



ZMAY HOLDINGS LIMITED

中民安園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8085

T h i r d   Q u a r t e r l y   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”)**

**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 herein or this report misleading.*

**SUMMARY**

For the nine months ended 31 December 2010:

- the turnover was approximately HK\$60,936,000;
- the loss attributable to owners of the Company was approximately HK\$2,280,000; and
- the Board does not recommend the payment of any interim dividend.

### THIRD 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 (together, the “**Group**”) for the nine months ended 31 December 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2010 Unaudited HK\$'000	2009 Unaudited HK\$'000	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Turnover	3	<b>20,708</b>	15,974	<b>60,936</b>	60,876
Cost of sales		<b>(12,848)</b>	(6,235)	<b>(34,159)</b>	(32,335)
Gross profit		<b>7,860</b>	9,739	<b>26,777</b>	28,541
Other revenue and net income	3	<b>441</b>	137	<b>1,665</b>	146
Administrative and other operating expenses		<b>(7,917)</b>	(13,876)	<b>(25,954)</b>	(31,877)
Finance costs	4	<b>(74)</b>	(315)	<b>(602)</b>	(754)
Profit/(loss) before tax	6	<b>310</b>	(4,315)	<b>1,886</b>	(3,944)
Income tax	7	<b>(569)</b>	(56)	<b>(1,745)</b>	(1,002)
Profit/(loss) for the period		<b>(259)</b>	(4,371)	<b>141</b>	(4,946)
Other comprehensive income:					
Fair value adjustment on available-for-sale investments		<b>9,402</b>	–	<b>9,402</b>	–
Exchange difference arising on translation of foreign operations		<b>1,886</b>	70	<b>4,596</b>	118
Total comprehensive income for the period		<b>11,029</b>	(4,301)	<b>14,139</b>	(4,828)
Profit/(loss) attributable to:					
– owners of the Company		<b>(1,025)</b>	(3,386)	<b>(2,280)</b>	(5,263)
– non-controlling interests		<b>766</b>	(985)	<b>2,421</b>	317
		<b>(259)</b>	(4,371)	<b>141</b>	(4,946)
Total comprehensive income attributable to:					
– owners of the Company		<b>9,398</b>	(3,289)	<b>9,433</b>	(5,142)
– non-controlling interests		<b>1,631</b>	(1,012)	<b>4,706</b>	314
		<b>11,029</b>	(4,301)	<b>14,139</b>	(4,828)
Loss per share (HK cent)	9				
– Basic		<b>(0.05)</b>	(0.28)	<b>(0.13)</b>	(0.44)
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## 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 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) 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 the 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 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. TURNOVER, OTHER REVENUE AND NET INCOME

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

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

	Three months ended 31 December		Nine months ended 31 December	
	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
<b>Turnover</b>				
Sales of healthcare products	6,031	3,925	10,536	17,230
Sales of electronic components	5,055	–	8,165	–
Funeral and related businesses	9,622	12,049	42,235	43,646
	<b>20,708</b>	15,974	<b>60,936</b>	60,876
<b>Other revenue and net income</b>				
Interest income	62	13	86	14
Sundry income	379	124	1,579	132
	<b>441</b>	137	<b>1,665</b>	146

## 4. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2010	2009	2010	2009
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Interest expenses on bank borrowing wholly repayable with one year	74	91	154	91
Imputed interest expense on capitalized land payments	-	224	448	663
	<b>74</b>	<b>315</b>	<b>602</b>	<b>754</b>

## 5. 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 nine months ended 31 December 2010 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	10,536	17,230	8,165	-	42,235	43,646	60,936	60,876
Segment results	4	(92)	244	-	6,760	1,346	7,008	1,254
Unallocated corporate income							84	132
Unallocated corporate expenses							(4,604)	(4,576)
Finance costs							(602)	(754)
Income tax							(1,745)	(1,002)
Profit/(loss) for the period							<b>141</b>	<b>(4,946)</b>

**(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	
	31/12/2010	31/03/2010	31/12/2010	31/03/2010	31/12/2010	31/03/2010	31/12/2010	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	9,756	7,644	3,011	-	226,230	315,273	238,997	322,917
Goodwill	-	-	-	-	9,286	9,286	9,286	9,286
Unallocated assets							197,109	87,780
Consolidated assets							445,392	419,983
Segment liabilities	2,068	11	2,766	-	94,895	112,070	99,729	112,081
Unallocated liabilities							706	572
Consolidated liabilities							100,435	112,653
Capital expenditure	-	-	-	-	8,310	7,040	8,310	7,040
Unallocated capital expenses							1,440	11
							9,750	7,051
Depreciation and amortization	-	-	-	-	5,352	7,224	5,352	7,224
Unallocated depreciation and amortization							146	39
							5,498	7,263

(c) **Geographical information**

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

	Turnover by geographical markets for the nine months ended		Non-current assets as at	
	31/12/2010 Unaudited HK\$'000	31/12/2009 Unaudited HK\$'000	31/12/2010 Unaudited HK\$'000	31/03/2010 Audited HK\$'000
Hong Kong	11,758	17,230	1,336	42
PRC	49,178	43,646	168,198	160,731
	<b>60,936</b>	60,876	<b>169,534</b>	160,773

6. **PROFIT/(LOSS) BEFORE TAX**

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

	Three months ended 31 December		Nine months ended 31 December	
	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Staff costs (including directors' emoluments)				
– salaries and allowance	2,601	4,392	8,359	11,031
– contributions of defined contributions retirement benefits schemes	71	421	544	672
	<b>2,672</b>	4,813	<b>8,903</b>	11,703
Depreciation of property, plant and equipment	1,705	2,157	5,498	5,997
Operating lease rentals in respect of rented premises	40	161	100	463
Loss on disposal of subsidiaries	68	–	68	–
Share-based payments to consultants	1,194	–	2,685	–



## 7. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2010	2009	2010	2009
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
PRC enterprise income tax	569	56	1,745	1,002

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 nine months ended 31 December 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 31 December		Nine months ended 31 December	
	2010	2009	2010	2009
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Loss for the period attributable to the owners of the Company	1,025	3,386	2,280	5,263

Weighted average number of ordinary shares for the purpose of basic loss per share	1,961,199,181	1,203,786,138	1,808,535,229	1,203,786,138
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The diluted loss per share for the periods ended 31 December 2010 and 2009 has not been presented as the potential share 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. CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to the owners of the Company									
	Share Capital	Share premium	Special reserve	Translation reserve	Investment revaluation reserve	Share options 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 2009	48,152	192,994	(39,998)	(1,243)	-	8,487	(27,182)	181,210	83,718	264,928
(Loss)/profit for the period	-	-	-	-	-	-	(5,263)	(5,263)	317	(4,946)
Exchange differences arising on translation of foreign operations	-	-	-	121	-	-	-	121	(3)	118
Total comprehensive income for the period	-	-	-	121	-	-	(5,263)	(5,142)	314	(4,828)
Transfer upon share options lapsed	-	-	-	-	-	(8,487)	8,487	-	-	-
At 31 December 2009	48,152	192,994	(39,998)	(1,122)	-	-	(23,958)	176,068	84,032	260,100
At 1 April 2010	69,272	259,892	(39,998)	(979)	-	-	(58,464)	229,723	77,607	307,330
(Loss)/profit for the period	-	-	-	-	-	-	(2,280)	(2,280)	2,421	141
Fair value adjustment on available-for-sale investments	-	-	-	-	9,402	-	-	9,402	-	9,402
Exchange differences arising on translation of foreign operations	-	-	-	2,311	-	-	-	2,311	2,285	4,596
Total comprehensive income for the period	-	-	-	2,311	9,402	-	(2,280)	9,433	4,706	14,139
Issue of ordinary shares under share subscriptions	13,840	29,216	-	-	-	-	-	43,056	-	43,056
Share-based payments to consultants	-	-	-	-	-	2,685	-	2,685	-	2,685
Disposal of subsidiaries	-	-	-	(279)	-	-	-	(279)	(21,974)	(22,253)
At 31 December 2010	83,112	289,108	(39,998)	1,053	9,402	2,685	(60,744)	284,618	60,339	344,957

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

For the nine months ended 31 December 2010, the Group recorded an unaudited consolidated turnover of approximately HK\$60,936,000 (2009: HK\$60,876,000), representing a slightly increase of 0.1% as compared to the corresponding period in 2009.

#### *Healthcare Products*

The turnover of healthcare products for the period amounted to approximately HK\$10,536,000 (2009: HK\$17,230,000) and recorded a segmental profit of approximately HK\$4,000 (2009: loss of HK\$92,000).

#### *Electronic Components*

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

The turnover of electronic components for the period amounted to approximately HK\$8,165,000 (2009: Nil) and recorded a segmental profit of approximately HK\$244,000 (2009: Nil).

#### *Funeral and Related Businesses*

The turnover of funeral and related businesses for the period amounted to approximately HK\$42,235,000 (2009: HK\$43,646,000) and recorded a segmental profit before finance costs and income tax of approximately HK\$6,760,000 (2009: HK\$1,346,000).

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 other operating expenses for the period amounted to approximately HK\$25,954,000 (2009: HK\$31,877,000). During the nine months period, the Group recorded share-based payments in operating expenses of HK\$2,658,000 (2009: Nil) related to share options granted to certain consultants of the Group.

During the period, the group recorded a fair value adjustment on available-for-sale investments of approximately HK\$9,402,000 (2009: Nil) in other comprehensive income and investment revaluation reserve. The available-for-sale investments represent the investment on the listed equity securities in Hong Kong for long term investments purpose.

The loss for the nine months ended 31 December 2010 attributable to the owners of the Company was approximately HK\$2,280,000 (2009: HK\$5,263,000) and the loss per share for the nine months ended 31 December 2010 was 0.13 HK cents (2009: 0.44 HK cents).

### **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 31 December 2010, the total net current assets of the Company were approximately HK\$175,423,000 as compared to net current assets of approximately HK\$156,326,000 as at 31 March 2010.

As at 31 December 2010, the Group had the bank borrowings approximately HK\$4,701,000 (31 March 2010: HK\$3,412,000) and the interest expenses for the nine months period were approximately HK\$602,000 (2009: HK\$754,000) of which HK\$448,000 (2009: HK\$663,000) was imputed interest expenses on capitalized land lease payments.

As at 31 December 2010, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 22.5% (31 March 2010: 26.8%).

On 8 October 2010, the Company and Kingston Securities Limited (the "**Placing Agent**") entered into the 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 net proceeds of approximately HK\$43,000,000 from the Placing were intended to be used for the general working capital of the Group and/or further investment if suitable opportunities are identified in the future. The placing of new shares was completed and the Placing Shares were issued on 1 November 2010. Details of information and the meanings of the Capitalized terms used herein were set out in the Company's announcements dated on 8 October 2010 and 1 November 2010.

## 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 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\$36,000,000 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, and this is on the progress. As a result, 浙江富安 has refunded of approximately HK\$14,049,000 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 announcements and circular dated on 5 July 2010, 21 October 2010 and 5 November 2010.

## OTHER INFORMATION

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

As at 31 December 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 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 nine months ended 31 December 2010 and the total outstanding share options were 293,376,000 as at 31 December 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, approximately HK\$2,685,000 of the expense has been included in the consolidated statement of comprehensive income for the nine months ended 31 December 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

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 SHAREOLDERS**

As at 31 December 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 31 December 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 nine months ended 31 December 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 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 31 December 2010.

### **CORPORATE GOVERNANCE CODE COMPLIANCE**

The Company has complied throughout the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2010.

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

Hong Kong, 14 February 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.*