

ZMFY AUTOMOBILE GLASS SERVICES LTD:
‘Ah, take the cash and let the credit go’

When [ZMFY Automobile Glass Services Ltd \(\)](#) (Code: 8135, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd), went public on the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC) on August 27, 2013, **TARGET ()** wrote, among other things, in its conclusion to this medium’s analysis of the Company, after scanning the Placing Prospectus:

‘ZMFY is about 14 years old: It has been plodding along since having been founded ... and, probably, it will continue to plod along.

‘But the profits for the Current Financial Year will be shaved down, somewhat, due, inter alia, to Listing Expenses.

‘One cannot expect very much from this Company, today, or in the future.’

This analysis was spot on, as history has proved.

Now about 15 months after ZMFY went public on The GEM, there is an Offer from Xinyi Automobile Glass (BVI) Company Ltd and Xinyi Glass Holdings Ltd () (Code: 868, Main Board, The Stock exchange of Hongkong Ltd), the last-named, being the holding company of the former, to privatise ZMFY and, then, at a later date, to be listed on The GEM, once again.

Wonderful!

Aside from most other considerations in respect of the principal activities of ZMFY – sales of automobile glass with installation/repair services and trading of automobile glass – it is very obvious that:

- The profits of the Company are continuing to fall; and,
- There is likely to be very expensive litigation expenses about to be incurred.

The Third Quarterly Results

On Tuesday, November 11, 2014, ZMFY announced that, in respect of the Third Quarter of this Financial Year, ended September 30, 2014:

‘The Group’s total revenue for the nine months ended 30 September 2014 amounted to approximately RMB101,192,000, representing a decrease of approximately RMB3,802,000 or 3.6% as compared to that of approximately RMB104,994,000 for the corresponding period last year. Overall gross profit decreased by approximately RMB4,719,000 or 13.1% to approximately RMB31,437,000 for the nine months ended 30 September 2014 from approximately RMB36,156,000 for the corresponding period last year. The gross profit margin for the current period decreased to 31.1% from 34.4% being the gross profit margin for the corresponding period last year. The total comprehensive income attributable to

owners of the Company decreased from approximately RMB6,341,000 for the nine months ended 30 September 2013 to approximately RMB3,700,000 for the nine months ended 30 September 2014.'

The Bottom Line is that which public shareholders are, usually, most interested in learning and, with regard to this Company, the Net Profit Attributable to Shareholders was shaved down from 6,569,000 renminbi (the 2013, Third Quarter figure) to the comparable 2014 figure of 3,889,000 renminbi.

That is a fall, Year-On-Year, of about 40.80 percent.

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