



ZMAY HOLDINGS LIMITED

中民安園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8085

I n t e r i m R e p o r t 2 0 1 0 / 1 1

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

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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 six months ended 30 September 2010:

- the turnover was approximately HK\$40,228,000;
- the loss attributable to owners of the Company was approximately HK\$1,255,000; and
- the Board does not recommend the payment of any interim dividend.

INTERIM 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 (together, the “**Group**”) for the six months ended 30 September 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Six months ended 30 September	
		Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000	Unaudited 2010 HK\$'000	Unaudited 2009 HK\$'000
Turnover	4	23,483	22,688	40,228	44,902
Cost of sales		(13,174)	(14,396)	(21,311)	(26,100)
Gross profit		10,309	8,292	18,917	18,802
Other revenue and net income	4	534	5	1,224	9
Administrative and other operating expenses		(9,132)	(8,908)	(18,037)	(18,001)
Finance costs	5	(247)	(219)	(528)	(439)
Profit/(loss) before tax	6	1,464	(830)	1,576	371
Income tax	7	(654)	(212)	(1,176)	(946)
Profit/(loss) for the period		810	(1,042)	400	(575)
Other comprehensive income:					
Exchange difference arising on translation of foreign operations		1,410	13	2,710	24
Total comprehensive income for the period		2,220	(1,029)	3,110	(551)
Profit/(loss) attributable to:					
– owner of the Company		(263)	(1,309)	(1,255)	(1,877)
– non-controlling interests		1,073	267	1,655	1,302
		810	(1,042)	400	(575)
Total comprehensive income attributable to:					
– owner of the Company		332	(1,284)	35	(1,829)
– non-controlling interests		1,888	255	3,075	1,278
		2,220	(1,029)	3,110	(551)
Loss per share (HK cents)	9				
– Basic		(0.02)	(0.11)	(0.07)	(0.16)
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2010 Unaudited HK\$'000	As at 31 March 2010 Audited HK\$'000
Non-current assets			
Fixed assets	10	105,454	151,487
Goodwill		9,286	9,286
Total non-current assets		114,740	160,773
Current assets			
Inventories		26,389	47,733
Trade and other receivables	11	102,523	138,820
Cash and bank balances		108,235	72,657
Assets classified as held for sale	12	237,147 81,215	259,210 –
Total current assets		318,362	259,210
Current liabilities			
Bank borrowing		4,632	3,412
Trade and other payables	13	80,170	99,472
Liabilities directly associated with assets classified as held for sale	12	84,802 36,369	102,884 –
Total current liabilities		121,171	102,884
Net current assets		197,191	156,326
Total assets less current liabilities		311,931	317,099
Non-current liabilities			
Long-term payables		–	9,769
Total non-current liabilities		–	9,769
Net assets		311,931	307,330
Capital and reserves			
Share capital		69,272	69,272
Reserves		161,977	160,451
Equity attributable to the owners of the Company		231,249	229,723
Non-controlling interests		80,682	77,607
Total equity		311,931	307,330

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share Capital	Share premium	Special reserve	Translation reserve	Share options reserve	Accumulated losses	Total	Non- controlling interests	Total equity
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
At 1 April 2009	48,152	192,994	(39,998)	(1,243)	8,487	(27,182)	181,210	83,718	264,928
(Loss)/profit for the period	-	-	-	-	-	(1,877)	(1,877)	1,302	(575)
Exchange differences arising on translation of foreign operations	-	-	-	48	-	-	48	(24)	24
Total comprehensive income for the period	-	-	-	48	-	(1,877)	(1,829)	1,278	(551)
At 30 September 2009	48,152	192,994	(39,998)	(1,195)	8,487	(29,059)	179,381	84,996	264,377
At 1 April 2010	69,272	259,892	(39,998)	(979)	-	(58,464)	229,723	77,607	307,330
(Loss)/profit for the period	-	-	-	-	-	(1,255)	(1,255)	1,655	400
Exchange differences arising on translation of foreign operations	-	-	-	1,290	-	-	1,290	1,420	2,710
Total comprehensive income for the period	-	-	-	1,290	-	(1,255)	35	3,075	3,110
Recognition of equity-settled share-based payments	-	-	-	-	1,491	-	1,491	-	1,491
At 30 September 2010	69,272	259,892	(39,998)	311	1,491	(59,719)	231,249	80,682	311,931

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	37,481	(3,555)
Net cash flows (used in)/from investing activities	(2,373)	362
Net cash flows from financing activities	1,140	–
Net increase/(decrease) in cash and cash equivalents	36,248	(3,193)
Effect of foreign exchange rate changes	(26)	–
Cash and cash equivalents at the beginning of the period	72,657	24,237
Cash and cash equivalents at the end of the period	108,879	21,044
Analysis of Cash and cash equivalents		
Cash and bank balances	108,235	21,044
Cash and bank balances transferred to assets classified as held for sale	644	–
	108,879	21,044

NOTES TO THE CONDENSED 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 are 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) the sales of healthcare products in Hong Kong; (ii) sales of electronic components and (iii) funeral and related businesses in the People’s Republic of China (the “**PRC**”).

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 2010 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 had not applied the new HKFRSs that have been issued but are not yet effective.

3. SEGMENT INFORMATION

The Group’s operating segment information 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 has the following operating and reportable segments.

- (i) Sales of healthcare products;
- (ii) Sales of electronic components; and
- (iii) Funeral and related businesses

Information regarding the above segments for the six months ended 30 September is as follows:

(a) **Segment revenues and results**

	Sales of healthcare products		Sales of electronic components		Funeral and related businesses		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Revenue from external customers	4,505	13,305	3,110	-	32,613	31,597	40,228	44,902
Segment results	(54)	(2)	111	-	4,796	3,413	4,853	3,411
Unallocated corporate income							23	1
Unallocated corporate expenses							(2,772)	(2,602)
Finance costs							(528)	(439)
Income tax							(1,176)	(946)
Profit/(loss) for the period							400	(575)

(b) Segment assets and liabilities

	Sales of healthcare products as at		Sales of electronic components as at		Funeral and related businesses as at		Total as at	
	30/09/2010	31/03/2010	30/09/2010	31/03/2010	30/09/2010	31/03/2010	30/09/2010	31/03/2010
	Unaudited HK\$'000	Audited HK\$'000	Unaudited HK\$'000	Audited HK\$'000	Unaudited HK\$'000	Audited HK\$'000	Unaudited HK\$'000	Audited HK\$'000
Segment assets	9,097	7,644	3,110	-	324,379	315,273	336,586	322,917
Goodwill	-	-	-	-	9,286	9,286	9,286	9,286
Unallocated assets							87,230	87,780
Consolidated assets							<u>433,102</u>	<u>419,983</u>
Segment liabilities	1,466	11	2,999	-	115,375	112,070	119,840	112,081
Unallocated liabilities							1,331	572
Consolidated liabilities							<u>121,171</u>	<u>112,653</u>
Capital expenditure	-	-	-	-	1,189	7,040	1,189	7,040
Unallocated capital expenses							1,440	11
							<u>2,629</u>	<u>7,051</u>
Depreciation and amortization	-	-	-	-	3,727	7,224	3,727	7,224
Unallocated depreciation and amortization							66	39
							<u>3,793</u>	<u>7,263</u>

(c) Geographical information

The Group's sale of healthcare products is located in Hong Kong, sales of electronic components and operation of funeral and related businesses are located in the PRC.

	Turnover by geographical markets for the six months ended		Non-current assets as at	
	30/09/2010	30/09/2009	30/09/2010	31/03/2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Audited HK\$'000
Hong Kong	4,505	13,305	1,416	42
PRC	35,723	31,597	113,324	160,731
	<u>40,228</u>	<u>44,902</u>	<u>114,740</u>	<u>160,773</u>

4. TURNOVER, OTHER REVENUE AND NET INCOME

	Three months ended 30 September		Six months ended 30 September	
	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Turnover				
Sales of healthcare products	3,199	8,612	4,505	13,305
Sales of electronic components	3,110	–	3,110	–
Funeral and related businesses	17,174	14,076	32,613	31,597
	23,483	22,688	40,228	44,902
Other revenue and net income				
Interest income	–	1	24	1
Sundry income	534	4	1,200	8
	534	5	1,224	9

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Interest expenses on bank borrowing wholly repayable within one year	23	–	80	–
Imputed interest expense on capitalized land payments	224	219	448	439
	247	219	528	439

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' emoluments)				
– salaries and allowance	3,106	3,503	5,758	6,639
– contributions of defined contributions retirement benefits schemes	375	38	473	251
	3,481	3,541	6,231	6,890
Depreciation of property, plant and equipment	1,802	1,428	3,793	3,840
Operating lease rentals in respect of rented premises	30	144	60	302
Share-based payments to consultants	745	–	1,491	–

7. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	654	212	1,176	946

No Hong Kong profits tax has been provided for as the Group had no assessable profits arising in Hong Kong for the period (2009: 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 six months ended 30 September 2010 (2009: 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 September		Six months ended 30 September	
	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Loss for the period attributable to the owners of the Company	263	1,309	1,255	1,877
Weighted average number of ordinary shares for the purpose of basic loss per share	1,731,786,138	1,203,786,138	1,731,786,138	1,203,786,138

The diluted loss per share for the periods ended 30 September 2010 and 2009 has not been presented as the potential shares arising from the exercise and conversion of the Company's share options would decrease the loss per share for the periods and is regarded as anti-dilutive.

10. FIXED ASSETS

	30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
Opening net book amount	151,487	151,623
Additions	2,629	7,051
Disposals	(232)	(355)
Depreciation and amortization	(3,793)	(7,263)
Exchange adjustments	2,737	431
Assets classified as held for sale (Note 12)	(47,374)	–
	105,454	151,487

11. TRADE AND OTHER RECEIVABLES

	30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
Trade receivables, with ageing analysis:		
0 – 30 days	4,608	11
31 – 60 days	780	455
Over 60 days	1,301	5,441
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Total trade receivables	6,689	5,907
Deposits, prepayments and other receivables (<i>Note i</i>)	64,046	105,156
Amounts due from minority shareholders of subsidiaries (<i>Note ii</i>)	10,925	9,977
Amounts due from directors of subsidiaries (<i>Note ii</i>)	2,457	1,478
Amount due from a related company of subsidiary (<i>Note ii</i>)	18,406	16,302
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Total	102,523	138,820
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Notes:

- i. Deposits, prepayments and other receivables included a refundable deposit of approximately HK\$36 million which was related to acquisition of 浙江安賢陵園有限責任公司. A total of HK\$7,180,000 has been refunded at the date of this report. Details of information were set out in the circular of the Company dated 14 April 2008.
- ii. The amounts due from minority shareholders, directors and a related company of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 24 September 2010, Beijing Zhongmin Anyuan Investment Company Limited, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Loong Glory Global Investments Limited. The Disposal represents the 51% interest in the registered and paid-up capital of each of Xinjiang Ruilin Zhiye Company Limited and Neimenggu Shenghe Development Limited. It constituted a discloseable transaction under Chapter 19 of the GEM Listing Rules and details of information were set out in the Company's announcement dated 24 September 2010.

The Disposal is not a discontinued operation at 30 September 2010, as it does not represent a major line of business. The major classes of assets and liabilities of the disposal companies are as follows:

	30 September 2010 Unaudited HK\$'000
Assets classified as held for sale	
Fixed assets	47,374
Inventories	14,756
Trade and other receivables	15,344
Amounts due from minority shareholders of subsidiaries	1,581
Amounts due from directors of subsidiaries	1,516
Cash and bank balances	644
Total	81,215
Liabilities directly associated with assets classified as held for sale:	
Trade and other payables	22,589
Amounts due to minority shareholders of subsidiaries	2,188
Amounts due to directors of subsidiaries	1,998
Long-term payables	9,594
Total	36,369

13. TRADE AND OTHER PAYABLES

	30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
Trade payables, with ageing analysis:		
0 – 30 days	4,465	420
31 – 60 days	–	331
Over 60 days	12,322	13,949
Total trade payables	16,787	14,700
Other payables and accruals	61,434	77,531
Amounts due to minority shareholders of subsidiaries	–	2,142
Amounts due to directors of subsidiaries	516	3,691
Amounts due to related companies of subsidiaries	1,433	1,408
Total	80,170	99,472

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorized (ordinary share of HK\$0.04 each)		
At 31 March 2010 and 30 September 2010	5,000,000,000	200,000
Issued and fully paid (ordinary shares of HK\$0.04 each)		
At 31 March 2010 and 30 September 2010	1,731,786,138	69,272

15. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to the transaction and balances disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the period:

Compensation of key management personnel

The remuneration of Directors during the period is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2010	2009	2010	2009
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Short-term benefits	75	610	180	1,240
Post-employment benefits	-	9	2	18
	75	619	182	1,258

16. POST BALANCE SHEET EVENT

On 5 August 2010, the Company entered into the placing agreement (the "Placing Agreement") with Kingston Securities Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 346,000,000 new shares of the Company (the "Placing Shares") at a price of HK\$0.137 per Placing Share (the "Placing"), to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons (as defined in the GEM Listing Rules). Due to the decrease of the recent market price of the Shares, no Placing Share has been placed since 5 August 2010. Accordingly, the Placing Agreement lapsed at the end of 5 October 2010. As a result, all the obligations of each of the Company and the Placing Agent under the Placing Agreement have ceased and neither the Company nor the Placing Agent shall have any claim against the other parties for costs, damages, compensation or otherwise in connection with the Placing under mutual agreement.

On 8 October 2010, the Company and the Placing Agent entered into a new placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, 346,000,000 Placing Shares at a price of HK\$0.128 per Placing Share (the "Second Placing") to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons. The Second Placing was completed and the aggregated of 346,000,000 shares has been issued on 1 November 2010. The net proceeds of approximately HK\$43,000,000 from the Second Placing were intended to be used for the general working capital of the Group and/or further investments if suitable opportunities are identified in the future. Details of information and the meanings of the Capitalized terms used herein were set out in the Company's announcement dated on 8 October 2010 and 1 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months period ended 30 September 2010, the Group recorded an unaudited consolidated turnover of approximately HK\$40,228,000 (2009: HK\$44,902,000), representing a decrease of 10.41% as compared to the corresponding period in 2009.

Healthcare Products

The turnover of healthcare products for the period amounted to approximately HK\$4,505,000 (2009: HK\$13,305,000) and recorded a segmental loss of approximately HK\$54,000 (2009: HK\$2,000).

Electronic Components

During the period, the Group has commenced a new business on sales of electronic components. It is expected that it will continue to generate stable revenue and profit to the Group in the future.

The turnover of electronic components for the period amounted to approximately HK\$3,110,000 (2009: Nil) and recorded a segmental profit of approximately HK\$111,000 (2009: Nil).

Funeral and Related Businesses

The turnover of funeral and related businesses for the period amounted to approximately HK\$32,613,000 (2009: HK\$31,597,000) and recorded a segmental profit before finance costs and income tax of approximately HK\$4,796,000 (2009: HK\$3,413,000).

On 24 September 2010, Beijing Zhongmin Anyuan Investment Company Limited (the “**Vendor**”), the Company’s subsidiary, entered into the Disposal Agreement with Loong Glory Global Investments Limited (the “**Purchaser**”), an Independent Third Party, whereby the Vendor has agreed to sell, and the Purchaser has agreed to purchase the 51% interest in the registered and paid-up capital of each of Xinjiang Ruilin Zhiye Company Limited and Neimenggu Shenghe Development Limited (together, the “**Disposed Companies**”) at an aggregate consideration of RMB19,803,371 (approximately HK\$22,524,308), which shall be satisfied by the Purchaser issuing the Promissory Note to the Company’s subsidiary or its nominee(s) upon Completion. Having considered the loss making position of the Disposed Companies for the financial years of 2009 and 2010, the Board considers that (i) the Disposal would provide a good opportunity for the Group to discontinue the businesses of the Disposed Companies and will enable the Group to avoid any further losses that will possibly be incurred by the Disposed Companies in view of the uncertain operating environment; (ii) it enables the Group to focus its resources in the remaining businesses; (iii) the Disposal would also provide additional cash and allow the Group to redeploy its resources to other investment opportunities; and (iv) no further capital injection will be required for the Disposed Companies. The Board is therefore of the opinion that the Disposal represents a good opportunity for the Company to dispose the Disposed Companies. The Disposal constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and details of information were set out in the Company’s announcement dated 24 September 2010. The Disposal was completed on 4 October 2010.

The administrative and operating expenses for the period amounted to approximately HK\$18,037,000 (2009: HK\$18,001,000). During the period, the Group recorded share-based payments in operating expenses of HK\$1,491,000 (2009: Nil) related to share options granted to certain consultants of the Group.

The loss for the six months ended 30 September 2010 attributable to the owners of the Company was approximately HK\$1,255,000 (2009: HK\$1,877,000) and the loss per share for the six months ended 30 September 2010 was 0.07 HK cents (2009: 0.16 HK cents).

Prospects

The Board expects that the global economic environment will remain challenging and uncertain for the year 2010. 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 September 2010, the total net current assets of the Group were approximately HK\$197,191,000 as compared to net current assets of approximately HK\$156,326,000 at 31 March 2010.

As at 30 September 2010, the Group had the bank borrowing approximately HK\$4,632,000 (31 March 2010: HK\$3,412,000) and the interest expenses for the six months period were approximately HK\$528,000 (2009: HK\$439,000) of which HK\$448,000 (2009: HK\$439,000) was imputed interest expenses on capitalized land lease payments.

As at 30 September 2010, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 28% (31 March 2010: 26.8%).

FOREIGN EXCHANGE EXPOSURE

The business of the Group was primarily transacted in Hong Kong Dollars, United States Dollars and Renminbi and the Board considers that the impact of foreign exchange exposure of the Group is minimal.

SIGNIFICANT INVESTMENTS

As at 30 September 2010 and 2009, the Group did not have significant investments.

CONTINGENT LIABILITIES

As at 30 September 2010 and 2009, the Group did not have material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2010, the Group employed a total of 192 (2009: 232) full-time employees. During the six months ended 30 September 2010, the total remuneration to employees, including directors' emoluments amounted to approximately HK\$6,231,000 (2009: HK\$6,890,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice.

MATERIAL EVENT

On 18 June 2010, China Boon Holdings Limited (the "**China Boon**") (Stock code: 922) which is listed on the main board of the Stock Exchange, entered into the Agreement (the "**Agreement**") with Shi Hua, Shi Jun, Shen Mingzhen, Chen Jinjuan, Lu Guofu and Pan Guoqiang (the "**Vendors**"), 浙江富安移民經濟發展有限公司 (the "**浙江富安**") (in English, for identification purpose only, Zhejiang Fu An Immigration Economic Development Company Limited) and the 浙江安賢陵園有限責任公司 (in English, for identification purpose, Zhejiang Anxing Yuan Company Limited) (the "**Project Company**"), pursuant to which China Boon conditionally agreed to nominate a PRC citizen to acquire from the Vendors an aggregate of 41.2% of the entire equity interest in the Project Company at a total consideration of RMB105,468,750 (equivalent to approximately HK\$120,535,714).

The Company has entered into the Sale and Purchase Agreement with Zhongmin Industry Company Limited (the "**Zhongmin**") for acquiring from the Zhongmin the entire issued and paid up share capital of Beijing Zhongmin Anyuan Investment Company Limited (the "**Target Company**"). The Target Company had entered into the eight acquisition agreements with the respective owners of the Cemetery Companies which entitle the Target Company the rights to acquire the Cemetery Companies. The Project Company is one of the Cemetery Companies in the eight acquisition agreements. The Company has already paid approximately HK\$36 million to the Zhongmin for the deposit and has the right to acquire the Project Company before 19 September 2016.

The Board is aware of the above matter. Therefore, we discuss and negotiate with 浙江富安 for dealing with it. As a result, 浙安富安 has refunded HK\$7,180,000 to the Company at the date of this report and agreed to refund the remaining balance on or before 30 June 2011. Therefore, no provision for the doubtful debts regarding to recoverability of the deposit paid at the date of this report.

Details of information were set out in the Company's circular dated on 14 April 2008 and the China Boon's announcement and circular dated on 5 July 2010, 21 October 2010 and 5 November 2010.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2010, 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:

Long positions in the shares of the Company (the “Shares”)

Name of Director	Type of interests	Number of shares	Interest in the Company's share capital
Chu Hon Pong	Personal	155,150,967 (Note)	8.96%

Note:

- (i) These Shares are pledged to Premier Rise Investments Limited.
- (ii) The approximate percentage of shareholding is calculated based on the issued share capital of the Company of 1,731,786,138 Shares as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, 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

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 4 August 2010. The Company has adopted and approved a share option scheme (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. No share options were exercised during the six months ended 30 September 2010. No option has been granted by the Company under the Share Option Scheme during the period under review or outstanding as at 30 September 2010.

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, HK\$1,491,000 of the expense has been included in the consolidated statement of comprehensive income for the six months ended 30 September 2010 (2009: Nil), 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

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 2010, 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:

Long positions in the Shares

Name of shareholder	Direct/indirect interest in shares	Approximate percentage of shareholding
Chu Hon Pong	155,150,967 (Note)	8.96%

Note:

- (i) These Shares are pledged to Premier Rise Investments Limited.
- (ii) The approximate percentage of shareholding is calculated based on the issued share capital of the Company of 1,731,786,138 Shares as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, 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 2010, 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. 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. The Group's unaudited consolidated results for the six months ended 30 September 2010 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. Chi Chi Hung, Kenneth, Dr. Wong Yun Kuen and Mr. Man Kwok Leung, and one executive director Mr. Chui Kwong Kau. Mr. Chui Kwong Kau is 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 2010.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the six months ended 30 September 2010 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 2010, 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 2010.

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

Hong Kong, 12 November 2010

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.