

FIRST QUARTERLY REPORT 2008 / 09

08



ZMAY HOLDINGS LIMITED
中民安園控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8085

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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 Growth Enterprise Market of The Stock Exchange of Hong Kong limited for the purpose of giving information with regard to ZMAY Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

For the three months ended 30 June 2008:

- the revenue was approximately HK\$1,808,000;
- the loss attributable to equity holders was approximately HK\$3,158,000; and
- the directors do not recommend the payment of any interim dividend.

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of ZMAY Holdings Limited (formerly known as “New Chinese Medicine Holdings Limited”, the “Company”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 30 June 2008, together with the unaudited comparative figures for the corresponding period in 2007 as follows:

		Three months ended 30 June	
		2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
	<i>Note</i>		
Revenue	2	1,808	7,709
Cost of sales		(1,715)	(7,379)
Gross profit		93	330
Other income and gains		30	72
Operating expenses		(3,281)	(1,250)
Loss before income tax		(3,158)	(848)
Income tax expense	3	–	–
Loss for the period		(3,158)	(848)
Attributable to:			
Equity holders of the Company		(3,158)	(848)
Minority interests		–	–
		(3,158)	(848)
Dividend	4	–	–
Loss per share (HK cents per share)	5		
Basic and diluted		(0.30)	(0.11)

Notes:

1. Basis of preparation

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 were listed on the GEM of the Stock Exchange on 7 March 2002. The Company is an investment holding company. The Group is principally engaged in the sales of healthcare products in Hong Kong. The name of the Company changed from "New Chinese Medicine Holdings Limited" to "ZMAY Holdings Limited" with effect from 1 August 2008.

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

2. Revenue and segment information

Revenue

Revenue represents amounts received and receivable from outside customers from sales of products during the period.

Business segments

No further business segment information is presented as the Group's operations relate solely to the sales of healthcare products in Hong Kong.

Geographical segments

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

3. Income tax expense

No provision for Hong Kong profits tax has been made in the unaudited consolidated results as the Group had no assessable profits arising in Hong Kong for the period.

4. Dividend

The directors do not recommend the payment of any dividend for the three months ended 30 June 2008 (2007: Nil).

5. Loss per share

The calculation of basic loss per share attributable to the equity holders of the Company is based on the unaudited consolidated loss attributable to the equity holders of the Company of approximately HK\$3,158,000 (2007: HK\$848,000) and the weighted average number of 1,053,492,589 (2007: 752,138,890) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2007 and 2008 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.

6. Reserves

	Attributable to the equity holders of the Company					
	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>
At 1 April 2007	34,103	(39,998)	–	(8,958)	–	(14,853)
Loss for the period	–	–	–	(848)	–	(848)
At 30 June 2007	34,103	(39,998)	–	(9,806)	–	(15,701)
At 1 April 2008	82,226	(39,998)	9,922	(22,327)	–	29,823
Issue of ordinary shares upon exercise of bonus warrants	285	–	–	–	–	285
Loss for the period	–	–	–	(3,158)	–	(3,158)
At 30 June 2008	82,511	(39,998)	9,922	(25,485)	–	26,950

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the three months ended 30 June 2008, the Group recorded an unaudited consolidated revenue of approximately HK\$1,808,000, which represented sales of health care products. The revenue for the three months ended 30 June 2007 was approximately HK\$7,709,000. The decrease in revenue was mainly caused by the slow down of consumptions in traditional Chinese healthcare products market and heavy competitive pressure in the healthcare products business.

The operating expenses for the period under review amounted to approximately HK\$3,281,000, representing an increase of 262% as compared to that of 2007 of approximately HK\$1,250,000. The increase in operating expenses was mainly caused by increase in staff costs and production costs of the circular in relation to the very substantial acquisition.

Unaudited net loss attributable to the equity holders for the period amounted to approximately HK\$3,158,000 as compared to net loss of approximately HK\$848,000 for the corresponding period in 2007.

PROSPECTS

Although the Group recorded a low turnover in the first quarter of the financial year of 2008/09 on sale of healthcare products, the Group remains confident that the revenue will be picking up in the coming quarters of the year following the recovery of local economy. The Group's revenue is also expected to be benefited and enhanced by the completion of the proposed addition in new investment in the funeral services and management business in the PRC.

On 18 December 2007, the Group entered into sale and purchase agreement with 中民實業有限公司 (Zhongmin Industry Company Limited, the "Vendor"). Pursuant to which the Group has agreed to acquire the entire issued and fully paid share capital of 北京中民安園投資有限公司 (Beijing Zhongmin Anyuan Investment Company Limited, "Zhongmin Anyuan") at a cash consideration of HK\$25 million. Zhongmin Anyuan had entered into eight acquisition agreements with the respective owners of the Cemetery Companies in the PRC at an aggregate consideration of RMB248 million (the "Acquisition"). Details of the Acquisition were set out in the circular dispatched to the shareholders of the Company (the "Shareholders") dated 14 April 2008. The Acquisition, when completed, will provide the Group an opportunity to enter into the cemetery related business in the PRC and the Directors believe that this will improve future return of the Group in the years ahead. Pursuant to an ordinary resolution passed by the Shareholders at the extraordinary general meeting on 30 April 2008, the Acquisition was approved by the Shareholders.

Zhongmin Anyuan, incorporated in the PRC, is an investment and management company mainly involved in cemetery and funeral services business in the PRC. Through synergizing funeral service enterprises in different geographical areas in the mainland, Zhongmin Anyuan aims at advancing the professionalism of the business and holding the stake of the trade nationwide. Therefore, it is to bring into the PRC market contemporary philosophy and business model of this very unique trade.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's net current assets as at 30 June 2008 were approximately HK\$68,977,000 as compared to net current assets of approximately HK\$71,813,000 as at 31 March 2008. There were no bank borrowings as at 30 June 2008 (31 March 2008: Nil).

Bonus warrants were exercised by warrant holders during the quarter ended 30 June 2008 to subscribe for a total of approximately 678,000 shares in the Company by payment of subscription monies of approximately HK\$312,000, of which approximately HK\$27,000 was credited to share capital account and the balance of approximately HK\$285,000 was credited to the share premium account.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2008, 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	14.72%
Ms. Tong Pui Chi Lucia	Personal	1,300,000	0.12%
Mr. Law Kwok Chung	Personal	300,000	0.03%

(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 June 2008
Mr. Chu Hon Pong	Personal	730,434
Mr. Li Heguo	Personal	1,304,347
Mr. An Jinping	Personal	1,304,347
Mr. Li Junhong	Personal	1,304,347
Ms. Tong Pui Chi Lucia	Personal	339,130
Mr. Law Kwok Chung	Personal	78,260

(b) Share Options

Name of Directors	Date of grant of share options	Exercise price per share HK\$	Outstanding as at 01/04/2008	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	Outstanding as at 30/06/2008	Expiry date
Mr. Li Heguo	16/11/2007	1.10	7,500,000	-	-	-	7,500,000	16/11/2010
Ms. Tong Pui Chi Lucia	16/11/2007	1.10	7,500,000	-	-	-	7,500,000	16/11/2010
Mr. Chu Kar Wing	16/11/2007	1.10	1,000,000	-	-	-	1,000,000	16/11/2010
Dr. Loke Hoi Lam	16/11/2007	1.10	1,000,000	-	-	-	1,000,000	16/11/2010
Mr. Ku Ling Yu John	16/11/2007	1.10	1,000,000	-	-	-	1,000,000	16/11/2010

Save as disclosed above, as at 30 June 2008, 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 Rule 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 of the Company 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 (the "Participants") 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. The Share Option Scheme mandate limit has been refreshed by shareholders for up to 10% of the total number of shares of the Company in issue at an extraordinary general meeting held on 8 November 2007.

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.

The following are details of the outstanding share options as at 30 June 2008:

Catagories of grantees	Date of grant of share options	Exercise price per share HK\$	Outstanding as at 01/04/2008	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	Outstanding as at 30/06/2008	Expiry date
Directors	16/11/2007	1.10	18,000,000	-	-	-	18,000,000	16/11/2010
Other Participants	16/11/2007	1.10	87,219,106	-	-	4,719,106	82,500,000	16/11/2010
Total			105,219,106	-	-	4,719,106	100,500,000	

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executives' 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 June 2008, 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 shareholder	Direct/indirect interest	Approximate percentage of shareholding
Excel Point Holdings Limited	354,980,000	33.69%
Mr. Chu Hon Pong	155,150,967	14.72%
Mr. Mo Shikang (<i>"Mr. Mo", Note</i>)	150,000,000	14.23%
Asian Allied Limited (<i>"Asian Allied", Note</i>)	150,000,000	14.23%
Super Win Development Limited (<i>"Super Win", Note</i>)	150,000,000	14.23%
Chinese People Holdings Company Limited (<i>"Chinese People", Note</i>)	150,000,000	14.23%

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 June 2008
Mr. Chu Hon Pong	730,434

Save as disclosed above, as at 30 June 2008, the directors or chief executive officer of the Company were not aware of any other person (other than the directors or chief executive of the Company) 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 June 2008, 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, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John. 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 three months ended 30 June 2008 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, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John, 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 June 2008.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the three months ended 30 June 2008 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 2008, 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 2008.

By Order of the Board
ZMAY Holdings Limited
Liu Jing
Chairman

Hong Kong, 8 August 2008

At the time of this report, the Board comprises of (i) seven executive Directors, namely Mr. Liu Jing, Mr. Chu Hon Pong, Mr. Li Heguo, Mr. An Jinping, Mr. Li Junhong, Ms. Tong Pui Chi Lucia and Mr. Law Kwok Chung; (ii) one non-executive Director, namely Dr. Neil K. Gu; and (iii) three independent non-executive Directors, namely Mr. Chu Kar Wing, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John.