group were advised to obey the rules of social distancing in the workplace and to stagger breaks and lunch hours.

A.3 Development and Training

Employees from our installation department will participate in a three-month training programme after being employed to ensure that all new staff meet the standard of our Group to provide high quality installation/repair services. 11 (2019: 35) of our employees received such training during the year ended 31 December 2020. The Group also provides in-house training to its employees on an on-going basis, covering various topics, such as the procedures required for the installation of automobile glass and handling cases of individuals insured by insurance companies.

A.4 Labour Standards

Our Group's recruitment standard follows the employment law of the PRC to ensure equality and fairness. The Group has also complied with the Labour Law of the People's Republic of China《中華人民共和國勞動法》against child labour, forced labour or compulsory labour. Individuals under the age of 16 and individuals without any identification documents are disqualified from employment. Our Human Resources Manager will check the qualification and identification documents of the new employees outside our headquarter on a periodical basis. Upon the discovery of any individuals aged below 16 and use of forced labour in our workplace, we will suspend their work immediately and the Board will discuss and review the problem to prevent it from happening again.

In FY2020, the Group complied with the relevant laws and regulations in relation to the prevention of child and forced labour.

B. Environmental Protection

B.1 Emission

To demonstrate the Group's commitment to sustainable development and the compliance with laws and regulations relating to environment protection, the Group endeavours to minimise the environmental impacts of the Group's business activities and maintain "green" operations and "green" office practices. In FY2020, there were no confirmed non-compliance incidents in relation to environmental protection that would have a significant impact on the Group's operations.

The Company is governed by and has complied with the following laws and regulations, including but limited to:

- Energy Conservation Law of the People's Republic of China《中華人民共和國節約能源法》;
- Environmental Protection Law of the People's Republic of China《中華人民共和國環境保護法》; and
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes《中華人民共和國固體廢物污染環境防治法》;

During the year ended 31 December 2020, the Group did not receive any notice or warning in relation to the pollution in respect of the Group's business operations.

The Group is committed towards continually improving our environmental protection and to minimising its potential environmental impacts from business operations. The Group has established three major policies to reduce the emission of carbon dioxide, wastewater and disposal of land waste illustrated as follows:

Installation of photovoltaic generator on the service centres

The Group has set up effective policies to invest resources into the carbon emission reduction project by installing photovoltaic generator on the rooftop of the service centres operated by the Group. During the year ended 31 December 2020, the Group has installed 1,391 photovoltaic pieces (2016:932, 2017: 555, 2018: 1,487, 2019:1,412), which could generate a total of 348.0kWh(2016:231.5kWh, 2017:150.0kWh, 2018:381.5kWh, 2019:363.6kWh) electricity at 12 of our service centres. The installation of photovoltaic panel provides the resource for generating clean and sustainable electricity without greenhouse gas ("GHG") emissions.

Implementation of automobile glass recycling program

As an investment holding company, our business does not generate significant GHG emissions but certain non-hazardous waste may be produced during our process of installation and repair of automobile glass and the damaged or broken automobile glass will be replaced and disposed by us on behalf of our client. The automobile glass segment has established effective policies for our service centres to collect and recycle the waste glass. During the year ended 31 December 2020, the Group has recycled approximately 62,800 (2017: 64,200, 2018: 73,820, 2019: 65,447) pieces of waste automobile glass and represented approximately 95% (2017: 95%, 2018: 98%, 2019: 95%) of automobile glass installed in our service centres. The Group is committed to stepping up its efforts in the recycling of waste automobile glass in the future, aiming to integrate the concept of 'circular economy' in its business strategies.

Restrict room temperature control

In order to save energy and use electricity efficiently to achieve the reduction of GHG emissions, the Group has strongly demanded all of its offices and service centres to maintain the room temperature not lower than 26 degree Celsius during summer and not higher than 23 degree Celsius during winter.

Given its business nature, the Group's main GHG emissions are normally the indirect emissions resulting from the electricity consumption at the Group's workplace as well as travel by its employees for business. The Group has adopted green office practices to reduce its impacts on the environment such as teleconference and online meeting practices are encouraged to avoid unnecessary travel. In 2020, the Group's energy indirect emissions from electricity consumption were 354.2 tCO_2e (Scope 2) (2019: 433.1 tCO_2e) and direct emissions (Scope 1) from motor vehicles traveling were 579.2 tCO_2e (2019: 757.2 tCO_2e). To illustrate a complete picture of the Group's emission pattern, other indirect emissions (Scope 3), which include the emissions led by business travel, were also included in the calculation in FY2020. Through a detailed recording of the Group's business air travel, the Scope 3 emissions were 2.3 tCO_2e in FY2020. The GHG emissions were 935.7 tCO_2e (2019: 1,190.3 tCO_2e) in total and 4.37 tCO_2e per employee (average workforce in FY2020: 214) was recorded. Other air emissions, such as Sulphur Oxides ("SO_x"), Nitrogen Oxides ("NO_x") and Particulate Matters ("PM") were mainly from fuel combustion in transportation during the year under review, which amounted to 3.06 kg, 231.0 kg and 18.5 kg, respectively. In FY2020, the Group has successfully cut down its GHG emissions, which dropped by around 21%, even though the additional emissions from business air travel were included. The Group is committed to further lowering its GHG emissions with concerted efforts by all employees, aiming to move towards sustainable development in the future.

Table 2. The Group's total emissions by category in FY2020 [5]

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity[1] (Unit/ employee) in FY2020	Amount in FY2019	Intensity[2] (Unit/ employee) In FY2019)
Air Emissions [4] (Company cars)	SOx	Kg	3.06	0.01	4.69	0.01
	NOx	Kg	231.0	1.08	322.8	0.98
	PM	Kg	18.5	0.09	25.3	0.08
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes of CO_2e	579.2	2.71	757.2	–
	Scope 2 (Energy Indirect Emissions)	Tonnes of CO_2e	354.2	1.65	433.1	–
	Scope 3 [3] (Other Indirect Emissions)	Tonnes of CO_2e	2.3	0.01	–	–
	Total (Scope 1 & 2 & 3)	Tonnes of CO_2e	935.7	4.37	1190.3	3.62
Non-hazardous Waste	Solid Wastes	Tonnes	5.6	0.03	2.2	0.01
	Wastewater	Tonnes	615.2	2.87	455.84	1.39

1 Intensity for FY2020 was calculated by dividing the amount of air, GHG and other emissions respectively by the average employees of the Group in FY2020, which was 214;

2 Intensity of FY2019 was extracted from the data in the ESG report 2019 of the Group;

3 The Group's Scope 3 (Other Indirect Emissions) included emissions from business air travel by employees only;

4 To better conform to the new regulations of the HKEx, which subdivides the categories of vehicles according to engine size for better accuracy on the calculation of air emissions, the data in FY2019 was adjusted accordingly so as to keep the consistency and comparability of the reports; and

5 The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, GHG Protocol Corporate Accounting and Reporting Standard and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

The Group has complied with the rules and regulations in the PRC to ensure all automobile exhaust gas emissions meet the standards, wastewater is properly connected to municipal sewage systems and all land waste is either sent to glass recycling agent or the municipal solid waste management plant during the provision of services. Although the amount of municipal solid waste and wastewater from the Group is quite small given the business nature, the Group has already been planning to monitor and record the statistics in some subsidiaries and encouraging every service centre and operating area to control their daily emissions. Specifically, the Group generated a total of approximately 5.6 tonnes municipal solid waste and 615.2 m^3 wastewater in FY2020. The increase in non-hazardous waste generated was primarily due to the increase in the number of sites for monitoring and more comprehensive measurement. Notwithstanding that, the Group will further improve its operational practices to control the amount of waste. Notably, the Hong Kong office of the Group will continue its efforts to reduce its generation of solid waste by 10% in the near future.

During the year ended 31 December 2020, the Group did not generate any hazardous waste. More importantly, the Group strictly complied with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Urban Drainage and Sewage Treatment Ordinance and the Environmental Protection Law of the People's Republic of China regarding the operations of the Group in the PRC. The Group will continue to seek alternative environmentally friendly resources and materials to reduce the emissions of air, water and land waste.

B.2 Use of Resources

The resources used by the Group were principally attributed to the materials and resources used in the 12 service centres, i.e. automobile glass, electricity, water and other installation materials. The Group has implemented several major programmes to reduce the use of natural resources:

(a) Installation of photovoltaic generator on the rooftop of the service centre;

(b) Employees are encouraged to adopt water-saving practices in offices and workshops;

(c) Employees are encouraged to reduce paper use by using recycle paper when printing;

(d) Control room temperature to not lower than 26 degree Celsius during summer and not higher than 23 degree Celsius during winter;

(e) Light should be switched off when staff leave the premises to reduce electricity wastage.

The Group will continually perform regular assessments in order to develop better green office practices.

In 2020, the Group's energy consumption was 401.92 MWh of electricity in total and 1,878 kWh of electricity per employee. As compared with last year, the total electricity consumption declined by around 21%, marking a magnificent success of the Group in its electricity control. As only a minimum amount of water was used in our business operations, the amount of water consumption has not been completely disclosed in this report. Nevertheless, the Group has been dedicated to keeping the consumption of fresh water from most offices and other operating areas under surveillance. According to the record, the total amount of water consumed by most offices and operating areas of the Group added up to 18,861.2m^3 in FY2020. The Group did not face any issue in sourcing water. Promoting the paperless office, the Group has been paying great attention to its paper consumption. For instance, the offices and service centres of the Group consumed a total of 239 kg paper for its administrative operations in FY2020, with 12 kg of paper being recycled. The Group did not use any packaging material during the year under review.

B.3 The Environmental and Natural Resources

Although as a service-based company, the Group did not cause significant impact on the environment and had minimal use of natural resources. The Group, however, has still laid great emphasis on the control of emissions to the environmental and the management of its consumption of natural resources in a sustainable way. For example, the Group has established a series of policies to regulate the business travel, in order to reduce the amount of fossil fuels used for transportation.

Meanwhile, the Group keeps innovating and allocating more to the development of eco-friendly and efficient ways for operations. The Group firmly believes that only through continuous evaluation of its business model and benchmarking its technology with international standards, can we remain competitive in the industry and become a genuinely sustainable and resilient enterprise adapting to the macro-environment.

Since climate change is a hot-button topic discussed across the world in recent years, the Group has been focusing its efforts on evaluating the implications of and its contributions to the climate crisis, thereby putting emphasis on forging an enterprise that is not only adaptable to climate-related risks, but also has the capability to grasp the potential business opportunities.

C. Responsible Operations

C.1 Supply Chain Management

To ensure the quality of our automobile glass, we only purchase glass from a trusted and properly regulated supplier and will not purchase poor-quality or any counterfeit brands with no safety measures. The majority of supply of automobile glass are from the three major brand suppliers in China, such as Xinyi Glass. Our CEO will regularly review the list of suppliers and the general manager from the purchase department will regularly check the quality of automobile glass to ensure it meets our Group standard before being installed on cars. In pursuit of eco-friendly business practices in managing its supply chain, the Group gives prominence to the principles of green procurement, which highlights the selection of local suppliers and environmentally friendly means of transportation. The Group believes in these ways, the associated environmental and social risks of the supply chain can be controlled and minimised.

C.2 Product Responsibility

Considering the business nature of the Group, product quality and safety and consumer privacy are regarded as important matters to the Group's sustainable development, among all issues in relation to product responsibility. The Group has adopted policies to ensure that its products maintain good quality and safety. If there is any problem with the newly installed automobile glass, the Group will rectify the problem for the customer free-of-charge. During the year ended 31 December 2020, we did not face any product return due to safety or health problems or any complaint received from our customers (2019: Nil). In order to ensure our product quality, we would conduct sample inspections on the automobile glass purchased and if there are any problems with the glass quality, the Group will negotiate with the relevant supplier for the return and/or exchange of the automobile glass at the cost of the relevant supplier.

To ensure the product quality and safety, the Group complied with the applicable laws and regulations including the Product Quality Law of the People's Republic of China《中華人民共和國產品質量法》in FY2020.

Consumer Privacy

Following the Law on Protection of Consumer Rights and Interests of the People's Republic of China《中華人民共和國消費者權益保護法》, the Group's employees are obligated to protect all the personal information obtained from our consumers strictly and the Group has formulated written policies and guidelines about the protection of customers' privacy and personal data.

Our storage of physical records containing personal data are kept separately, while the access to these records and information without authorisation is strictly prohibited. In order to protect consumer data and privacy, we erase all unused client information on a timely basis.

In FY2020, the Group was in compliance with the applicable laws and regulations in relation to the quality, health and safety, advertisement, label and privacy of its products that have a significant impact on the Group.

C.3 Anti-corruption

The Group prohibits any form of corruption, fraud or money laundering in the workplace. As stipulated in the Group's "Whistleblowing Policy", employees are encouraged to raise concerns about any suspected misconduct or malpractice verbally to CEO or in writing. The Group will make an effort to analyse all the reporting in a strictly confidential manner to protect the whistle-blower from being unfairly treated. Each incident of violation, if any, will be taken seriously with disciplinary actions taken as appropriate according to the Group's policy.

During the year ended 31 December 2020, the Group fully complied with the Criminal Law of the People's Republic of China《中華人民共和國刑法》, the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國反不正當競爭法》, the Interim Provisions of Banning Commercial Bribery《關於禁止商業賄賂行為的暫行規定》and other applicable laws and regulations relating to anti-corruption, bribery, extortion, fraudulent behaviours and money-laundering. No cases of fraud or corruption were brought against the employees or the Company during the year ended 31 December 2020.

D. Community Investment

D.1 Community investment

As a corporate citizen, the Group has been insisting on its concept of "green, circular, and low-carbon development", and committed to the national eco-civilisation through supporting the construction of a green and harmonious planet. The Group's policy in community investment has focused on the greening of the surrounding area of its headquarter in Beijing and the removal of stagnant water for a cleaner environment and workplace. Further, the Group is also dedicated to sharing benefits with local communities by offering job opportunities to local communities, in an effort to improve the local employment.

Report Disclosure Index

HKEx ESG Guide content index

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	50
	KPI A1.1	The types of emissions and respective emission data.	52
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	52
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	52
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	52
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	53
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A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	53
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	54
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	54
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	54
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	54
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	54

Aspects	ESG Indicators	Description	Page
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	54
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	54
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	48
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	49
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	50
B4: Labour Standards	General Disclosure	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	50
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	55
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	55
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	56
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	56

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TO THE SHAREHOLDERS OF ZMFY AUTOMOBILE GLASS SERVICES LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of ZMFY Automobile Glass Services Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 145, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment

(Refer to note 14 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to impairment of property, plant and equipment set out in note 5(i))

As at 31 December 2020, the Group had property, plant and equipment amounting to RMB55,102,000.

Management has performed an impairment assessment in accordance with its accounting policies which complies with Hong Kong Accounting Standards 36 *"Impairment of Assets"*. The Group engaged an independent professional valuer to assess the recoverable amount of an individual asset not yet in use, which involved fair value calculation using direct comparison approach. Management has also assessed the recoverable amounts of the cash-generating units to which the other items of property, plant and equipment belonged, by value in use calculations. These calculations of fair value and value in use involved exercise of significant judgements and key assumptions made by management concerning the estimated future cash flows and by making reference of comparable sale transactions as available in the relevant market.

We have identified the impairment assessment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements and the recoverable amount calculation involved significant management judgements and estimation, in particular the assumptions concerning adjustments made to comparable sales transactions in the fair value calculation. Key assumptions used in the fair value calculations for the individual asset have been disclosed in note 14 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment included, but not limited to, the following procedures:

- evaluated the competence, capabilities, independence and objectivity of the independent external valuer;
- assessed the appropriateness of the impairment assessment, and compared the methodologies used to our interpretation of the requirements of the relevant accounting standards;
- reviewed and challenged the reasonableness of the key assumptions and critical judgement areas underpinning the fair value calculation using direct comparison approach;
- discussed with senior management about the cash flow projection used in the value in use calculation and market conditions and difficulties to be encountered in the forecast period and the related adjustments reflected in the forecast; and
- checked arithmetical accuracy and the relevance of the input data used.

Impairment assessment of finance lease receivables

(Refer to note 16 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to provision for expected credit losses model on finance lease receivables set out in note 5(iv))

The Group's finance lease receivables amounted to approximately RMB89,358,000 and accounted for approximately 45% of the Group's total assets as at 31 December 2020. We have identified the impairment assessment of finance lease receivables as a key audit matter because of its significance to the consolidated financial statements and the impairment assessment involved judgement and use of subjective assumptions by management. The Group assesses expected credit losses ("ECLs") according to forward-looking information and uses appropriate model and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness. The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increase in credit risk, definition of credit-impaired financial asset, parameters for measuring ECLs and forward-looking information.

The disclosure of financial lease receivables and their loss allowance are included in notes 16 and 30.1(c) to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment included, but not limited to, the following procedures:

- evaluated the competence, capabilities, independence and objectivity of the independent external valuer engaged by management to perform the calculations of the ECLs;

- obtained an understanding of controls over the determination of the impairment methodology, the governance over the ECLs models and the inputs and assumptions used by management in measuring the ECLs;

- evaluated and assessed the reliability of the ECLs model used by management in determining ECLs, and the appropriateness of the key parameters and assumptions in the ECLs model, which includes the identification of the three stages of ECLs model, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments;

- assessed the adequacy of the impairment recorded by reviewing subsequent settlements after the year end any correspondence with finance lease customers about expected settlement dates;

- selected samples considering the management's forecast of future repayments and current financial conditions of the finance lease customers, based on historical experience, value of collaterals and observable external data;

- reviewed repayment of lease instalments and interest payment during the year and up to the subsequent period to identify if any default in scheduled repayment which indicate potential deterioration in the debtor's financial liabilities which cause impact on the Group's internal credit rating on their finance lease customers; and

- evaluated whether the disclosures on allowances for impairment losses of finance lease receivables meet the disclosure requirements in the prevailing accounting standard.

Estimated provision for inventories

(Refer to note 17 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to estimated write-downs of inventories to net realisable value set out in note 5(iii))

As at 31 December 2020, the carrying value of the Group's inventories amounted to approximately RMB23,308,000, net of provision of obsolete inventories of approximately RMB12,597,000, which consisted mainly of automobile glass for various car models. Inventories are carried at lower of cost and net realisable value in the consolidated financial statements. As the demand of automobile glass are complementary to various car models that change from time to time, management applies judgement in estimating the net realisable value of inventories taking into consideration of a number of factors, including car models, gross margin of subsequent sales, sales and utilisation history, physical conditions and aging of inventories. We identified this area as a key audit matter because of its significance to the consolidated financial statements and judgements are involved in estimating the provision of inventories, which might have a significant financial impact to the consolidated financial statements.

Our response:

Our procedures in relation to management's assessment on provision for inventories included, but not limited to, the following procedures:

- understood and evaluated the appropriateness and consistency of the basis management used in estimating the level of provision for inventories by comparing the historical accuracy of inventory provisioning, on a sample basis, to the realised amount; and the level of inventory write-offs or provision for impairment during the year;

- performed physical inventories observation at year end to identify whether there is any damaged or obsolete inventories;

- checked, on a sample basis, the accuracy of inventories aging used by management to estimate the appropriate provision for inventories;

- compared the carrying amounts of a sample of inventories to their net realisable value through a review of sales subsequent to the year end to check for completeness of the associated provision; and

- reviewed the assessment performed by management, in particular whether the inventories not being provided for or written off could be supported by future sales and continuous utilisation, by referencing to historical sales pattern and our industry knowledge.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Or Ying Ying, Anita
Practising Certificate Number P07424

Hong Kong, 23 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	**80,469**	102,194
Cost of sales	9	**(63,953)**	(80,424)
Gross profit		**16,516**	21,770
Other gain or loss, net	7	**1,015**	(6,057)
Loss allowance on financial assets	8	**(4,554)**	(6,538)
Selling and distribution costs	9	**(12,642)**	(17,207)
Administrative expenses	9	**(17,824)**	(21,642)
		(17,489)	(29,674)
Finance income		**55**	103
Finance cost		**(893)**	(780)
Finance cost, net	11	**(838)**	(677)
Loss before income tax		**(18,327)**	(30,351)
Income tax expense	12	**(2,332)**	(1,777)
Loss for the year		**(20,659)**	(32,128)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Disposal of investments in equity instruments designated at fair value through other comprehensive income ("FVOCI")		**–**	32
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(10)**	(66)
Other comprehensive income for the year		**(10)**	(34)
Total comprehensive income for the year		**(20,669)**	(32,162)

	Note	2020 RMB'000	2019 RMB'000
Loss attributable to:			
Owners of the Company		**(20,294)**	(31,311)
Non-controlling interests		**(365)**	(817)
		(20,659)	(32,128)
Total comprehensive income attributable to:			
Owners of the Company		**(20,304)**	(31,345)
Non-controlling interests		**(365)**	(817)
		(20,669)	(32,162)
		RMB cents	RMB cents
Loss per share attributable to owners of the Company for the year	13		
Basic		**(2.56)**	(3.95)
Diluted		**(2.56)**	(3.95)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**55,102**	65,421
Intangible assets	15	**–**	–
Finance lease receivables	16	**14,313**	17,832
Deferred tax assets	25	**1,922**	1,917
		71,337	85,170
Current assets			
Inventories	17	**23,308**	28,277
Trade and other receivables	18	**12,067**	11,636
Finance lease receivables	16	**75,045**	71,645
Income tax recoverable		**248**	249
Cash and cash equivalents	19	**16,808**	20,211
		127,476	132,018
Total assets		**198,813**	217,188
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**6,372**	6,372
Reserves	21	**166,665**	186,575
		173,037	192,947
Non-controlling interests	34	**3,973**	(168)
Total equity		**177,010**	192,779

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	22	**9,166**	9,269
Lease liabilities	26	**1,947**	3,188
Deposits received from finance lease customers	23	**3,658**	1,737
Loan from a shareholder	24	**–**	447
Income tax payables		**473**	760
		15,244	15,401
Non-current liabilities			
Lease liabilities	26	**5,413**	6,286
Deposits received from finance lease customers	23	**304**	2,722
Loan from a shareholder	24	**842**	–
		6,559	9,008
Total liabilities		**21,803**	24,409
Total equity and liabilities		**198,813**	217,188
Net current assets		**112,232**	116,617
Total assets less current liabilities		**183,569**	201,787
Net assets		**177,010**	192,779

On behalf of the directors

Xia Xiufeng
Director

Lo Chun Yim
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	6,372	315,864	(37,528)	(60,812)	223,896	1,845	225,741
Loss for the year	–	–	–	(31,311)	(31,311)	(817)	(32,128)
Other comprehensive income							
Currency translation differences	–	–	(66)	–	(66)	–	(66)
Disposal of investments in equity instrument designated at FVOCI	–	–	435	(403)	32	–	32
Total comprehensive income	–	–	369	(31,714)	(31,345)	(817)	(32,162)
Transactions with equity owners of the Company recognised directly in equity							
Acquisition of additional interests in subsidiaries *(Note 34)*	–	–	396	–	396	(1,196)	(800)
Appropriation to PRC statutory reserves	–	–	385	(385)	–	–	–
Balance at 31 December 2019	6,372	315,864	(36,378)	(92,911)	192,947	(168)	192,779
Loss for the year	**–**	**–**	**–**	**(20,294)**	**(20,294)**	**(365)**	**(20,659)**
Other comprehensive income							
Currency translation differences	**–**	**–**	**(10)**	**–**	**(10)**	**–**	**(10)**
Total comprehensive income	**–**	**–**	**(10)**	**(20,294)**	**(20,304)**	**(365)**	**(20,669)**
Transactions with equity owners of the Company recognised directly in equity							
Partial disposal of a subsidiary without loss of control *(Note 34)*	**–**	**–**	**394**	**–**	**394**	**4,506**	**4,900**
De-registration of subsidiaries	**–**	**–**	**(921)**	**921**	**–**	**–**	**–**
Appropriation to PRC statutory reserves	**–**	**–**	**693**	**(693)**	**–**	**–**	**–**
Balance at 31 December 2020	**6,372**	**315,864**	**(36,222)**	**(112,977)**	**173,037**	**3,973**	**177,010**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Loss before income tax	**(18,327)**	(30,351)
Adjustments for:		
Depreciation of property, plant and equipment	**5,987**	5,829
Write off of trade receivables	**241**	3,056
Write off of other receivables	**100**	–
Write off of inventories	**235**	2,233
Provision for impairment of property, plant and equipment	**2,354**	469
Provision for impairment of intangible assets	**–**	5,243
Loss allowance on finance lease receivables	**4,213**	3,482
Provision for obsolete inventories	**5,474**	6,923
Interest income	**(55)**	(103)
Interest expenses	**893**	780
(Gain)/Loss on disposals of property, plant and equipment	**(2,989)**	20
Gain on lease modification	**(16)**	–
Imputed interest income	**(17)**	(33)
Operating loss before working capital changes	**(1,907)**	(2,452)
Changes in working capital:		
Decrease in trade and other receivables	**2,677**	10,909
(Increase)/Decrease in finance lease receivables	**(4,094)**	6,145
Increase in inventories	**(740)**	(2,915)
Decrease in trade and other payables	**(205)**	(4,942)
(Decrease)/Increase in deposit received from finance lease customers	**(620)**	650
Net cash (used in)/generated from operations	**(4,889)**	7,395
Income tax paid	**(2,623)**	(8,867)
Interest paid	**(753)**	(605)
Net cash used in operating activities	**(8,265)**	(2,077)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		**(1,355)**	(488)
Proceeds from disposals of property, plant and equipment		**7,266**	49
Interest received		**55**	103
Net cash generated from/(used in) investing activities		**5,966**	(336)
Cash flows from financing activities			
Repayments of bank borrowings	28(b)	**–**	(2,000)
Proceeds from loan from a shareholder	28(b)	**888**	16,291
Repayments of loan from a shareholder	28(b)	**(444)**	(15,851)
Repayment of capital element of lease liabilities	28(b)	**(3,042)**	(3,050)
Payment for acquisition of additional interests in subsidiaries	34	**–**	(800)
Partial disposal of a subsidiary without loss of control	28(c)	**1,470**	–
Net cash used in financing activities		**(1,128)**	(5,410)
Net decrease in cash and cash equivalents		**(3,427)**	(7,823)
Cash and cash equivalents at beginning of the year		**20,211**	28,122
Effect of foreign exchange		**24**	(88)
Cash and cash equivalents at end of the year		**16,808**	20,211

1. General

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 "SEHK"). 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 systems, provision of business consultancy services and finance lease services in the PRC.

The directors consider Lu Yu Global Limited ("Lu Yu"), a company incorporated in the British Virgin Islands, as the immediate holding company and ultimate holding company.

In the opinion of the directors, as at 31 December 2020, the largest substantial shareholder of the Group was Mr. Xia Xiufeng, an executive director and chairman of the Company, who indirectly held 27.23% of the equity interests of the Company.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new or amended HKFRSs – effective on 1 January 2020

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the Hong Kong Institute of Certificate Public Accountants, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

- Conceptual Framework for Financial Reporting 2018
- Amendments to HKFRS 3 – Definition of a Business
- Amendments to HKFRS 9, Hong Kong Accounting Standards ("HKAS") 39 and HKFRS 7 – Interest Rate Benchmark Reform
- Amendments to HKAS 1(Revised) and HKAS 8 – Definition of Material

The adoption of these new or amended HKFRSs have no material impact on the Group's consolidated financial statements.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2018-2020	Annual improvement project[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[1]
HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]

1 Effective for annual periods beginning on or after 1 June 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after 1 January 2022.

4 Effective for annual periods beginning on or after 1 January 2023.

5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

6 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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

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

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

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

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the SEHK.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") since majority of the Group's operations are carried out in RMB. The Company's functional currency is Hong Kong Dollars ("HK$") since majority of the activities of the Company are conducted in HK$.

4. Significant accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Business combination and basis of consolidation

The 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 consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. Significant accounting policies *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

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

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

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

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. Significant accounting policies *(Continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and the chief financial officer who make strategic decisions.

(d) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate) in other reserves. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve in other reserves.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in exchange reserve.

4. Significant accounting policies *(Continued)*

(e) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(h)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less costs of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. Significant accounting policies *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Land and buildings	Over the remaining lease term
Leasehold improvements	Shorter of the lease term or 5 years
Motor vehicles	5 years
Office equipment	3-5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. Significant accounting policies *(Continued)*

(g) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss and included as part of selling and distribution costs and is provided on straight-line method over their estimated useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment, if any.

Trademark	10-20 years
Customer relationships	7 years

(ii) Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(h)).

(h) Impairment of assets (other than financial assets and goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets; and
- intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant accounting policies *(Continued)*

(h) Impairment of assets (other than financial assets and goodwill) *(Continued)*

All reversals are recognised in the profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment should be treated as a revaluation and therefore credited to other comprehensive income. However, to the extent that an impairment on the revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

Value in use is based on the estimated future cash flows expected to be derived from the CGU (see Note 4(e)), discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

(i) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, finance lease receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date, and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 "*Financial Instrument*" ("HKFRS 9") simplified approach and has calculated ECLs based on lifetime ECLs. For finance lease receivables and other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience, informed credit assessment and forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Definition of default

For internal credit risk management, the Group classifies credit risk on finance lease receivables into five categories as disclosed in Note 30.1(c). The internal credit risk ratings are based on qualitative (such as lessee's operating conditions, financial positions, etc.) and quantitative factors (mainly includes past due information of the finance lease receivables).

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

Definition of default (Continued)

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset or finance lease receivable is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets/finance lease receivables

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

Write-off policy

The Group writes off a financial asset or finance lease receivables when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECLs

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The measurement of ECLs on finance lease receivables is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECLs reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

Measurement and recognition of ECLs (Continued)

Where ECLs is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments (i.e. the Group's other receivables and finance lease receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, lease liabilities, deposits received from finance lease customers and loan from a shareholder issued by the Group are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expired or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities for less than three months or less.

4. Significant accounting policies *(Continued)*

(l) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. Significant accounting policies *(Continued)*

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Scheme Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group's contributions to the MPF Scheme are expensed as incurred and are reduced by the employer's voluntary contribution forfeited from the MPF Scheme by those employees who leave the scheme prior to vesting fully in the contributions.

The PRC

The Group companies in the PRC participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

4. Significant accounting policies *(Continued)*

(n) Employee benefits *(Continued)*

(iii) Termination benefits

These are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions are measured at the present value of the expenditures expected to be required to settle or transfer the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as "Other gain or loss, net", rather than reducing the related expense.

4. Significant accounting policies *(Continued)*

(q) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

- Revenue from the provision of business consultancy services and fund consultancy services are recognised at point in time when the signed report is available and accepted by the customer. Invoices for these service income are issued on completion of services and consideration is payable when invoiced.
- Revenue from trading of automobile glass is recognised at point in time when the customer has accepted the goods and the related risks and rewards of ownership.
- Revenue from the provision of automobile glass installation/repair services is recognised at point in time when the customer has accepted the goods after the installation/repair services have been rendered.

4. Significant accounting policies *(Continued)*

(q) Revenue recognition *(Continued)*

- Revenue from the provision of installation services for photovoltaic systems is recognised over time by reference as those services to the stage of completion, provided that the revenue, costs incurred and the estimated costs to completion can be measured reliably. Stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transactions. Customer are invoiced on a periodical basis and consideration is payable when invoiced.

- Interest income is recognised on time-proportion basis using effective interest method.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4. Significant accounting policies *(Continued)*

(r) Leasing

Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(a) Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is related to the land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

4. Significant accounting policies *(Continued)*

(r) Leasing *(Continued)*

Accounting as a lessee (Continued)

(b) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. Significant accounting policies *(Continued)*

(r) Leasing *(Continued)*

Accounting as a lessee (Continued)

(b) Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

Accounting as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable.

The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognised as unearned finance lease income. Finance lease receivable net of unearned finance lease income which represents the Group's net investment in the finance lease is presented as finance lease receivables in the consolidated statement of financial position. Unearned finance lease income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease, and is recognised as revenue.

4. Significant accounting policies *(Continued)*

(r) Leasing *(Continued)*

Accounting as a lessor (Continued)

The impairment provision measurement and derecognition of finance lease receivable are complied with basic accounting policy of the financial assets (Note 4(i)). The Group incorporates forward looking information in estimating the expected credit loss for finance lease receivables. The Group derecognises finance lease receivables when the rights to receive cash flows from the finance lease have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

4. Significant accounting policies *(Continued)*

(s) Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Impairment of non-financial assets

Property, plant and equipment and intangible assets (including goodwill which is being reviewed at each of the reporting period end after the initial recognition) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset or the corresponding CGU's recoverable amount. The recoverable amounts have been determined based on fair value less costs of disposal calculation or value in use calculation. These calculations require the use of judgments and estimates.

5. Critical accounting estimates and judgements *(Continued)*

(i) Impairment of non-financial assets *(Continued)*

Management judgement is required in asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continuing use of the asset or corresponding CGU in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset or corresponding CGU's recoverable amount; (iv) whether there is any asset which is having obsolescence or any plan to discontinue or restructure; and (v) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's consolidated financial position and financial performance.

(ii) Leasehold improvements on leased premises

The Group operates service centres, warehouses and office buildings on leased premises in the PRC which are located on collectively-owned land that are not permitted to be sold, transferred or leased to others for non-agricultural use. Any unauthorised and illegal occupancy of the land may result in land return order, demolition order, confiscation of the existing buildings and facilities constructed on the said land. Management considered that such problem is unlikely to cause any interruption or termination of the leases. Moreover, the controlling shareholder of the Company has agreed to keep the Group indemnified for any losses that the Group may suffer from any failure of the Group's subsidiaries in obtaining licence or permit to use the related properties. Accordingly, no impairment on leasehold improvements is considered necessary.

(iii) Estimated write-downs of inventories to net realisable value

The Group writes down its inventories to net realisable value when events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgement and estimates. Where the estimate is different from the original amount, such difference will impact the carrying value of inventories and net realisable value for the periods in which such estimate is changed. Management assesses the net realisable value of the inventories and considers that the provision for obsolete inventories impairment is adequate and reasonable at each reporting date.

5. Critical accounting estimates and judgements *(Continued)*

(iv) Provision for expected credit losses model on trade receivables and finance lease receivables

The Group recognises loss allowances for ECLs on trade receivables and finance lease receivables. ECLs are a probability-weighted estimate of credit losses and based on days past due for grouping of various customers that have similar loss patterns (i.e., by customer type etc.).

The estimation is initially based on the Group's historical observed default rates. The Group will calibrate historical observed default rates to adjust the credit loss with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' default in the future. The information about the ECLs on the Group's finance lease receivables and trade receivables is disclosed in Note 30.1(c).

(v) Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

5. Critical accounting estimates and judgements *(Continued)*

(vi) Implication of litigation claims

In 2014, Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass"), a shareholder of the Company 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 (as defined in Note 14), the holder of the convertible bonds of the Company, certain then existing and former executive, non-executive directors and independent non-executive directors (the "Defendants"), with respect to the acquisition of a property in Daqing (the "Daqing Property Acquisition") as detailed in Note 35.

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

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

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

The litigation is still ongoing but no step has been taken by Xinyi Glass to prosecute the same against all the Defendants for over 5 years since 12 November 2015. Management had consulted legal advisor in Hong Kong in response to the Originating Summons. The directors have thoroughly revisited the situations based on the advice of Hong Kong legal advisor during the year, and considered that the demands (i) to (iii) are still unattainable and demand (iv) does not impact the Company nor the Group. Accordingly, the directors considered that the pending litigation would not have any material adverse impact to the consolidated financial statements as at 31 December 2020 and 2019.

5. Critical accounting estimates and judgements *(Continued)*

(vii) Estimated useful lives and depreciation of property, plant and equipment and amortisation of intangible assets (other than goodwill)

Management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

(viii) Lease – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6. Segment reporting

The chief operating decision-maker ("CODM") has been identified as the Executive Directors and the Chief Financial Officer of the Company 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 consolidated financial statements for the years ended 31 December 2020 and 2019. No operating segments have been aggregated to form a reportable segment for the purpose of segment reporting in the consolidated financial statements. There was no change in the structure and no composition of the reportable segments during the years ended 31 December 2020 and 2019.

6. Segment reporting *(Continued)*

As at 31 December 2020 and 2019, the Group's non-current assets were all located in the PRC. For the year ended 31 December 2020, revenue of approximately RMB10,977,000 (2019: RMB13,700,000) was derived from sales by automobile glass segment to an external customer, which contributed 10% or more of the Group's revenue.

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

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15										
– Sales of automobile glass with installation/repair services	**64,042**	80,074	**–**	–	**–**	–	**–**	–	**64,042**	80,074
– Trading of automobile glass	**5,853**	8,143	**–**	–	**–**	–	**–**	–	**5,853**	8,143
– Provision of installation services of photovoltaic system	**–**	–	**241**	1,301	**–**	–	**–**	–	**241**	1,301
– Business consultancy services	**–**	–	**–**	–	**–**	1,144	**–**	–	**–**	1,144
– Fund consultancy services	**–**	–	**–**	–	**–**	930	**–**	–	**–**	930
	69,895	88,217	**241**	1,301	**–**	2,074	**–**	–	**70,136**	91,592
Inter-segment sales	**(1,398)**	(459)	**–**	–	**–**	(264)	**–**	–	**(1,398)**	(723)
	68,497	87,758	**241**	1,301	**–**	1,810	**–**	–	**68,738**	90,869
Revenue from other source										
– Finance lease income	**–**	–	**–**	–	**–**	–	**11,731**	11,325	**11,731**	11,325
Reportable segment revenue	**68,497**	87,758	**241**	1,301	**–**	1,810	**11,731**	11,325	**80,469**	102,194

6. Segment reporting *(Continued)*

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Timing of revenue recognition										
– At a point of time	**68,497**	87,758	**–**	–	**–**	1,810	**–**	–	**68,497**	89,568
– Over time	**–**	–	**241**	1,301	**–**	–	**11,731**	11,325	**11,972**	12,626
	68,497	87,758	**241**	1,301	**–**	1,810	**11,731**	11,325	**80,469**	102,194
Results of reportable segments	**(15,340)**	(9,525)	**(516)**	(1,041)	**(3,957)**	(20,981)	**4,825**	5,495	**(14,988)**	(26,052)
Items included in arriving at segment results or assets:										
Depreciation of property, plant and equipment	**(5,455)**	(5,361)	**(6)**	(6)	**(526)**	(462)	**–**	–	**(5,987)**	(5,829)
Gain/(Loss) on disposals of property, plant and equipment	**3,040**	(20)	**–**	–	**(51)**	–	**–**	–	**2,989**	(20)
Interest expense	**(746)**	(591)	**–**	–	**–**	–	**(140)**	(175)	**(886)**	(766)
Interest income	**25**	42	**7**	10	**1**	4	**22**	47	**55**	103
Loss allowance on finance lease receivables (Note 8)	**–**	–	**–**	–	**–**	–	**(4,213)**	(3,482)	**(4,213)**	(3,482)
Provision for impairment of property, plant and equipment (Note 14)	**(2,354)**	(469)	**–**	–	**–**	–	**–**	–	**(2,354)**	(469)
Provision for impairment of intangible assets (Note 15)	**–**	–	**–**	–	**–**	(5,243)	**–**	–	**–**	(5,243)
Provision for obsolete inventories	**(5,474)**	(6,923)	**–**	–	**–**	–	**–**	–	**(5,474)**	(6,923)
Write off of inventories	**–**	–	**–**	–	**(235)**	(2,233)	**–**	–	**(235)**	(2,233)
Write off of trade receivables (Note 8)	**–**	–	**(105)**	(394)	**(136)**	(2,662)	**–**	–	**(241)**	(3,056)
Write off of other receivables (Note 8)	**–**	–	**–**	–	**(100)**	–	**–**	–	**(100)**	–
Addition to non-current assets	**(2,759)**	(7,433)	**–**	–	**–**	–	**–**	–	**(2,759)**	(7,433)

A reconciliation of results of reportable segments to loss before income tax is as follows:

	2020 RMB'000	2019 RMB'000
Total of results of reportable segments	**(14,988)**	(26,052)
Unallocated finance cost	**(7)**	(14)
Unallocated corporate income	**40**	–
Unallocated corporate expenses	**(3,372)**	(4,285)
Loss before income tax of the Group	**(18,327)**	(30,351)

Certain finance cost, corporate income and 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.

6. Segment reporting *(Continued)*

Reportable segments assets and liabilities as at 31 December 2020 and 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	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Segment assets	**93,831**	105,527	**1,053**	1,612	**5,763**	7,284	**96,738**	102,453	**197,385**	216,876
Unallocated cash and cash equivalents									**1,154**	93
Unallocated corporate assets									**274**	219
Total assets									**198,813**	217,188
Segment liabilities	**14,217**	15,468	**82**	124	**647**	906	**4,544**	5,158	**19,490**	21,656
Unallocated corporate liabilities									**2,313**	2,753
Total liabilities									**21,803**	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.

7. Other gain or loss, net

	2020 RMB'000	2019 RMB'000
Gain/(Loss) on disposals of property, plant and equipment	**2,989**	(20)
Government grant (Note)	**40**	–
Imputed interest income	**17**	33
Provision for impairment of property, plant and equipment (Note 14)	**(2,354)**	(469)
Provision for impairment of intangible assets (Note 15)	**–**	(5,243)
Gain on lease modification	**16**	–
Others	**307**	(358)
	1,015	(6,057)

7. Other gain or loss, net *(Continued)*

Note:

It represented the subsidy received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme ("ESS") promulgated by the Government of the Hong Kong Special Administrative Region of the PRC (the "HKSAR"). The grant is allocated to consolidated profit or loss to match the relevant costs incurred. There are no unfulfilled and other contingencies attaching to ESS.

8. Loss allowance on financial assets

	2020 **RMB'000**	2019 RMB'000
Loss allowance on finance lease receivables (Note 30.1(c))	**4,213**	3,482
Write off of trade receivables	**241**	3,056
Write off of other receivables	**100**	–
	4,554	6,538

9. Expenses by nature

	2020 **RMB'000**	2019 RMB'000
Cost of inventories recognised as expense (Note 17)	**42,998**	51,565
Auditors' remuneration	**1,384**	1,500
Advertising and marketing	**1,026**	825
Tax surcharges	**679**	1,288
Employee costs (including directors' emoluments) (Note 10)	**23,289**	30,899
Depreciation on property, plant and equipment (Note 14)	**5,987**	5,829
Short-term leases expenses	**1,282**	4,340
Low-value assets leases expenses	**18**	15
Fuel	**1,858**	2,292
Utilities	**592**	669
Provision for obsolete inventories (Note 17)	**5,474**	6,923
Write off of inventories	**235**	2,233
Transportation	**1,268**	1,260
Meeting and conference expenses	**1,329**	1,874
Repair and maintenance	**402**	56
Tools and liveries	**202**	175
Office expenses	**606**	988
Legal and professional fees	**1,614**	2,554
Sales agency fees	**2,744**	2,892
Others	**1,432**	1,096
	94,419	119,273

10. Employee costs (including directors' emolument)

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**20,097**	25,079
Discretionary bonus	**1,405**	1,142
Contributions to defined contribution retirement, other social security plans and housing fund	**1,787**	4,678
	23,289	30,899

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a monthly cap of HK$1,500 and thereafter contributions are voluntary.

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in the defined contribution retirement benefit schemes and other social security plans, including pension, medical and other welfare benefits organised by the local authority whereby the PRC subsidiaries are required to make contributions to the schemes at the rate ranging from 12% to 16% of the eligible employees' salaries.

The local government authority is responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement, housing fund and other post-retirement benefits of employees other than the contributions described above.

10. Employee costs (including directors' emoluments) *(Continued)*

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

		Other emoluments		
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Employer's contribution to defined contribution retirement plans RMB'000	Total RMB'000
Year ended 31 December 2020				
Executive directors				
Xia Xiufeng	266	125	22	413
Lo Chun Yim	123	–	–	123
Lu Yongmin	123	384	47	554
Non-executive director				
Liu Mingyong	123	–	–	123
Independent non-executive directors				
Jiang Bin	123	–	–	123
Luo Wenzhi	123	–	–	123
Wang Liang (Note (ii))	123	–	–	123
Waiver of directors' fee (Note (iii))	(246)	–	–	(246)
	758	509	69	1,336

10. Employee costs (including directors' emoluments) *(Continued)*

(a) Directors' emoluments *(Continued)*

		Other emoluments		
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Employer's contribution to defined contribution retirement plans RMB'000	Total RMB'000
Year ended 31 December 2019				
Executive directors				
Xia Xiufeng	317	100	30	447
Lo Chun Yim	127	–	–	127
Lu Yongmin	127	607	52	786
Non-executive director				
Liu Mingyong	127	–	–	127
Independent non-executive directors				
Jiang Bin	127	–	–	127
Guo Mingang (Note (i))	32	–	–	32
Luo Wenzhi	127	–	–	127
Wang Liang (Note (ii))	69	–	–	69
	1,053	707	82	1,842

Notes:

(i) Mr. Guo Mingang resigned as independent non-executive director of the Company on 18 March 2019.

(ii) Mr. Wang Liang was appointed as independent non-executive director of the Company on 17 June 2019.

(iii) During the year ended 31 December 2020, one executive director and one non-executive director voluntarily agreed to waive their entitlement of director's fee (2019: Nil).

Salaries, allowances and other emoluments paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries. The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 31 December 2020 and 2019, there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. Employee costs (including directors' emoluments) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 include one director (2019: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2019: three) individuals during the years ended 31 December 2020 and 2019 are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, wages and other benefits	**1,802**	1,741
Discretionary bonus	**126**	110
Contributions to defined contribution retirement plans, other social security plans and housing fund	**120**	149
	2,048	2,000

The emoluments payable to the remaining four (2019: three) individuals fell within the following bands:

	2020 **No. of individuals**	2019 No. of individuals
Nil – HK$1,000,000	**3**	2
HK$1,000,001 – HK$1,500,000	**1**	1

During the year ended 31 December 2020, none of the above four (2019: three) individuals with highest emoluments waived the remuneration and there were no amounts paid or payable by the Group to them as inducement to join or upon joining the Group or as compensation for loss of office.

11. Finance cost, net

	2020 RMB'000	2019 RMB'000
Finance cost:		
Interest expense on bank borrowings	–	(77)
Interest expense on loan from a shareholder	(7)	(14)
Imputed interest expense on interest-free deposits from finance lease customers	(140)	(175)
Interest expense on lease liabilities (Note 26)	(746)	(514)
	(893)	(780)
Finance income:		
Interest income on bank deposits	55	103
	55	103
Finance cost, net	(838)	(677)

12. Income tax expense

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. There is no estimated assessable profit subject to Hong Kong Profits Tax for the year ended 31 December 2020 (2019: Nil).

Subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2020 (2019: 25%).

	2020 RMB'000	2019 RMB'000
Current income tax		
– Current year	2,310	2,018
– Under/(Over) provision in prior years	27	(545)
– Dividends withholding tax	–	300
Deferred taxation (Note 25)	(5)	4
Income tax expense	2,332	1,777

12. Income tax expense *(Continued)*

Income tax expense for the year can be reconciled to loss before income tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	RMB'000	RMB'000
Loss before income tax	**(18,327)**	(30,351)
Calculated at domestic tax rates applicable to loss in the PRC and Hong Kong	**(4,199)**	(6,976)
Tax effect of expenses not deductible for tax purposes	**5,033**	5,833
Tax effect of tax loss for which no deferred income tax assets were recognised	**1,471**	3,261
Tax effect of prior years' tax losses utilised in the current year	**–**	(96)
Dividends withholding tax	**–**	300
Under/(Over) provision in prior years	**27**	(545)
Income tax expense	**2,332**	1,777

13. Loss per share

The calculation of basic loss per share attributable to owners of the Company for the year ended 31 December 2020 is based on the loss attributable to owners of the Company of approximately RMB20,294,000 (2019: RMB31,311,000) and on the weighted average number of 793,200,000 (2019: 793,200,000) ordinary shares outstanding during the year.

For the years ended 31 December 2020 and 2019, diluted loss per share was equal to the basic loss per share as there was no potential ordinary share in issue for both years.

14. 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	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
At 31 December 2019					
Cost	101,520	13,929	6,773	3,065	125,287
Accumulated impairment	(22,083)	(6,167)	(1,968)	(1,096)	(31,314)
Accumulated depreciation	(15,926)	(7,706)	(3,076)	(1,844)	(28,552)
Net book amount	63,511	56	1,729	125	65,421
Year ended 31 December 2020					
Opening net book amount	**63,511**	**56**	**1,729**	**125**	**65,421**
Additions	**1,404**	**489**	**860**	**6**	**2,759**
Lease modification	**(460)**	**–**	**–**	**–**	**(460)**
Provision for impairment	**(2,354)**	**–**	**–**	**–**	**(2,354)**
Depreciation charge	**(5,208)**	**(208)**	**(570)**	**(1)**	**(5,987)**
Disposals	**(4,196)**	**–**	**(54)**	**(27)**	**(4,277)**
Closing net book amount	**52,697**	**337**	**1,965**	**103**	**55,102**
At 31 December 2020					
Cost	**95,343**	**14,418**	**6,442**	**2,430**	**118,633**
Accumulated impairment	**(24,437)**	**(6,167)**	**(1,968)**	**(1,096)**	**(33,668)**
Accumulated depreciation	**(18,209)**	**(7,914)**	**(2,509)**	**(1,231)**	**(29,863)**
Net book amount	**52,697**	**337**	**1,965**	**103**	**55,102**

14. Property, plant and equipment *(Continued)*

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

	Leased land and building for own use RMB'000	Leased properties RMB'000	Total RMB'000
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)
At 31 December 2019 and 1 January 2020	**52,804**	**10,707**	**63,511**
Additions	**–**	**1,404**	**1,404**
Lease modification	**–**	**(460)**	**(460)**
Provision for impairment	**(2,354)**	**–**	**(2,354)**
Depreciation charge	**(1,986)**	**(3,222)**	**(5,208)**
Disposal	**(4,196)**	**–**	**(4,196)**
At 31 December 2020	**44,268**	**8,429**	**52,697**

The Group owns several buildings and is the registered owner of these property interests, including the land use rights on the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately as right-of-use assets only if the payments made can be allocated reliably. Since the costs of the office buildings could not be allocated reliably from the cost of the leasehold lands, the entire costs for the land and building elements were recognised as right-of-use assets.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 26 and 28(b) respectively.

Depreciation charge for the year ended 31 December 2020 of approximately RMB3,160,000 (2019: approximately RMB2,992,000), approximately RMB722,000 (2019: approximately RMB901,000) and approximately RMB2,105,000 (2019: approximately RMB1,936,000) were included in cost of sales, selling and distribution costs and administrative expenses, respectively.

In October 2014, the Group acquired a four-story commercial property in Sa'ertu District, Daqing City, Heilongjiang Province, the PRC (the "Daqing Property") for a consideration of RMB48,000,000. The ownership certificate of the Daqing Property was not yet obtained by the Group as at 31 December 2020.

The Daqing Property was intended to be used as an automobile glass repair and installation service center but was yet to be occupied by the Group for the year ended 31 December 2020. As at 31 December 2020, net book amount of the Daqing Property before impairment loss recognised during the year was approximately RMB39,754,000 (2019: approximately RMB41,469,000).

14. Property, plant and equipment *(Continued)*

During the year, an impairment loss of approximately RMB2,354,000 (2019: RMB469,000) was recognised in "other gain or loss, net" to write down the carrying amount of the Daqing Property to its recoverable amount of RMB37,400,000 (2019: RMB41,000,000) as result of slowdown of economic growth in Daqing which led to decrease in prices of properties of similar types and in similar location as Daqing Property. The recoverable amount of the Daqing Property, as at 31 December 2020 and 2019, was assessed by an independent valuer, Greater China Appraisal Limited, based on its fair value less costs of disposal, by using direct comparison approach estimated by reference to similar assets available in the market adjusted for differences in condition.

The fair value less costs of disposal of the Daqing Property is classified as a level 3 measurement.

Below is a summary of the valuation technique used and the key unobservable inputs to valuation of the Daqing Property categorised within level 3 measurement:

Valuation technique	Key assumptions	Range of key assumptions
Direct comparison	Adjustments for differences in quality of properties such as location, size and level of the properties	-13% to +13% (2019: -2% to -23%)
	Price per square metre of similar properties before adjustments	RMB6,800 to RMB9,900 per square metre (2019: RMB8,900 to RMB17,800 per square metre)

The impairment loss is included in arriving at segment loss of the "Automobile glass" reportable segment. The Daqing Property is included in the segment assets of the "Automobile glass" reportable segment.

15. Intangible assets

	Goodwill	Trademark	Customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount at 1 January 2019	5,243	–	–	5,243
Provision for impairment for 2019	(5,243)	–	–	(5,243)
Closing net book amount at 31 December 2019, 1 January 2020 and 31 December 2020	–	–	–	–
At 31 December 2019 and 2020				
Cost	**5,243**	**15,150**	**5,505**	**25,898**
Accumulated impairment	**(5,243)**	**(11,587)**	**(1,848)**	**(18,678)**
Accumulated amortisation	**–**	**(3,563)**	**(3,657)**	**(7,220)**
Net book amount	**–**	**–**	**–**	**–**

15. Intangible assets *(Continued)*

Impairment tests for goodwill

The Group performs impairment assessment for goodwill at each financial year end, or more frequently if there are indications that goodwill might be impaired. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. As the Group recorded a decline in profitability during the year ended 31 December 2019, management considered there was indication for impairment for its non-financial assets, whilst the Daqing Property had been separately assessed as set out in Note 14. For the purpose of impairment testing, goodwill of gross carrying amount of approximately RMB5,243,000 had been allocated to one CGU under business consultancy segment.

The basis of the recoverable amount of the CGU and its major underlying assumptions were summarised below:

The recoverable amount of this CGU as at 31 December 2019 had been determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 20%. The growth rate used to extrapolate the cash flows beyond the five-year period was 0%. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation was based on the unit's historical performance and management's expectations for the market development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

During the year ended 31 December 2019, impairment loss of approximately RMB5,243,000 was recognised in "other gain or loss, net".

As at 31 December 2019 and 2020, there was no indication that the impairment losses recognised in prior periods for the trademark and customer relationships might have reversed as the Group continued to record a loss for automobile glass segment. Accordingly, no impairment assessment to calculate the recoverable amounts of these assets was carried out as at 31 December 2019 and 2020.

16. Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance lease receivables comprise:				
Within one year	**93,168**	86,206	**87,209**	79,350
In more than one year but no more than five years	**17,149**	21,974	**15,332**	19,097
	110,317	108,180	**102,541**	98,447
Less: Unearned finance income	**(7,776)**	(9,733)	**–**	–
Present value of minimum lease payments	**102,541**	98,447	**102,541**	98,447
Less: Loss allowance	**(13,183)**	(8,970)	**(13,183)**	(8,970)
	89,358	89,477	**89,358**	89,477

	2020	2019
	RMB'000	RMB'000
Analysis for reporting purpose as:		
Current assets	**75,045**	71,645
Non-current assets	**14,313**	17,832
	89,358	89,477

The Group's finance lease receivables are denominated in RMB. The effective rates of the finance leases as at 31 December 2020 range from 9.75% to 15.49% (2019: 12.38% to 14.30%) per annum.

Finance lease receivables are mainly secured by the leased assets used in the coal mining and biomass production industries and customers' deposits where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 December 2020, the customers' deposits of RMB4,030,000 (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.

16. Finance lease receivables *(Continued)*

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

The customers of finance lease receivables as at 31 December 2020 are categorised based on the internal credit rating and the estimated loss rate of 5.79% to 13.88% (2019: 4.67% to 12.00%) is applied. Accordingly, a loss allowance of approximately RMB4,213,000 (2019: approximately RMB3,482,000) was recognised in profit or loss during the year.

17. Inventories

	2020 **RMB'000**	2019 RMB'000
Work-in-progress	–	235
Finished goods	**23,308**	28,042
Total	**23,308**	28,277

Cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB42,998,000 for the year ended 31 December 2020 (2019: approximately RMB51,565,000) (Note 9).

During the year ended 31 December 2020, provision for obsolete inventories amounted to approximately RMB5,474,000 (2019: approximately RMB6,923,000) was recognised in "cost of sales" (Note 9).

18. Trade and other receivables

	2020 **RMB'000**	2019 RMB'000
Trade receivables	**7,183**	9,594
Prepayments (Note)		
– Third parties	**528**	846
Deposits and other receivables (Note)		
– Third parties	**899**	1,171
– Related parties (Note 31(b))	**3,457**	25
	12,067	11,636

18. Trade and other receivables *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Prepayments		
Advances to suppliers	–	84
Prepayments for rental	122	295
Others	406	467
	528	846
Deposits and other receivables		
Rental and utility deposits	596	533
Amount due from non-controlling interests (Note 31(b))	3,457	25
Others	303	638
	4,356	1,196

Majority of the Group's revenue are with credit terms of 0 to 90 days (2019: 0 to 90 days).

Ageing analysis of the trade receivables at 31 December 2020 and 2019 based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
0 – 30 days	3,575	5,464
31 – 60 days	1,729	2,378
61 – 90 days	1,158	875
Over 90 days	721	877
Total	7,183	9,594

Trade and other receivables balances are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
RMB	11,713	11,257
HK$	302	323
United States Dollars ("USD")	52	56
	12,067	11,636

No loss allowance was provided as there has not been a significant change in credit quality based on historical experience. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 30.1(c).

19. Cash and cash equivalents

	2020 RMB'000	2019 RMB'000
Cash on hand	**302**	531
Cash at banks	**16,506**	19,680
Total	**16,808**	20,211

Cash and bank balances are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
RMB	**15,113**	19,605
HK$	**1,695**	606
Total	**16,808**	20,211

The conversion of RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

20. Share capital

	2020		2019	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**1,560,000,000**	**13,016**	1,560,000,000	13,016
Issued and fully paid:				
At 1 January and 31 December	**793,200,000**	**6,372**	793,200,000	6,372

21. Reserves

The reserves of the Group as at 31 December 2019 are analysed as follows:

	The Group Attributable to owners of the Company							
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	PRC statutory reserves RMB'000 (Note c)	General reserve RMB'000 (Note d)	FVOCI reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	315,864	(47,484)	9,744	–	(435)	647	(60,812)	217,524
Loss for the year	–	–	–	–	–	–	(31,311)	(31,311)
Other comprehensive income								
Currency translation differences	–	–	–	–	–	(66)	–	(66)
Disposal of investments in equity instruments designated at FVOCI	–	–	–	–	435	–	(403)	32
Total comprehensive income	–	–	–	–	435	(66)	(31,714)	(31,345)
Transactions with equity owners of the Company recognised directly in equity								
Acquisition of additional interest in subsidiaries *(Note 34)*	–	–	–	396	–	–	–	396
Appropriation to PRC statutory reserves	–	–	385	–	–	–	(385)	–
Balance at 31 December 2019	315,864	(47,484)	10,129	396	–	581	(92,911)	186,575

21. Reserves *(Continued)*

The reserves of the Group as at 31 December 2020 are analysed as follows:

	The Group						
	Attributable to owners of the Company						
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	PRC statutory reserves RMB'000 (Note c)	General reserve RMB'000 (Note d)	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020	315,864	(47,484)	10,129	396	581	(92,911)	186,575
Loss for the year	–	–	–	–	–	(20,294)	(20,294)
Other comprehensive income							
Currency translation differences	–	–	–	–	(10)	–	(10)
Total comprehensive income	–	–	–	–	(10)	(20,294)	(20,304)
Transactions with equity owners of the Company recognised directly in equity							
Partial disposal of a subsidiary without loss of control *(Note 34)*	–	–	–	394	–	–	394
De-registration of subsidiaries	–	–	(921)	–	–	921	–
Appropriation of PRC statutory reserve	–	–	693	–	–	(693)	–
Balance at 31 December 2020	315,864	(47,484)	9,901	790	571	(112,977)	166,665

21. Reserves *(Continued)*

The reserves of the Company as at 31 December 2019 are analysed as follows:

	The Company Attributable to owner of the Company				
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2019	315,864	2,999	13,011	(211,814)	120,060
Loss for the year	–	–	–	(1,600)	(1,600)
Other comprehensive income					
Currency translation differences	–	–	40	–	40
Total comprehensive income	–	–	40	(1,600)	(1,560)
Balance at 31 December 2019	315,864	2,999	13,051	(213,414)	118,500

The reserves of the Company as at 31 December 2020 are analysed as follows:

	The Company Attributable to owner of the Company				
	Share premium RMB'000 (Note a)	**Capital reserve RMB'000 (Note b)**	**Exchange reserve RMB'000**	**Accumulated losses RMB'000**	**Total RMB'000**
Balance as at 1 January 2020	**315,864**	**2,999**	**13,051**	**(213,414)**	**118,500**
Loss for the year	**–**	**–**	**–**	**(9,314)**	**(9,314)**
Other comprehensive income					
Currency translation differences	**–**	**–**	**364**	**–**	**364**
Total comprehensive income	**–**	**–**	**364**	**(9,314)**	**(8,950)**
Balance at 31 December 2020	**315,864**	**2,999**	**13,415**	**(222,728)**	**109,550**

21. Reserves *(Continued)*

(a) Share premium

This represents the premium, net of transaction cost, arising from issuances of shares of the Company, including shares issued pursuant to the Group Reorganisation in 2013.

(b) Capital reserve

Included in the capital reserve was RMB28,050,000 excess amount of consideration received from Xinyi Glass over the par value of the newly issued shares of Yu Sheng Investments Limited ("Yu Sheng") in relation to the acquisition of 20% equity interest in Yu Sheng as at 1 January 2012.

In 2012, Ms. Natsu Kumiko, the controlling shareholder of the Company as at 31 December 2017, injected capital of HK$34,549,000 (equivalent to RMB28,089,000) into a subsidiary of the Group to satisfy its capital contribution requirement. This was recognised in capital reserve of the Group.

On 9 August 2013, the Company acquired 80% of the equity interests of Yu Sheng from Lu Yu and 20% of the equity interests of Yu Sheng from Xinyi Glass and as consideration, the Company issued and allotted 23,999,999 and 6,000,000 new shares of the Company at HK$0.01 each at par to Lu Yu and Xinyi Glass, respectively, credited as fully paid through deducting share premium. Pursuant to the shareholders' resolution dated 9 August 2013, the Company capitalised an amount of HK$2,700,000 equivalent to approximately RMB2,131,000, standing to the credit of its share premium account in paying up in full at par 270,000,000 shares. The new ordinary shares issued rank pari passu with the existing shares in all respects. The above transactions represented an integral part of the Group's reorganisation in 2013 and was accounted for by the Group as a single arrangement in substance. Accordingly, the capital reserve of the Group reflected a debit of RMB106,622,000 during the year ended 31 December 2013.

In 2013, Ms. Natsu Kumiko, the controlling shareholder of the Company as at 31 December 2017, reimbursed the listing expenses of HK$3,800,000 (equivalent to RMB2,999,000) to the Group as a result of the selling of her existing shares of the Group upon listing. This was recognised in capital reserve of the Group and the Company.

(c) PRC statutory reserves

As required by the relevant PRC rules and regulation, the PRC subsidiaries are required to transfer 10% of their profits after tax to statutory reserve until the reserve balance reaches 50% of the registered capital. Appropriations to the reserves were approved by the respective boards of directors of the subsidiaries and made before distribution of dividend to the shareholders.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(d) General reserve

The general reserve of the Group represents the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received which is recognised directly in equity and attributed to owners of the Company regarding the changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries.

22. Trade and other payables

	2020 RMB'000	2019 RMB'000
Trade payables	**783**	1,723
Other payables		
– Value-added tax payables	**1,090**	1,314
– Salary payables	**3,692**	3,322
– Other payables and accruals (Note)	**3,601**	2,910
Total	**9,166**	9,269

Credit terms granted by suppliers are generally within 60 days (2019: 60 days).

Note:

As at 31 December 2020, included in other payables and accruals mainly represented accrued audit fee of approximately RMB1,053,000 (2019: approximately RMB1,296,000), other payables for government grant from the PRC government relating to expenditure which was not incurred by the Group for property, plant and equipment of RMB1,000,000 (2019: RMB1,000,000) and amount due to a director of certain subsidiaries of the Group of approximately RMB469,000 (2019: approximately RMB183,000).

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

	2020 RMB'000	2019 RMB'000
Current	**103**	340
0 – 30 days	**385**	901
31 – 60 days	**35**	341
61 – 90 days	**209**	36
Over 90 days	**51**	105
Total	**783**	1,723

Trade and other payables are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
RMB	**6,934**	6,526
HK$	**2,212**	2,729
USD	**20**	14
Total	**9,166**	9,269

23. Deposits received from finance lease customers

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

24. Loan from a shareholder

As at 31 December 2020, the balance of HK$1,000,000 (equivalent to approximately RMB842,000) was unsecured, carried interest rate at 2% per annum and repayable on 31 December 2022 (2019: balance of HK$500,000 (equivalent to approximately RMB447,000) was unsecured, carried interest rate at 2% per annum and repayable within one year).

25. Deferred tax assets

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
– to be settled after more than 12 months	**1,770**	1,781
– to be settled within 12 months	**658**	668
	2,428	2,449
Deferred tax liabilities:		
– to be settled within 12 months	**(506)**	(532)
	(506)	(532)
Deferred tax assets, net	**1,922**	1,917

Movements on the deferred tax account are as follows:

	2020	2019
	RMB'000	RMB'000
At the beginning of year	**1,917**	1,921
Credited/(Charged) to the profit or loss (Note 12)	**5**	(4)
At the end of year	**1,922**	1,917

25. **Deferred tax assets** *(Continued)*

Movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accruals RMB'000	Government grant RMB'000	Fair value gain on property, plant and equipment RMB'000	Impairment RMB'000	Loss allowance on finance lease receivables RMB'000	Total RMB'000
At 1 January 2019	164	(185)	(374)	944	1,372	1,921
Charged to the profit or loss (Note 12)	–	–	27	(31)	–	(4)
At 31 December 2019	**164**	**(185)**	**(347)**	**913**	**1,372**	**1,917**
Credited to the profit or loss (Note 12)	**–**	**–**	**26**	**(21)**	**–**	**5**
At 31 December 2020	**164**	**(185)**	**(321)**	**892**	**1,372**	**1,922**

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2020, the Group had unused tax losses of approximately RMB52,431,000 (2019: approximately RMB72,702,000) which are available to set off against future profits up to and including year 2025 (2019: year 2024). No deferred tax asset has been recognised in respect of these unused tax losses due to unpredictability of future profit streams.

Under the Law of the PRC on Enterprise Income Tax, 10% withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, deferred tax liabilities of approximately RMB4,980,000 (2019: approximately RMB5,782,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are expected to be permanently reinvested.

26. Lease liabilities

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

As at 31 December 2020 and 2019, the Group did not enter into any lease that is not yet commenced as at the end of the respective reporting periods.

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

	2020	2019
	RMB'000	RMB'000
Current	**1,947**	3,188
Non-current	**5,413**	6,286
	7,360	9,474

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

	2020	2019
	RMB'000	RMB'000
At 1 January	**9,474**	5,579
Additions	**1,404**	6,945
Lease modification	**(476)**	–
Interest expense	**746**	514
Interest element of lease payment	**(746)**	(514)
Capital element of lease payment	**(3,042)**	(3,050)
At 31 December	**7,360**	9,474

26. Lease liabilities *(Continued)*

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 31 December 2020			
Not later than one year	**2,374**	**427**	**1,947**
Later than one year but not later than two years	**2,085**	**305**	**1,780**
Later than two years but not later than five years	**3,877**	**244**	**3,633**
	8,336	**976**	**7,360**
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

	2020 RMB'000	2019 RMB'000
Short term lease expense	**1,282**	4,340
Low value lease expense	**18**	15
Total cash outflow for leases	**4,342**	7,405
Aggregate undiscounted commitments for short term leases	**266**	179
Aggregate undiscounted commitments for low value leases	**23**	23

27. Dividends

No dividend has been paid or declared by the Company during the year (2019: Nil).

The directors of the Company do not recommend for payment of a final dividend for the year (2019: Nil).

28. Notes supporting cash flow statement

(a) Cash and cash equivalents comprise:

	2020 **RMB'000**	2019 RMB'000
Cash available on demand	**16,808**	20,211

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings RMB'000	Loan from a shareholder RMB'000	Lease liabilities RMB'000
At 1 January 2019	2,000	–	–
Initial application of HKFRS 16	–	–	5,579
Changes from cash flows:			
Proceeds from loan from a shareholder	–	16,291	–
Repayment of bank borrowings	(2,000)	–	–
Repayment of loan from a shareholder	–	(15,851)	–
Repayment of capital element of lease liabilities	–	–	(3,050)
Total changes from financing cash flows	(2,000)	440	(3,050)
Exchange adjustments	–	7	–
Other changes:			
Additions	–	–	6,945
Total other changes	–	–	6,945
At 31 December 2019	–	447	9,474

28. Notes supporting cash flow statement *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Loan from a shareholder RMB'000	Lease liabilities RMB'000
At 1 January 2020	447	9,474
Changes from cash flows:		
Proceeds from loan from a shareholder	888	–
Repayments of loan from a shareholder	(444)	–
Repayments of capital element of lease liabilities	–	(3,042)
Total changes from financing cash flows	444	(3,042)
Exchange adjustments	(49)	–
Other changes:		
Lease modification	–	(476)
Additions	–	1,404
Total other changes	–	928
At 31 December 2020	842	7,360

(c) Major non-cash transaction

Regarding the partial disposal of a subsidiary without loss of control which took place in December 2020, out of total consideration of RMB4,900,000, RMB1,470,000 was settled in cash during the year ended 31 December 2020 whereas the remaining balance of RMB3,430,000 was included in amount due from non-controlling interests as part of "Trade and other receivables" as at 31 December 2020. Details please refer to Note 34.

29. Summary of financial assets and financial liabilities by category

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

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	**11,539**	10,790
Finance lease receivables	**89,358**	89,477
Cash and cash equivalents	**16,808**	20,211
	117,705	120,478
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**8,076**	7,955
Lease liabilities	**7,360**	9,474
Deposits received from finance lease customers	**3,962**	4,459
Loan from a shareholder	**842**	447
	20,240	22,335

Financial instruments not measured at fair value

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

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

30. Financial risk management objectives and policies

30.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange rate risk

The Group is exposed to foreign exchange translation risk with respect to HK$. Foreign exchange risk arises mainly from recognised assets and liabilities.

As at 31 December 2020, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax loss for the year would have been approximately RMB11,000 higher/lower (2019: approximately RMB90,000) mainly as a result of foreign exchange losses/gains on translation of bank deposits. The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) Cash flow interest rate risk

The Group's cash flow interest rate risk arises from cash at banks. Cash at banks at variable rates expose the Group to cash flow interest rate risk but the impact to the financial statements of the Group is minimal. Management considers the Group was not exposed to significant cash flow interest rate risks as there was no variable rate borrowing as of the reporting date.

(c) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents, finance lease receivables and trade and other receivables. The carrying amounts of these balances on the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash and cash equivalents

Bank balances are determined to have low risk at the end of the reporting period. The credit risk on bank balances are limited because the counterparties are reputable banks and the risk of inability to pay is low.

30. Financial risk management objectives and policies *(Continued)*

30.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Trade receivables

Trade receivables of the Group as at 31 December 2020 and 2019 represent amounts due from various insurance companies and other customers who all have no recent history of default. Debtors of the Group may be affected by the unfavorable economic conditions, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories and are monitored on an ongoing basis.

As at 31 December 2020, the Group had a concentration of credit risk given that the largest debtor accounted for 33% (2019: 20%) of the Group's trade receivables balance. However, the Group does not believe that the credit risk in relation to this customer is significant because the Group trades mainly with recognised, creditworthy third party and this customer has no history of default in recent years.

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default. Receivables that were past due but not impaired related other customers with long business relationship. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The Group performs periodic credit evaluations of its customers. The Group's experience in collection of trade and other receivables falls within the recorded allowances and management is of the opinion that provision for uncollectible receivables is not necessary.

The Group measures loss allowance for trade receivables based on lifetime ECLs. No loss allowance was provided as management considered that there has not been a significant change in credit quality based on historical experience and the loss allowance has no significant financial impact on the Group's trade receivables as at 31 December 2020 and 2019.

Other receivables

Management considers the credit risk on other receivables is minimal after considering the financial conditions of these counterparties. Management has performed assessment over the recoverability of these balances and do not expect any losses from non-performance by these companies.

30. Financial risk management objectives and policies *(Continued)*

30.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Finance lease receivables

In accordance with the Guideline for Loan Credit Risk Classification issued by China Banking Regulatory Commission, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loan into the following five categories: normal, special-mentioned, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

The five categories of loan classification into which the Group classified its finance lease receivables are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12 months ECLs
Special-mentioned:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.	12 months ECLs
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.	Lifetime ECLs not credit impaired
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECLs not credit impaired
Loss:	Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Amount is written off

30. Financial risk management objectives and policies *(Continued)*

30.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Finance lease receivables (Continued)

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increase in credit risk, definition of credit-impaired financial asset, parameters for measuring ECLs and forward-looking information.

		Normal	**Special-mentioned**	**Substandard**	**Doubtful**	**Loss**	**Total**
31 December 2020							
Gross receivables	RMB'000	**12,955**	**89,586**	**–**	**–**	**–**	**102,541**
12 months ECLs							
Expected loss rate		**5.79%**	**13.88%**	**–**	**–**	**–**	**–**
Provision	RMB'000	**750**	**12,433**	**–**	**–**	**–**	**13,183**
Net receivables	RMB'000	**12,205**	**77,153**	**–**	**–**	**–**	**89,358**
31 December 2019							
Gross receivables	RMB'000	38,795	59,652	–	–	–	98,447
12 months ECLs							
Expected loss rate		4.67%	12.00%	–	–	–	–
Provision	RMB'000	1,812	7,158	–	–	–	8,970
Net receivables	RMB'000	36,983	52,494	–	–	–	89,477

30. Financial risk management objectives and policies *(Continued)*

30.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Finance lease receivables (Continued)

The Group measures loss allowance for finance lease receivables based on 12 months ECLs or lifetime ECLs, depending on whether there was significant increase in credit risk. Management considered that there has not been a significant change in credit quality based on historical experience. Loss allowance of approximately RMB4,213,000 (2019: approximately RMB3,482,000) was recognised during the year ended 31 December 2020. The change in loss allowance account was due to increase of expected loss rate. Movement in the loss allowance account in respect of finance lease receivables during the year is as follows:

	12 months	**Lifetime but not credit impaired**	**Credit impaired**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	5,488	–	–	5,488
Loss allowance for the year	3,482	–	–	3,482
At 31 December 2019	8,970	–	–	8,970
Loss allowance for the year	4,213	–	–	4,213
At 31 December 2020	13,183	–	–	13,183

30. Financial risk management objectives and policies *(Continued)*

30.1 Financial risk factors *(Continued)*

(d) Liquidity risk

The Group's primary cash requirements have been the payment for operating costs and purchase of inventories. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents in both short and long term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year or on demand RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Total RMB'000
At 31 December 2020				
Trade and other payables	**8,076**	**–**	**–**	**8,076**
Lease liabilities	**2,374**	**2,085**	**3,877**	**8,336**
Deposits received from finance lease customers	**3,705**	**178**	**147**	**4,030**
Loan from a shareholder	**17**	**859**	**–**	**876**
	14,172	**3,122**	**4,024**	**21,318**
At 31 December 2019				
Trade and other payables	7,955	–	–	7,955
Lease liabilities	3,826	2,231	4,972	11,029
Deposits received from finance lease customers	1,870	2,632	148	4,650
Loan from a shareholder	447	–	–	447
	14,098	4,863	5,120	24,081

30.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain a net cash position.

30. Financial risk management objectives and policies *(Continued)*

30.2 Capital management *(Continued)*

The Group's management considers capital comprises consolidated capital and reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to members, return capital to members or issue new shares.

31. Related party transactions

During the year ended 31 December 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 certain subsidiaries of the Group
中投宏源(横琴)投資管理有限公司	Non-controlling shareholder of certain subsidiaries of the Group
Mr. Liu Zhenghao	Non-controlling shareholder of certain subsidiaries of the Group
Fellow subsidiaries of non-controlling shareholder:	
信義汽車部件(天津)有限公司	Fellow subsidiary of Xinyi Glass
深圳市信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
信義汽車部件(蕪湖)有限公司	Fellow subsidiary of Xinyi Glass
上海信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
Directors:	
Mr. Xia Xiufeng (Chairman)	Director of the Company
Mr. Liu Mingyong	Director of the Company
Mr. Lo Chun Yim	Director of the Company
Mr. Jiang Bin	Director of the Company
Mr. Guo Mingang (Note (i))	Director of the Company
Mr. Lu Yongmin	Director of the Company
Mr. Luo Wenzhi	Director of the Company
Mr. Wang Liang (Note (ii))	Director of the Company

Notes:

(i) Mr. Guo Mingang resigned as independent non-executive director of the Company on 18 March 2019.

(ii) Mr. Wang Liang was appointed as independent non-executive director of the Company on 17 June 2019.

31. Related party transactions *(Continued)*

(a) Transactions with related parties

	2020 RMB'000	2019 RMB'000
Sales of inventories to fellow subsidiaries of Xinyi Glass	–	372
Purchases of inventories from fellow subsidiaries of Xinyi Glass (Note)	3,724	6,066
Loan interest expense payable to a substantial shareholder	7	14

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

Note:

The related party transactions constitute connected transaction or continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules.

(b) Balances with related parties

	2020 RMB'000	2019 RMB'000
Amount due from non-controlling interests (Note (i))	3,457	25
Loan from a shareholder (Note (ii))	(842)	(447)

Notes:

(i): Included in the balance of amount due from non-controlling interests, amount of RMB3,430,000 as at 31 December 2020 represented the consideration receivable arose from partial disposal of a subsidiary without loss of control which took place in December 2020. Such amount due was unsecured, interest-free and repayable on or before 31 May 2021. The remaining balance of RMB27,000 as at 31 December 2020 was unsecured, interest free and repayable on demand.

(ii): The amount due to a substantial shareholder was unsecured, carried interest rate at 2% (2019: 2%) per annum and repayable on 31 December 2022 (2019: repayable within one year).

(c) Key management personnel compensation

The Group defines directors as key management personnel and remuneration for key management personnel, including amounts paid to the Company's directors, are disclosed in Note 10.

32. Company level statement of financial position

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries		**140,928**	140,928
Current assets			
Prepayments and other receivables		**274**	219
Amount due from subsidiaries		**–**	7,924
Cash and cash equivalents		**1,154**	93
		1,428	8,236
Total assets		**142,356**	149,164
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**6,372**	6,372
Reserves	21	**109,550**	118,500
		115,922	124,872
Current liabilities			
Other payables and accruals		**1,471**	2,006
Amount due to subsidiaries		**24,121**	21,539
Loan from a shareholder		**–**	447
Tax payables		**–**	300
		25,592	24,292
Non-current liability			
Loan from a shareholder		**842**	–
Total liabilities		**26,434**	24,292

32. Company level statement of financial position *(Continued)*

	2020 RMB'000	2019 RMB'000
Total equity and liabilities	**142,356**	149,164
Net current liabilities	**(24,164)**	(16,056)
Total assets less current liabilities	**116,764**	124,872
Net assets	**115,922**	124,872

On behalf of the directors

Xia Xiufeng
Director

Lo Chun Yim
Director

33. Investments in subsidiaries

Particulars of the principal subsidiaries as at 31 December 2020 and 2019 are shown as follows:

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/ registered capital	Equity interest held by the Company		Principal activities
			2020	2019	
Directly held:					
ZM Leasing (Tianjin) Limited 正澤美業融資租賃(天津)有限公司 ("ZM Leasing")	Tianjin, the PRC, limited liability company	RMB16,707,308	**100%**	100%	Finance leasing
Indirectly held:					
Beijing Zhengmei Fengye Automobile Service Co., Ltd. 北京正美豐業汽車服務有限公司 ("Zhengmei Service")	Beijing, the PRC, limited liability company	RMB55,000,000	**100%**	100%	Sales and trading of automobile glass
Beijing Zhengmei Fengye Automobile Glass Installation Co., Ltd. 北京正美豐業汽車玻璃安裝有限公司 ("Zhengmei Installation")	Beijing, the PRC, limited liability company	RMB500,000	**65%**	100%	Provision of installation service of automobile glass
Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd. 正美豐業(天津)汽車玻璃有限公司	Tianjin, the PRC, limited liability company	RMB2,000,000	**51%**	51%	Sales and trading of automobile glass; provision of installation service of automobile glass
Beijing Fengye Zhengmei New Energy Technology Company Limited 北京豐業正美新能源科技有限公司	Beijing, the PRC, limited liability company	RMB20,000,000	**100%**	100%	Provision of installation services of photovoltaic system
Tianjin Zhengmei Glass Technology Co., Ltd. 天津正美玻璃科技有限公司	Tianjin, the PRC, limited liability company	HK$38,000,000	**100%**	100%	Sales and trading of automobile glass; provision of installation service of automobile glass

33. Investments in subsidiaries *(Continued)*

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/ registered capital	Equity interest held by the Company		Principal activities
			2020	2019	
Tianjin Fengye New Energy Technology Co., Ltd 天津豐業新能源科技有限公司	Tianjin, the PRC, limited liability company	RMB3,000,000	**100%**	100%	Provision of installation services of photovoltaic system
Guangxi Shangshi Kuaiche Enterprise Management and Service Company Limited 廣西上市快車企業管理服務有限公司	Guangxi, the PRC, limited liability company	RMB5,000,000	**99.9%**	99.9%	Provision of business consultancy services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give detail of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

Interests in subsidiaries represent equity funding by the Company to the respective subsidiary and is measured in accordance with the Company's accounting policy for investment in subsidiaries as set out in Note 4(b).

34. Non-controlling interests

	2020 RMB'000	2019 RMB'000
At 1 January	**(168)**	1,845
Loss for the year	**(365)**	(817)
Acquisition of additional interests in subsidiaries	**–**	(1,196)
Partial disposal of a subsidiary without loss of control	**4,506**	–
At 31 December	**3,973**	(168)

During the year ended 31 December 2020, the Group disposed of 35% equity interest in Zhengmei Installation at total consideration of RMB4,900,000.

During the year ended 31 December 2019, the Group acquired additional 20% and 20% equity interests in its two existing subsidiaries, namely Tianjin Yijiayi Shangshi Kuaiche Enterprise Management and Service Company Limited and Liaoning Yijiayi Shangshi Kuaiche Enterprise Service Company Limited respectively. Following these acquisitions, the Group had 100% ownership interests in these subsidiaries.

These transactions have been accounted for as equity transactions with the non-controlling interests and the combined financial effect of the transactions are summarised as follows:

	2020 RMB'000	2019 RMB'000
Carrying amounts of non-controlling interests disposed of/(acquired)	**4,506**	(1,196)
Less:		
Consideration receivable from/(paid to) non-controlling interests	**4,900**	(800)
Increase in equity attributable to owners of the Company (included in general reserve)	**(394)**	(396)

As at 31 December 2020, Zhengmei Installation, a 65% owned subsidiary of the Company, has material non-controlling interests. As at 31 December 2020 and 2019, the non-controlling interests of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

34. Non-controlling interests *(Continued)*

Summarised financial information in relation to the non-controlling interests of Zhengmei Installation before intra-group eliminations as at 31 December 2020, is presented below:

Zhengmei Installation	At 31 December 2020 RMB'000
Current assets	**13,659**
Non-current assets	**1,080**
Current liabilities	**(2,499)**
Non-current liabilities	**(299)**
Equity attributable to owners of the Company	**7,762**
Non-controlling interests	**4,179**

Zhengmei Installation	Year ended 31 December 2020 RMB'000
Revenue	**8,480**
Loss for the year	**(3,518)**
Loss and total comprehensive income attributable to owners of the Company	**(3,191)**
Loss and total comprehensive income attributable to non-controlling interest	**(327)**
Loss and total comprehensive income for the year	**(3,518)**
Dividends paid to non-controlling interest	**–**
Net cash inflows from operating activities	**89**
Net cash outflows from investing activities	**(398)**
Net cash outflows from financing activities	**(72)**
Net cash outflows	**(381)**

35. Contingent liabilities

In 2014, Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass"), a shareholder of the Company, issued an originating summons (the "Originating Summons") and instituted proceedings in the Court of First Instance of the HKSAR against the Company, the vendor of the Daqing Property, the holder of the convertible bonds of the Company, certain then existing and former executive, non-executive directors and independent non-executive directors, (the "defendants") with respect to the Daqing Property Acquisition as detailed in Note 14.

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

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

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

The litigation is still ongoing but no step has been taken by Xinyi Glass to prosecute the same against all the defendants for over 5 years since 12 November 2015. Management has consulted legal advisor in Hong Kong in response to the Originating Summons. The directors of the Company have thoroughly revisited the situation based on the advice of 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 of the Company considered that the pending litigation would not have any material adverse impact to the consolidated financial statements as at 31 December 2020 and 2019.

36. Event after the reporting date

(a) On 25 January 2021, Xinyi Automobile Parts (Tianjin) Co., Ltd. entered into an agreement with Zhengmei Service, an indirect wholly-owned subsidiary of the Company, to continue the supply of the automobile glass to the Xinyi Group for the year ending 31 December 2021.

For details, please refer to the announcement of the Company dated 25 January 2021.

(b) On 23 February 2021, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into the lease extension agreement with Heilongjiang Jiansanjiang Nongken Jiuzhou Fangyuan Biomass New Material Co., Ltd ("Heilongjiang Jiansanjiang"), pursuant to which the ZM Leasing and Heilongjiang Jiansanjiang agreed to extend the period of the lease term to 20 February 2022.

For details, please refer to the announcement of the Company dated 23 February 2021.

(c) On 23 February 2021, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into a lease agreement with Henan Tuonong Biomass New Material Co., Ltd. ("Henan Tuonong"), pursuant to which ZM Leasing agreed to provide finance lease to Henan Tuonong by way of sale and leaseback the leased assets to Henan Tuonong at a consideration of RMB3,000,000.

For details, please refer to the announcement and supplemental announcement of the Company dated 23 February 2021 and 1 March 2021 respectively.

(d) On 22 March 2021, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into a lease agreement with Sichuan Jurun New Energy Technology Co., Ltd. ("Sichuan Jurun"), pursuant to which ZM Leasing agreed to provide finance lease to Sichuan Jurun by way of sale and leaseback the leased assets to Sichuan Jurun at a consideration of RMB8,000,000.

For details, please refer to the announcement of the Company dated 22 March 2021.

37. Approval of financial statements

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the directors on 23 March 2021.

Five-Year Financial Summary

The audited results of the Group for the years ended 31 December 2020, 2019, 2018, 2017 and 2016 and the audited assets, liabilities and non-controlling interests of the Group as at 31 December 2020, 2019, 2018, 2017 and 2016 are those set out in the published financial statements for the years ended 31 December 2020, 2019, 2018, 2017 and 2016, respectively.

RESULTS

	2020 **RMB'000**	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**80,469**	102,194	175,878	171,721	131,245
(Loss)/Profit before income tax	**(18,327)**	(30,351)	30,441	23,537	(63,181)
Income tax (expense)/credit	**(2,332)**	(1,777)	(7,557)	(11,478)	2,656
(Loss)/Profit for the year	**(20,659)**	(32,128)	22,884	12,059	(60,525)
Attributable to:					
Owners of the Company	**(20,294)**	(31,311)	22,283	11,013	(60,161)
Non-controlling interests	**(365)**	(817)	601	1,046	(364)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2020 **RMB'000**	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	**198,813**	217,188	254,196	233,388	146,268
Total liabilities	**(21,803)**	(24,409)	(28,455)	(38,203)	(16,110)
Non-controlling interests	**3,973**	(168)	1,845	1,244	(3,262)

The summary above does not form part of the audited consolidated financial statements.