



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

First Quarterly 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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*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: (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.*

## **SUMMARY**

For the three months ended 30 June 2009:

- the turnover was approximately HK\$22,214,000;
- the loss attributable to equity holders was approximately HK\$567,000; 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 (the "Company") hereby submits the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 30 June 2009, together with the unaudited comparative figures for the corresponding period in 2008 as follows:

		<b>Three months ended 30 June</b>	
		<b>2009 Unaudited HK\$'000</b>	2008 Unaudited HK\$'000
	<i>Notes</i>		
Turnover	3	<b>22,214</b>	1,808
Cost of sales		<b>(11,704)</b>	(1,715)
Gross profit		<b>10,510</b>	93
Other revenue and net income	3	<b>4</b>	30
Administrative and other operating expenses		<b>(9,092)</b>	(3,281)
Finance costs	4	<b>(220)</b>	–
Profit/(Loss) before tax		<b>1,202</b>	(3,158)
Income tax	6	<b>(735)</b>	–
<b>Profit/(Loss) for the period</b>		<b>467</b>	(3,158)
Attributable to:			
Equity holders of the Company		<b>(567)</b>	(3,158)
Minority interests		<b>1,034</b>	–
		<b>467</b>	(3,158)
<b>Dividend</b>	<b>7</b>	<b>–</b>	<b>–</b>
Loss per share (HK cent)	8		
Basic		<b>(0.05)</b>	(0.30)
Diluted		<b>N/A</b>	N/A

Notes:

**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 was 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 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 Rules Governing the Listing of Securities (the "Listing Rules") on the GEM of the Stock Exchange.

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 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:

	<b>Three months ended 30 June</b>	
	<b>2009 Unaudited HK\$'000</b>	<b>2008 Unaudited HK\$'000</b>
Turnover		
Sales of healthcare products	<b>4,694</b>	1,808
Funeral and related businesses	<b>17,520</b>	–
	<b>22,214</b>	1,808
Other revenue and net income		
Interest income	<b>4</b>	30
	<b>4</b>	30
<b>Total</b>	<b>22,218</b>	<b>1,838</b>

## 4. FINANCE COSTS

	Three months ended	
	30 June	
	2009	2008
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Imputed interest expense on capitalized land lease payments	220	–

## 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 three months ended 30 June 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	<b>4,694</b>	1,808	<b>17,520</b>	–	<b>22,214</b>	1,808
Segment results	<b>(35)</b>	26	<b>2,730</b>	–	<b>2,695</b>	26
Unallocated corporate income					–	11
Unallocated corporate expenses					(1,273)	(3,195)
Finance costs					(220)	–
Income tax					(735)	–
Profit/(Loss) for the period					<b>467</b>	(3,158)
Segment assets	<b>10,011</b>	25,592	<b>306,465</b>	–	<b>316,476</b>	25,592
Goodwill	–	–	<b>29,733</b>	–	<b>29,733</b>	–
Unallocated assets					<b>3,569</b>	45,050
Total assets					<b>349,778</b>	70,642
Segment liabilities	<b>2,419</b>	755	<b>81,642</b>	–	<b>84,061</b>	755
Unallocated liabilities					<b>311</b>	785
Total liabilities					<b>84,372</b>	1,540
Capital expenditure	–	–	<b>5,000</b>	–	<b>5,000</b>	–
Depreciation and amortization	–	2	<b>2,412</b>	–	<b>2,412</b>	2

### 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 markets		Carrying amounts 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	4,694	1,808	13,580	50,925	-	5
PRC	17,520	-	336,198	19,717	5,000	-
	22,214	1,808	349,778	70,642	5,000	5

## 6. INCOME TAX

	Three months ended 30 June	
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000
Hong Kong profits tax	-	-
PRC enterprise income tax	735	-
Deferred tax	-	-
	735	-

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.

## 7. DIVIDEND

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

## 8. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company of approximately HK\$567,000 (2008: approximately HK\$3,158,000) and the weighted average number of 1,203,786,138 (2008: 1,053,492,589) ordinary shares in issue during the period.

The diluted loss per share has not been disclosed for the periods ended 30 June 2009 and 2008 as the share options and warrants outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.



## 9. CHANGES IN SHAREHOLDERS' EQUITY

	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
	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
At 1 April 2008	42,125	82,226	(39,998)	-	9,922	(22,327)	71,948	-	71,948
Issue of ordinary shares upon exercise of bonus warrants	27	285	-	-	-	-	312	-	312
Loss for the period	-	-	-	-	-	(3,158)	(3,158)	-	(3,158)
At 30 June 2008	42,152	82,511	(39,998)	-	9,922	(25,485)	69,102	-	69,102
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	-	-	-	22	-	-	22	(11)	11
Loss for the period	-	-	-	-	-	(567)	(567)	1,034	467
At 30 June 2009	48,152	192,994	(39,998)	(1,221)	8,487	(27,749)	180,665	84,741	265,406

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

For the three months ended 30 June 2009, the Group recorded an unaudited consolidated turnover of approximately HK\$22,214,000, which represented sales of healthcare products and income from funeral and related businesses. The revenue for the three months ended 30 June 2008 was approximately HK\$1,808,000.

The administrative and other operating expenses for the period under review amounted to approximately HK\$9,092,000 as compared to that of 2008 of approximately HK\$3,281,000. The increase in operating expenses was mainly caused by consolidated the operating expenses from the acquired subsidiaries and increase in business activities.

Unaudited net loss attributable to the equity holders for the period amounted to approximately HK\$567,000 as compared to net loss of approximately HK\$3,158,000 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 June 2009 were approximately HK\$97,088,000 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 June 2009 (31 March 2009: Nil).

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

## OTHER INFORMATION

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

As at 30 June 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	300,000	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 June 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 30/06/2009	Expiry date
Ms. Tong Pui Chi Lucia	16/11/2007	1.10	7,500,000	-	-	-	7,500,000	16/11/2010

Save as disclosed above, as at 30 June 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 June 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 30/06/2009	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 June 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

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

Save as disclosed above, as at 30 June 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 June 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, 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 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, 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 2009.

## CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the three months ended 30 June 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 three months ended 30 June 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 three months ended 30 June 2009.

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

Hong Kong, 5 August 2009

*At the time of this report, the Board comprises of (i) four executive Directors, namely Mr. Chu Hon Pong, Dr. Neil K. Gu, Ms. Tong Pui Chi Lucia and Mr. Law Kwok Chung; and (ii) three independent non-executive Directors, namely Mr. Chu Kar Wing, Dr. Loke Hoi Lam and Mr. Ku Ling Yu John.*