



ZMAY

HOLDINGS LIMITED FIRST QUARTERLY REPORT

中民安園控股有限公司 2011/12

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8085

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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This report, for which the directors of ZMAY Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to ZMAY Holdings Limited. The directors of ZMAY Holdings Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

SUMMARY

For the three months ended 30 June 2011:

- the turnover was approximately HK\$17,412,000;
- the loss attributable to owners of the Company was approximately HK\$1,826,000;
and
- the Board does not recommend the payment of any interim dividend.

FIRST QUARTERLY RESULTS

The board (the "Board") of Directors (the "Directors") of ZMAY Holdings Limited (the "Company") hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30 June 2011, together with the unaudited comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June	
		2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Turnover	4	17,412	16,745
Cost of sales		(11,469)	(8,137)
Gross profit		5,943	8,608
Other revenue and net income	4	704	690
Administrative and other operating expenses		(7,844)	(8,905)
Finance costs	5	(85)	(281)
(Loss)/profit before tax	6	(1,282)	112
Income tax	7	(391)	(522)
Loss for the period		(1,673)	(410)
Other comprehensive income:			
Fair value changes on available-for-sale investments		(20,979)	—
Exchange difference arising on translation of foreign operations		1,604	1,300
Total comprehensive income for the period		(21,048)	890
(Loss)/profit attributable to:			
— owners of the Company		(1,826)	(992)
— non-controlling interests		153	582
		(1,673)	(410)
Total comprehensive income attributable to:			
— owners of the Company		(21,936)	(297)
— non-controlling interests		888	1,187
		(21,048)	890
Loss per share:			
— Basic and diluted (HK cents)		(0.09)	(0.06)

NOTES TO THE CONSOLIDATED 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 principal activity of the Company is an investment holding company. The Group is principally engaged in (i) sale of healthcare products in Hong Kong; (ii) sale of electronic components in Hong Kong and the People's Republic of China (the "PRC"); (iii) funeral and related businesses in PRC; and (iv) securities investments in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with the disclosure requirements of Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The principal accounting policies used in the preparation of these unaudited consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2011 except in relation to the new and revised Hong Kong Financial Reporting Standards, ("HKFRSs", which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants that are adopted for the first time for the current period's financial information. The adoption of these new and revised HKFRSs has no significant effect on these financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective.

3. SEGMENT INFORMATION

The Group's segment information reported is based on the internal reports that are regularly reviewed by the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment of the Group. During the period, the Group's operating and reportable segments are as follows:

- (a) Sale of healthcare products;
- (b) Sale of electronic components;
- (c) Funeral and related businesses; and
- (d) Securities investments.

Information regarding the above segments is reported below:

(a) Segment revenues and results

For the period ended 30 June 2011	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Securities investments Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	3,353	4,193	9,866	—	17,412
Segment results	30	12	628	—	670
Unallocated corporate income					86
Unallocated corporate expenses					(1,953)
Finance costs					(85)
Income tax					(391)
Loss for the period					<u>(1,673)</u>
For the period ended 30 June 2010	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Securities investments Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	1,306	—	15,439	—	16,745
Segment results	(100)	—	1,868	—	1,768
Unallocated corporate income					23
Unallocated corporate expenses					(1,398)
Finance costs					(281)
Income tax					(522)
Loss for the period					<u>(410)</u>

(b) Segment assets and liabilities

As at 30 June 2011	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Securities investments Unaudited HK\$'000	Total Unaudited HK\$'000
Segment assets	8,923	167	237,151	41,271	287,512
Goodwill	—	—	8,522	—	8,522
Unallocated assets					<u>122,933</u>
Consolidated assets					<u><u>418,967</u></u>
Segment liabilities	1,214	73	110,165	—	111,452
Unallocated liabilities					<u>247</u>
Total liabilities					<u><u>111,699</u></u>
As at 31 March 2011	Sale of healthcare products Audited HK\$'000	Sale of electronic components Audited HK\$'000	Funeral and related businesses Audited HK\$'000	Securities investments Audited HK\$'000	Total Audited HK\$'000
Segment assets	8,413	446	229,646	57,747	296,252
Goodwill	—	—	8,522	—	8,522
Unallocated assets					<u>128,441</u>
Consolidated assets					<u><u>433,215</u></u>
Segment liabilities	736	364	104,416	—	105,516
Unallocated liabilities					<u>801</u>
Total liabilities					<u><u>106,317</u></u>

(c) Geographical information

The following is an analysis of the turnover and non-current assets by geographical area:

	Turnover by geographical markets for the three months ended 30 June		Non-current assets as at	
	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000	30 June 2011 Unaudited HK\$'000	31 March 2011 Audited HK\$'000
Hong Kong	3,353	1,306	42,454	59,003
PRC	14,059	15,439	117,976	118,294
	17,412	16,745	160,430	177,297

4. TURNOVER, OTHER REVENUE AND NET INCOME

	Three months ended 30 June	
	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Turnover		
Sale of healthcare products	3,353	1,306
Sale of electronic components	4,193	—
Funeral and related businesses	9,866	15,439
	17,412	16,745
Other revenue and net income		
Interest income	86	24
Sundry income	618	666
	704	690

5. FINANCE COSTS

	Three months ended 30 June	
	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000
Interest expense on bank and other borrowings wholly repayable within one year	85	57
Imputed interest expense on capitalized land lease payments	—	224
	85	281

6. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	Three months ended 30 June	
	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000
Staff costs (including directors' emoluments)		
— salaries and allowances	1,914	2,652
— contributions of defined contributions retirement benefits schemes	8	98
	1,922	2,750
Depreciation of property, plant and equipment	2,007	1,991
Operating lease rentals in respect of rented premises	51	30
Share-based payments to consultants	1,418	746

7. INCOME TAX

	Three months ended 30 June	
	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000
PRC enterprise income tax	391	522

No Hong Kong profits tax has been provided for as the Group had no assessable profits arising in Hong Kong for the period (2010: 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 Board does not recommend the payment of any interim dividend for the three months ended 30 June 2011 (2010: Nil).

9. LOSS PER SHARE

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

	Three months ended 30 June	
	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000
Loss for the period attributable to the owners of the Company	1,826	992
Weighted average number of ordinary shares in issue during the period	2,077,786,138	1,731,786,138

The diluted loss per share for the periods ended 30 June 2011 and 2010 has not been presented as the potential shares arising from the exercise the Company's share options would decrease the loss per share for the periods and is regarded as anti-dilutive.

10. CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to the owners of the Company									
	Share Capital	Share premium	Special reserve	Share options reserve	Investments revaluation reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	69,272	259,892	(39,998)	—	—	(979)	(58,464)	229,723	77,607	307,330
(Loss)/profit for the period	—	—	—	—	—	—	(992)	(992)	582	(410)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	695	—	695	605	1,300
Total comprehensive income for the period	—	—	—	—	—	695	(992)	(297)	1,187	890
Recognition of equity-settled share-based payments	—	—	—	746	—	—	—	746	—	746
At 30 June 2010	69,272	259,892	(39,998)	746	—	(284)	(59,456)	230,172	78,794	308,966
At 1 April 2011	83,112	289,108	(39,998)	4,102	(1,026)	1,560	(67,394)	269,464	57,434	326,898
(Loss)/profit for the period	—	—	—	—	—	—	(1,826)	(1,826)	153	(1,673)
Fair value changes on available-for-sale investments	—	—	—	—	(20,979)	—	—	(20,979)	—	(20,979)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	869	—	869	735	1,604
Total comprehensive income for the period	—	—	—	—	(20,979)	869	(1,826)	(21,936)	888	(21,048)
Recognition of equity-settled share-based payments	—	—	—	1,418	—	—	—	1,418	—	1,418
At 30 June 2011	83,112	289,108	(39,998)	5,520	(22,005)	2,429	(69,220)	248,946	58,322	307,268

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the three months period ended 30 June 2011 under review, the Group recorded a turnover of approximately HK\$17,412,000 (2010: HK\$16,745,000), representing an increase of 3.98% as compared to last period in 2010.

The administrative and other operating expense for the period amounted to approximately HK\$7,844,000 (2010: HK\$8,905,000), which included a non-cash expenses of HK\$1,418,000 (2010: HK\$746,000) relating to the share-based payments to certain consultants of the Company.

The loss for the three months ended 30 June 2011 attributable to the owners of the Company was approximately HK\$1,826,000 (2010: HK\$992,000) and the loss per share was 0.09 HK cents (2010: 0.06 HK cents).

Healthcare products

The turnover of healthcare products for the period amounted to approximately HK\$3,353,000 (2010: HK\$1,306,000) and recorded a segmental profit of approximately HK\$30,000 (2010: loss of HK\$100,000).

Electronic components

The turnover of electronic components for the period amounted to approximately HK\$4,193,000 (2010: Nil) and recorded a segmental profit of approximately HK\$12,000 (2010: Nil).

Funeral and related businesses

The turnover of funeral and related businesses for the period amounted to approximately HK\$9,866,000 (2010: HK\$15,439,000) and recorded a segmental profit of approximately HK\$628,000 (2010: HK\$1,868,000).

Securities investments

During the period under review, the Company recorded a fair value loss of approximately HK\$20,979,000 (2010: Nil) on available-for-sale investments in the other comprehensive income and investments revaluation reserve respectively. Securities investments represent the investment on the listed equity securities in Hong Kong for long-term investments.

Prospects

The Board expects that the global economic environment will remain challenging and uncertain for the year 2011. We will constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and shareholders returns. Going forward, the Board will explore other investment opportunities to expand and diversify its portfolio.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group had net current assets approximately HK\$146,838,000 (31 March 2011: HK\$149,601,000). The cash and cash equivalents were approximately HK\$118,296,000 (31 March 2011: HK\$99,961,000). The bank borrowings were approximately HK\$4,810,000 (31 March 2011: HK\$4,749,000) and the interest expenses for the three months period were approximately HK\$85,000 (2010: HK\$281,000 of which HK\$224,000 was imputed interest expenses on capitalized land lease payments).

Post Balance Sheet Event

In July 2011, the Company had disposed of its securities investments. The cumulative loss previously accumulated in the investments revaluation reserve will be reclassified and recognised in the profit or loss during the year. As at 30 June 2011, the cumulative loss in the investments revaluation reserve was approximately HK\$22,005,000.

OTHER INFORMATION**Directors' and Chief Executives' Interests in Securities**

As at 30 June 2011, none of the Directors and chief executives of the Company had any interest or short position 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 (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 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.

Share Option Scheme

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 4 August 2010 and the Stock Exchange granting approval of the listing of and permission to deal in the Shares to be issued under the Share option scheme (the "Share Option Scheme") on 17 November 2010. The Company has adopted the Share Option Scheme to replace the share option scheme adopted on 1 February 2002 (the "Old Share Option Scheme"). The principal terms of the Share Option Scheme were set out in the appendix to the circular of the Company dated 20 July 2010.

On 26 April 2010, the Company granted an aggregate of 120,376,000 share options to eligible grantees under the Old Share Option Scheme to subscribe for an aggregate of 120,376,000 Shares at an exercise price of HK\$0.276 per share.

On 18 November 2010, the Company granted an aggregate of 173,000,000 share options to eligible grantees under the Share Option Scheme to subscribe for an aggregate of 173,000,000 Shares at an exercise price of HK\$0.167 per share.

No share options were exercised during the period and the total outstanding share options were 293,376,000 as at 30 June 2011.

The purpose of the Share Option Scheme is to enable the Company to provide incentive to participants with the opportunity of participating in the growth of the Company by acquiring shares in the Company and may, in turn, assist in the attraction and retention of talents who have made contributions to the success of the Company.

Given that the Old Share Option Scheme will expire shortly on 14 January 2012 (in around two years time), the Directors considered that it is in the interest of the Company to adopt the Share Option Scheme in compliance with Chapter 23 of the GEM Listing Rules to replace the Old Share Option Scheme.

The fair values of options granted were determined using the Binomial Model of valuation. In total, approximately HK\$1,418,000 (2010: HK\$746,000) of the expense has been included in the consolidated statement of comprehensive income for the three months ended 30 June 2011, the corresponding amount of which has been credited to share options reserve. No liabilities were recognized due to the share-based payments transactions.

Directors' Rights to Acquire Shares or Debentures

At no time during the reporting period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors 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 June 2011, the Directors were not aware of any other person who had an interest or short position 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.

Competing Interests

As at 30 June 2011, 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 (the "INEDs"), namely, Mr. Chi Chi Hung, Kenneth, Dr. Wong Yun Kuen and Mr. Man Kwok Leung. 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. These unaudited consolidated results for the three months ended 30 June 2011 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 one executive Director Mr. Chui Kwong Kau, being the chairperson of the remuneration committee and three INEDs, namely Mr. Chi Chi Hung, Kenneth, Dr. Wong Yun Kuen and Mr. Man Kwok Leung. 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 June 2011.

Corporate Governance Code Compliance

The Company has complied throughout the three months ended 30 June 2011 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 three months ended 30 June 2011, 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 three months ended 30 June 2011.

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

Hong Kong, 12 August 2011

As at the date of this report, the Board comprises (i) three executive Directors, namely Mr. Chu Hon Pong, Mr. Lam Wing Tai and Mr. Chui Kwong Kau and (ii) three independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Man Kwok Leung and Mr. Chi Chi Hung, Kenneth.