



ZMAY HOLDINGS LIMITED

中民安園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8085

2009/10

Interim Report

## CHARACTERISTICS OF THE GROWTH ENTERPRISES MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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### **SUMMARY**

For the six months ended 30 September 2009:

- the revenue was approximately HK\$44,902,000;
- the loss attributable to equity holders was approximately HK\$1,877,000; and
- the directors do not recommend the payment of any interim dividend.

## INTERIM RESULTS

The board of Directors (the "Board") of ZMAY Holdings Limited (the "Company") hereby submits the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2009, together with the unaudited comparative figures for the corresponding period in 2008 as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Six months ended 30 September	
		Unaudited 2009 HK\$'000	Unaudited 2008 HK\$'000	Unaudited 2009 HK\$'000	Unaudited 2008 HK\$'000
Turnover	3	<b>22,688</b>	19,315	<b>44,902</b>	21,124
Cost of sales		<b>(14,396)</b>	(12,246)	<b>(26,100)</b>	(13,962)
Gross profit		<b>8,292</b>	7,069	<b>18,802</b>	7,162
Other revenue and net income	3	<b>5</b>	89	<b>9</b>	120
Gain arising from business combination	13	–	33,551	–	33,551
Goodwill arising from business combination written off	13	–	(25,224)	–	(25,224)
Administrative and other operating expenses		<b>(8,908)</b>	(14,896)	<b>(18,001)</b>	(18,179)
Profit/(Loss) from operations	6	<b>(611)</b>	589	<b>810</b>	(2,570)
Finance costs	4	<b>(219)</b>	(18)	<b>(439)</b>	(18)
Profit/(Loss) before tax		<b>(830)</b>	571	<b>371</b>	(2,588)
Income tax	7	<b>(212)</b>	(206)	<b>(946)</b>	(206)
Profit/(Loss) for the period		<b>(1,042)</b>	365	<b>(575)</b>	(2,794)
Attributable to:					
Equity holders of the Company		<b>(1,309)</b>	23	<b>(1,877)</b>	(3,136)
Minority interests		<b>267</b>	342	<b>1,302</b>	342
		<b>(1,042)</b>	365	<b>(575)</b>	(2,794)
Dividend	8	–	–	–	–
Earnings/(Loss) per share (HK cent)	9				
Basic		<b>(0.11)</b>	0.00	<b>(0.16)</b>	(0.28)
Diluted		<b>N/A</b>	0.00	<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2009	2008	2009	2008
Notes	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Profit/(Loss) for the period	(1,042)	365	(575)	(2,794)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	26	(184)	48	(126)
Total comprehensive income/(loss) for the period	<b>(1,016)</b>	181	<b>(527)</b>	(2,920)
Attributable to:				
Equity holders of the Company	(1,296)	(17)	(1,853)	(3,118)
Minority interests	280	198	1,326	198
	<b>(1,016)</b>	181	<b>(527)</b>	(2,920)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2009 Unaudited HK\$'000	As at 31 March 2009 Audited HK\$'000
	Notes		
<b>Non-current assets</b>			
Fixed assets		148,291	151,623
Goodwill	13	29,736	29,733
Other intangible assets		–	845
		<b>178,027</b>	182,201
<b>Current assets</b>			
Inventories		44,372	52,089
Trade and other receivables	10	113,170	98,655
Cash and bank balances		21,044	24,237
		<b>178,586</b>	174,981
<b>Current liabilities</b>			
Trade and other payables	11	79,988	81,148
<b>Net current assets</b>		<b>98,598</b>	93,833
<b>Total assets less current liabilities</b>		<b>276,625</b>	276,034
<b>Non-current liabilities</b>			
Long-term payables		12,248	11,106
<b>Net assets</b>		<b>264,377</b>	264,928
<b>Capital and reserves</b>			
Share capital	12	48,152	48,152
Reserves		131,229	133,058
Equity attributable to the equity holders of the Company		179,381	181,210
Minority interests		84,996	83,718
<b>Total equity</b>		<b>264,377</b>	264,928

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company								
	Share capital	Share premium	Special reserve	Translation reserve	Share options reserve	Accumulated losses	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	42,126	82,226	(39,998)	-	9,922	(22,327)	71,949	-	71,949
Issue of ordinary shares	6,026	110,768	-	-	-	-	116,794	-	116,794
Exchange differences arising on translation of foreign operations	-	-	-	(126)	-	-	(126)	-	(126)
Minority interest arising on business combination	-	-	-	-	-	-	-	80,946	80,946
Loss for the period	-	-	-	-	-	(3,136)	(3,136)	342	(2,794)
<b>At 30 September 2008</b>	<b>48,152</b>	<b>192,994</b>	<b>(39,998)</b>	<b>(126)</b>	<b>9,922</b>	<b>(25,463)</b>	<b>185,481</b>	<b>81,288</b>	<b>266,769</b>
At 1 April 2009	48,152	192,994	(39,998)	(1,243)	8,487	(27,182)	181,210	83,718	264,928
Exchange differences arising on translation of foreign operations	-	-	-	48	-	-	48	(24)	24
Loss for the period	-	-	-	-	-	(1,877)	(1,877)	1,302	(575)
<b>At 30 September 2009</b>	<b>48,152</b>	<b>192,994</b>	<b>(39,998)</b>	<b>(1,195)</b>	<b>8,487</b>	<b>(29,059)</b>	<b>179,381</b>	<b>84,996</b>	<b>264,377</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>Net cash used in operating activities</b>	<b>(3,555)</b>	<b>(21,586)</b>
<b>Net cash from/(used in) investing activities</b>	<b>362</b>	<b>(106,291)</b>
<b>Net cash from financing activities</b>	<b>-</b>	<b>110,768</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,193)</b>	<b>(17,109)</b>
<b>Cash and cash equivalents at 1 April</b>	<b>24,237</b>	<b>48,333</b>
<b>Cash and cash equivalents at 30 September</b>	<b>21,044</b>	<b>31,224</b>

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 30 October 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprises Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 March 2002. The name of the Company changed from "New Chinese Medicine Holdings Limited" to "ZMAY Holdings Limited" with effect from 1 August 2008. The Company is an investment holding company. The Group is principally engaged in (i) the sales of healthcare products in Hong Kong; and (ii) funeral and related businesses in the PRC.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the GEM of the Stock Exchange.

The accounting policies adopted in these condensed interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

### 3. TURNOVER, OTHER REVENUE AND NET INCOME

Turnover represents net amounts received and receivable from outside customers from sales of healthcare products and funeral and related businesses during the period.

An Analysis of the Group's turnover, other revenue and net income is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
Turnover				
Sales of healthcare products	8,612	5,728	13,305	7,537
Funeral and related businesses	14,076	13,587	31,597	13,587
	<b>22,688</b>	19,315	<b>44,902</b>	21,124
Other revenue and net income				
Interest income	1	73	1	104
Sundry income	4	16	8	16
	5	89	9	120
<b>Total</b>	<b>22,693</b>	19,404	<b>44,911</b>	21,244



**4. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	<i>HK\$'000</i>
Imputed interest expense on capitalized land lease payments	<b>439</b>	18

**5. SEGMENT INFORMATION**

The Group's primary segment information is presented by business segments and secondary segment information is present by geographical segment. During the current and prior periods, there were no inter-segment transactions.

**Business segments**

The Group is currently organized into two business segments:

Sale of healthcare products

Retail and wholesale business on sale of healthcare products.

Funeral and related businesses

Retail business on sale of grave plots and provision of funeral and related services.

The following table presents revenue, results and certain assets, liabilities and expenditure information for the Group's business segments for the six months ended 30 September 2009 and 2008.

	Sale of healthcare products		Funeral and related businesses		Total	
	2009	2008	2009	2008	2009	2008
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Revenue from external customers	13,305	7,537	31,597	13,587	44,902	21,124
Segment result	(2)	76	3,413	(1,355)	3,411	(1,279)
Gain arising from business combination					-	33,551
Goodwill arising from business combination written off					-	(25,224)
Unallocated corporate income					1	12
Unallocated corporate expenses					(2,602)	(9,630)
Loss from operations					810	(2,570)
Finance costs					(439)	(18)
Income tax					(946)	(206)
Net loss for the period					(575)	(2,794)
Segment assets	10,560	14,954	314,059	290,011	324,619	304,965
Goodwill arising from business combination	-	-	29,736	30,120	29,736	30,120
Unallocated assets					2,258	3,869
Total assets					356,613	338,954
Segment liabilities	2,935	967	88,976	70,565	91,911	71,532
Unallocated liabilities					325	653
Total liabilities					92,236	72,185
Capital expenditure	-	-	5,000	512	5,000	512
Depreciation and amortization	-	4	3,840	767	3,840	771

**Geographical segments**

The Group's operations are located in Hong Kong and the PRC.

The following table presents the Group turnover by geographical market, irrespective of origin of the goods, the carrying amounts of segment assets and the capital expenditure, analyzed by the geographical areas in which the assets are located.

	Turnover by geographical market		Carrying amount of segment assets		Capital expenditure	
	2009	2008	2009	2008	2009	2008
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Hong Kong	13,305	7,537	12,818	18,823	-	-
PRC	31,597	13,587	343,795	320,131	5,000	512
	<b>44,902</b>	<b>21,124</b>	<b>356,613</b>	<b>338,954</b>	<b>5,000</b>	<b>512</b>

**6. PROFIT/(LOSS) FROM OPERATIONS**

	Six months ended 30 September	
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
Profit/(Loss) from operation is arrived at after charging:		
Depreciation	3,840	797
Exchange loss	-	43
	<b>3,840</b>	<b>840</b>

**7. INCOME TAX**

	Six months ended 30 September	
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
Hong Kong profits tax	-	-
PRC enterprise income tax	946	206
Deferred tax	-	-
	<b>946</b>	<b>206</b>

No Hong Kong profits tax has been provided for as the Group had no assessable profits arising in Hong Kong for the period (2008: Nil).

PRC enterprise income tax has been provided for at the rate of 25% on the estimated assessable profits arising in the PRC.

No deferred tax has been recognized for the period as there are no material temporary differences which will result in a liability to be payable in the foreseeable future and the stream of taxable profits which will be available to utilize the tax losses is unpredictable.

**8. DIVIDEND**

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

**9. EARNINGS/(LOSS) PER SHARE**

The calculation of basic and diluted earnings/(loss) per share is based on the following:

	Three months ended 30 September		Six months ended 30 September	
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
Profit/(Loss) for the purpose of basic and diluted earnings/(loss) per share – profit/(loss) attributable to equity holders	<b>(1,309)</b>	23	<b>(1,877)</b>	(3,136)
Weighted average number of shares for the purpose of basic earnings/(loss) per share	<b>1,203,786,138</b>	1,177,699,181	<b>1,203,786,138</b>	1,115,935,247
Effect of dilutive potential shares in respect of share options and warrants	N/A	149,003,052	N/A	N/A
Weighted average number of shares for the purpose of diluted earnings/(loss) per share	N/A	1,326,702,233	N/A	N/A

Diluted loss per share for the six months ended 30 September 2008 and 2009 and three months ended 30 September 2009 have not been disclosed, as the share options and warrants outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

**10. TRADE AND OTHER RECEIVABLES**

	30 September 2009 Unaudited HK\$'000	31 March 2009 Audited HK\$'000
Trade receivables, with ageing analysis:		
0 – 30 days	<b>9,291</b>	3,944
31 – 60 days	–	–
Over 60 days	–	320
Total trade receivables	<b>9,291</b>	4,264
Deposits, prepayments and other receivables	<b>103,879</b>	94,391
	<b>113,170</b>	98,655

**11. TRADE AND OTHER PAYABLES**

	<b>30 September 2009 Unaudited HK\$'000</b>	31 March 2009 Audited HK\$'000
Trade payables, with ageing analysis:		
0 – 30 days	2,715	1,404
31 – 60 days	120	–
Over 60 days	25,792	24,991
<b>Total trade payables</b>	<b>28,627</b>	<b>26,395</b>
<b>Other creditors and accruals</b>	<b>51,361</b>	<b>54,753</b>
	<b>79,988</b>	<b>81,148</b>

**12. SHARE CAPITAL**

Ordinary shares of HK\$0.04 each

	<b>Number of shares</b>	<b>Total value HK\$'000</b>
Authorized:		
At 31 March 2009 and 30 September 2009	5,000,000,000	200,000
Issued and fully paid:		
At 31 March 2009 and 30 September 2009	1,203,786,138	48,152

### 13. ACQUISITION OF SUBSIDIARIES

During the three months ended 30 September 2008, the Group acquired certain subsidiaries for the purpose of extending the Group's activities to funeral and related businesses. The fair values, which have no significant differences from their respective carrying amounts, of the identifiable assets and liabilities of those subsidiaries at the date of acquisition and the goodwill arising from the acquisitions, which are accounted for as business combinations, are as follows:

	Beijing Zhongmin Anyuan Investment Company Limited (acquired on 7 July 2008) HK\$'000	Xinjiang Ruilin Zhiye Company Limited (acquired on 18 July 2008) HK\$'000	Qinhai Fuli Fenghuangshan Cemetery Company Limited (acquired on 18 July 2008) HK\$'000	Neimenggu Shenghe Development Company Limited (acquired on 18 July 2008) HK\$'000	Taiyuan City Wufuling Company Limited (acquired on 18 July 2008) HK\$'000	Total HK\$'000
Identifiable assets/(liabilities) acquired						
Property, plant and equipment	1,100	6,015	15,142	5,043	67,246	94,546
Construction in progress	-	35,930	300	-	14,154	50,384
Interest in leasehold land	-	1,560	271	-	-	1,831
Intangible assets	864	-	-	-	-	864
Inventories	-	12,407	8,028	4,941	21,585	46,961
Trade and other receivables	177	11,174	2,812	886	21,354	36,403
Amount due from shareholders	-	1,195	-	-	996	2,191
Amount due from directors	-	2,007	7	364	-	2,378
Amount due from related companies	9	-	8,943	-	-	8,952
Cash and bank balances	2,843	136	129	195	389	3,692
Trade and other payables	(31)	(14,228)	(27,549)	(2,309)	(6,373)	(50,490)
Other payables - land lease payments	-	(11,805)	-	-	-	(11,805)
Amount due to directors	-	(811)	(245)	-	(509)	(1,565)
Amount due to related companies	(5,186)	-	(1,475)	-	-	(6,661)
Income tax payable	-	-	(131)	(1,276)	(8,996)	(10,403)
	(224)	43,580	6,232	7,844	109,846	167,278
Net assets/(liabilities) attributable to minority interest	-	(21,354)	(2,991)	(3,844)	(53,825)	(82,014)
	(224)	22,226	3,241	4,000	56,021	85,264
Gain arising from business combination	-	-	-	-	(33,551)	(33,551)
Goodwill arising from business combination written off	25,224	-	-	-	-	25,224
Goodwill arising from business combination carried forward	-	11,484	9,119	8,360	-	28,963
	25,000	33,710	12,360	12,360	22,470	105,900
Total consideration satisfied by:						
Cash						105,900
Net cashflow arising on acquisition:						
Cash paid						(105,900)
Cash and bank balances acquired						3,692
						(102,208)

Goodwill arisen from the business combination with Beijing Zhongmin Anyuan Investment Company Limited ("Beijing Zhongmin Anyuan") of approximately HK\$25,224,000 was written off immediately as the recoverable amount is considered to be nil, because (i) Beijing Zhongmin Anyuan is an investment holding company which will not carry on material income-generating activities and (ii) the benefits from the business combination with Beijing Zhongmin Anyuan cannot be separately and reliably measured in relation to the expected benefits from the business combinations with other entities being or to be acquired by Beijing Zhongmin Anyuan.

Gain arising from the business combination with Taiyuan City Wufuling Company Limited of approximately HK\$33,551,000, which represented the excess of the fair value the identifiable assets and liabilities acquired over the cash consideration paid, was recognized immediately in the income statement.

Goodwill arisen from the business combinations with Xinjiang Ruilin Zhiye Company Limited, Qinhai Fuli Fenghuangshan Cemetery Company Limited and Neimenggu Shenghe Development Limited amounted to approximately HK\$28,963,000 in total, which represented premium paid in relation to the benefit of expected synergies, revenue growth and future market development of those entities, is considered to be recoverable from future economic benefits generated from their business activities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

For the six months ended 30 September 2009, the Group recorded an unaudited consolidated turnover of approximately HK\$44,902,000, which represented sales of healthcare products and income from funeral and related businesses. The revenue for the six months ended 30 September 2008 was approximately HK\$22,124,000.

The administrative and other operating expenses for the period under review amounted to approximately HK\$18,001,000 as compared to that of 2008 of approximately HK\$18,179,000.

Unaudited net loss attributable to the equity holders for the period amounted to approximately HK\$1,877,000 as compared to net loss of approximately HK\$3,136,000 for the corresponding period in 2008.

### Prospects

Selling healthcare products has been our main focus in the past periods in Hong Kong and is expected to be so in future as well. As people becoming more concern themselves with their health and that of their families, the Group believes selling premium type of health supplements will be well received by health conscious customers. Following more effort to be put to explore more good quality healthcare products, the Group anticipates the development will entering a phase of fruition in the coming periods.

The funeral and related businesses in China have been growing steadily in the past periods. The policy of encourage cremation in the PRC is benefiting to the sales of our cemetery companies in the provincial capital cities. The Group will continue to consolidate quality cemeteries and funeral parlors in the mainland should good business opportunities come. In procession of healthy business prospect, positive policy and superiority in human resources, the Group is confidence in its future development and to provide good investment returns to the investors.

### Liquidity, Financial Resources and Capital Structure

The Group's net current assets as at 30 September 2009 were approximately HK\$98,598,000 as compared to net current assets of approximately HK\$93,833,000 as at 31 March 2009. There were no bank borrowings as at 30 September 2009 (31 March 2009: Nil).

There was no change in the capital structure of the Company during the period under review.



**Gearing Ratio**

As at 30 September 2009, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 26% (31 March 2009: approximately 26%).

**Foreign Exchange Exposure**

The Group mainly earns revenue and incurs costs in Hong Kong Dollars and Renminbi and considers that the impact of foreign exchange exposure of the Group is minimal.

**Charge of Group Assets**

As at 30 September 2009, the Group did not have any material charge on assets (31 March 2009: Nil).

**Significant Investments**

The Group had no significant investments during the period.

**Material Acquisitions and Disposals**

The Group had no material acquisitions or disposals during the period under review.

**Employee Information**

As at 30 September 2009, the Group employed a total of 232 (31 March 2009: 223) full-time employees in Hong Kong and PRC. During the six months ended 30 September 2009, the total remuneration to employees, including directors' emoluments amounted to approximately HK\$6,459,000 (six months ended 30 September 2008: HK\$5,370,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice.

**Contingent Liabilities**

As at 30 September 2009, the Group did not have any material contingent liabilities (31 March 2009: Nil).

## OTHER INFORMATION

### Directors' and Chief Executive's Interests in Securities

As at 30 September 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

(1) *Long positions in the shares of the Company*

Name of directors	Type of interest	Number of shares	Interest in the Company's share capital
Mr. Chu Hon Pong	Personal	155,150,967	12.89%
Ms. Tong Pui Chi Lucia	Personal	1,300,000	0.11%
Mr. Law Kwok Chung	Personal	200,000	0.02%

(2) *Long positions in the underlying shares of the Company*

(a) **Warrants**

Name of directors	Type of interest	Number of shares entitled pursuant to the full exercise of the warrants held as at 30 September 2009
Mr. Chu Hon Pong	Personal	746,666
Ms. Tong Pui Chi Lucia	Personal	346,666
Mr. Law Kwok Chung	Personal	80,000

**(b) Share Options**

Name of Directors	Date of grant of share options	Exercise price per share HK\$	Outstanding as at 01/04/2009	Granted during the period	Exercised during the period	Cancelled/terminated during the period	Outstanding as at 30/09/2009	Expiry date
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Ms. Tong Pui Chi Lucia	16/11/2007	1.10	7,500,000	-	-	-	7,500,000	16/11/2010
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Save as disclosed above, as at 30 September 2009, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

**Share Option Scheme**

The Company has adopted a share option scheme (the "Share Option Scheme"), under which the Board may, at its discretion, invite any full-time or part-time employee of the Company or any member of the Group, including any director or any member of the Group and any adviser or consultant (in areas of technical, financial or corporate managerial) of the Company or any of its subsidiaries to take up options to subscribe for the share in the Company. The Share Option Scheme will remain valid for a period of 10 years commencing 1 February 2002.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the directors of the Company, and shall be at least the highest of (i) the closing price of the Company's shares as stated on GEM's daily quotation sheets on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares.

On 16 November 2007, a total of 105,219,106 options have been granted to the Participants to subscribe for a total of 105,219,106 shares of the Company at a price of HK\$1.10 per share. No share options have been exercised by the Participants since 16 November 2007 and up to the date of this report.

By an ordinary resolution duly passed at an extraordinary general meeting of the Company held on 19 September 2008, the total number of shares in respect of which options may be granted under the Share Option Scheme was increased to 120,378,613 shares, which represents 10% of the total number of shares in issue at 19 September 2008.

The following are details of the outstanding share options as at 30 September 2009:

Categories of grantees	Date of grant of share options	Exercise price per share HK\$	Outstanding as at 01/04/2009	Granted during the period	Exercised during the period	Cancelled/terminated during the period	Outstanding as at 30/09/2009	Expiry date
Director	16/11/2007	1.10	7,500,000	-	-	-	7,500,000	16/11/2010
Other Participants	16/11/2007	1.10	82,500,000	-	-	-	82,500,000	16/11/2010
Total			90,000,000	-	-	-	90,000,000	

#### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the "Directors' and Chief Executive's Interests In Securities" above, at no time during the reporting period was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

### Substantial Shareholders

As at 30 September 2009, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(1) *Long positions in the shares of the Company*

Name of shareholders	Direct/indirect interest	Approximate percentage of shareholding
Mr. Chu Hon Pong	155,150,967	12.89%
Mr. Mo Shikang ( <i>"Mr. Mo"</i> , Note)	150,000,000	12.46%
Asian Allied Limited ( <i>"Asian Allied"</i> , Note)	150,000,000	12.46%
Super Win Development Limited ( <i>"Super Win"</i> , Note)	150,000,000	12.46%
Chinese People Holdings Company Limited ( <i>"Chinese People"</i> , Note)	150,000,000	12.46%

Note:

As Chinese People is a subsidiary of Super Win, Super Win is deemed to have interest in the ordinary shares of the Company (the "Shares") held by Chinese People for the purpose of the SFO. For the purpose of SFO, Asian Allied is deemed to have interest in the Shares held by Super Win and Mr. Mo is deemed to have interest in the shares held by Asian Allied.

(2) *Long positions in the underlying shares of the Company*

Name of shareholder	Number of shares entitled pursuant to the full exercise of the warrants held as at 30 September 2009
Mr. Chu Hon Pong	746,666

Save as disclosed above, as at 30 September 2009, the directors or chief executive officer of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

### **COMPETING INTERESTS**

As at 30 September 2009, none of the directors, the management shareholders of the company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group.

### **AUDIT COMMITTEE**

An audit committee was established with written terms of reference in compliance with the relevant GEM Listing Rules. There are three members in the audit committee comprising three independent non-executive directors, namely, Mr. Chu Kar Wing, Mr. Ku Ling Yu John and Mr. Loke Che Chan Gilbert. The primary duties of the audit committee are to review and provide supervision over the financial reporting system and internal control procedures of the Group. The Group's unaudited consolidated results for the six months ended 30 September 2009 have been reviewed by the audit committee.

### **REMUNERATION COMMITTEE**

A Remuneration Committee has been established with written terms of reference in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Chu Kar Wing, Mr. Ku Ling Yu John and Mr. Loke Che Chan Gilbert, and one executive director Ms. Tong Pui Chi Lucia. Ms. Tong Pui Chi Lucia being the Chairperson of the Remuneration Committee. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy, and structure for remuneration of all Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the period ended 30 September 2009.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

The Company has complied throughout the six months ended 30 September 2009 with the Code Provisions set out in the Code on Corporate Governance Practices contained in appendix 15 of the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the six months ended 30 September 2009.

By Order of the Board  
**ZMAY Holdings Limited**  
**Chu Hon Pong**  
*Chairman*

Hong Kong, 5 November 2009

*As at the date of this report, the Board comprises (i) five Executive Directors, namely Mr. Chu Hon Pong, Dr. Neil K. Gu, Ms. Tong Pui Chi Lucia, Mr. Law Kwok Chung and Mr. Lam Wing Tai; (ii) one Non-Executive Director, namely Mr. Chui Kwong Kau and (iii) three Independent Non-executive Directors, namely Mr. Chu Kar Wing, Mr. Ku Ling Yu John and Mr. Loke Che Chan Gilbert.*