



ZMAY

HOLDINGS LIMITED

INTERIM REPORT

中民安園控股有限公司

2011/12

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8085

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SUMMARY

For the six months ended 30 September 2011:

- the turnover was approximately HK\$35,216,000;
- the loss attributable to owners of the Company was approximately HK\$24,242,000;
and
- the Board does not recommend the payment of any interim dividend.

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Six months ended 30 September	
		2011 Unaudited HK\$'000	2010 Unaudited HK\$'000	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Turnover	4	17,804	23,483	35,216	40,228
Cost of sales		(13,712)	(13,174)	(25,181)	(21,311)
Gross profit		4,092	10,309	10,035	18,917
Other revenue and net income	4	711	534	1,415	1,224
Administrative and other operating expenses		(27,144)	(9,132)	(34,988)	(18,037)
Finance costs	5	(66)	(247)	(151)	(528)
(Loss)/profit before tax	6	(22,407)	1,464	(23,689)	1,576
Income tax	7	(216)	(654)	(607)	(1,176)
(Loss)/profit for the period		(22,623)	810	(24,296)	400
Other comprehensive income:					
Reclassification of available-for-sale investments upon disposal		22,005	—	1,026	—
Exchange difference arising on translation of foreign operations		2,516	1,410	4,120	2,710
Total comprehensive income for the period		1,898	2,220	(19,150)	3,110
(Loss)/profit attributable to:					
— owners of the Company		(22,416)	(263)	(24,242)	(1,255)
— non-controlling interests		(207)	1,073	(54)	1,655
		(22,623)	810	(24,296)	400
Total comprehensive income attributable to:					
— owners of the Company		949	332	(20,987)	35
— non-controlling interests		949	1,888	1,837	3,075
		1,898	2,220	(19,150)	3,110
Loss per share					
— Basic and diluted (HK cents)	9	(1.08)	(0.02)	(1.17)	(0.07)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2011 Unaudited HK\$'000	As at 31 March 2011 Audited HK\$'000
	Notes		
Non-current assets			
Fixed assets	10	110,914	111,028
Goodwill		8,522	8,522
Available-for-sale investments		—	57,747
		119,436	177,297
Current assets			
Inventories		39,909	41,271
Trade and other receivables	11	105,090	114,686
Cash and bank balances		160,241	99,961
		305,240	255,918
Current liabilities			
Bank borrowing		—	4,749
Trade and other payables	13	114,092	101,568
		114,092	106,317
Net current assets		191,148	149,601
Net assets		310,584	326,898
Capital and reserves			
Share capital	14	83,112	83,112
Reserves		168,201	186,352
Equity attributable to the owners of the Company		251,313	269,464
Non-controlling interests		59,271	57,434
Total equity		310,584	326,898

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company									
	Share capital	Share premium	Special reserve	Share options reserve	Investments revaluation reserve	Translation reserve	Accumulated losses	Total	Non-controlling 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	Unaudited HK\$'000
At 1 April 2010	69,272	259,892	(39,998)	—	—	(979)	(58,464)	229,723	77,607	307,330
(Loss)/profit for the period	—	—	—	—	—	—	(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)	1,491	—	311	(59,719)	231,249	80,682	311,931
At 1 April 2011	83,112	289,108	(39,998)	4,102	(1,026)	1,560	(67,394)	269,464	57,434	326,898
(Loss)/profit for the period	—	—	—	—	—	—	(24,242)	(24,242)	(54)	(24,296)
Reclassification of available-for-sale investments upon disposal	—	—	—	—	1,026	—	—	1,026	—	1,026
Exchange differences arising on translation of foreign operations	—	—	—	—	—	2,229	—	2,229	1,891	4,120
Total comprehensive income for the period	—	—	—	—	1,026	2,229	(24,242)	(20,987)	1,837	(19,150)
Recognition of equity-settled share-based payments	—	—	—	2,836	—	—	—	2,836	—	2,836
At 30 September 2011	83,112	289,108	(39,998)	6,938	—	3,789	(91,636)	251,313	59,271	310,584

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2011	2010
	Unaudited	Unaudited
Notes	HK\$'000	HK\$'000
Net cash flows from operating activities	5,342	37,481
Net cash flows from/(used in) investing activities	59,299	(2,373)
Net cash flows (used in)/from financing activities	(4,900)	1,140
Net increase in cash and cash equivalents	59,741	36,248
Effect of foreign exchange rate changes	539	(26)
Cash and cash equivalents at the beginning of the period	99,961	72,657
Cash and cash equivalents at the end of the period	160,241	108,879
Analysis of cash and cash equivalents		
Cash and bank balances	160,241	108,235
Cash and bank balances transferred to assets classified as held for sale	12	644
	160,241	108,879

NOTES TO CONDENSED INTERIM 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 GEM of the Stock Exchange since 7 March 2002.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with the disclosure requirements of the GEM Listing Rules.

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

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

3. SEGMENT INFORMATION

The Group's 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 four operating and reportable segments: (i) sale of healthcare products; (ii) sale of electronic components; (iii) funeral and related businesses; and (iv) securities investments. Information regarding the above segments for the six months ended 30 September 2011 and 2010 are as follows:

(a) Segment revenues and results

For the six months ended 30 September 2011	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Securities investments Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	8,632	9,557	17,027	—	35,216
Segment results	78	29	233	(19,881)	(19,541)
Unallocated corporate income					258
Unallocated corporate expenses					(4,255)
Finance costs					(151)
Income tax					(607)
Loss for the period					<u>(24,296)</u>
For the six months ended 30 September 2010	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Securities investments Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	4,505	3,110	32,613	—	40,228
Segment results	(54)	111	4,796	—	4,853
Unallocated corporate income					23
Unallocated corporate expenses					(2,772)
Finance costs					(528)
Income tax					(1,176)
Profit for the period					<u>400</u>

(b) Segment assets and liabilities

As at 30 September 2011	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Securities investments Unaudited HK\$'000	Total Unaudited HK\$'000
Segment assets	10,752	184	239,548	—	250,484
Goodwill	—	—	8,522	—	8,522
Unallocated assets					<u>165,670</u>
Consolidated assets					<u><u>424,676</u></u>
Segment liabilities	2,995	73	110,723	—	113,791
Unallocated liabilities					<u>301</u>
Total liabilities					<u><u>114,092</u></u>
As at 30 September 2010	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Securities investments Unaudited HK\$'000	Total Unaudited HK\$'000
Segment assets	9,097	3,110	324,379	—	336,586
Goodwill	—	—	9,286	—	9,286
Unallocated assets					<u>87,230</u>
Consolidated assets					<u><u>433,102</u></u>
Segment liabilities	1,466	2,999	115,375	—	119,840
Unallocated liabilities					<u>1,331</u>
Total liabilities					<u><u>121,171</u></u>

(c) Geographical information

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

	Turnover by geographical markets for the six months ended		Non-current assets as at	
	30/09/2011 Unaudited HK\$'000	30/09/2010 Unaudited HK\$'000	30/09/2011 Unaudited HK\$'000	30/09/2010 Unaudited HK\$'000
Hong Kong	8,632	4,505	1,175	1,416
PRC	26,584	35,723	118,261	113,324
	35,216	40,228	119,436	114,740

4. TURNOVER, OTHER REVENUE AND NET INCOME

	Three months ended 30 September		Six months ended 30 September	
	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Turnover				
Sales of healthcare products	5,279	3,199	8,632	4,505
Sales of electronic components	5,364	3,110	9,557	3,110
Funeral and related businesses	7,161	17,174	17,027	32,613
	17,804	23,483	35,216	40,228
Other revenue and net income				
Interest income	174	—	260	24
Sundry income	537	534	1,155	1,200
	711	534	1,415	1,224

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Interest expenses on bank borrowing wholly repayable within one year	66	23	151	80
Imputed interest expense on capitalized land payments	—	224	—	448
	66	247	151	528

6. (LOSS)/PROFIT BEFORE TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Staff costs (including Directors' emoluments)				
— salaries and allowance	1,763	3,106	3,677	5,758
— contributions of defined contributions retirement benefits schemes	42	375	50	473
	1,805	3,481	3,727	6,231
Loss on disposal of available-for-sale investments	19,881	—	19,881	—
Depreciation of property, plant and equipment	2,043	1,802	4,050	3,793
Operating lease rentals in respect of rented premises	51	30	102	60
Share-based payments to consultants	1,418	745	2,836	1,491

7. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
PRC enterprise income tax	216	654	607	1,176

No provision for the Hong Kong profits tax has been made as the Group had no assessable profits for the period (2010: Nil).

PRC enterprise income tax has been provided for at the rate of 25% on the estimated assessable profits arising in the PRC.

No deferred tax has been recognized for the period as there are no material temporary differences which will result in a liability to be payable in the foreseeable future and the stream of taxable profits which will be available to utilize the tax losses is unpredictable.

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2011 (2010: Nil).

9. LOSS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Loss for the period attributable to the owners of the Company	22,416	263	24,242	1,255

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Weighted average number of ordinary shares for the purpose of basic loss per share	2,077,786,138	1,731,786,138	2,077,786,138	1,731,786,138

The diluted loss per share for the periods ended 30 September 2011 and 2010 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 2011 Unaudited HK\$'000	31 March 2011 Audited HK\$'000
Opening net book amount	111,028	151,487
Additions	354	9,475
Disposals of subsidiaries	—	(52,580)
Depreciation and amortization	(4,050)	(8,008)
Eliminated on disposal of subsidiaries	—	5,207
Exchange adjustments	3,582	5,447
	110,914	111,028

11. TRADE AND OTHER RECEIVABLES

	30 September 2011 Unaudited HK\$'000	31 March 2011 Audited HK\$'000
Trade receivables, with ageing analysis:		
0–30 days	2,862	715
31–60 days	454	101
Over 60 days	2,817	3,066
Total trade receivables	6,133	3,882
Deposits, prepayments and other receivables (<i>Note i</i>)	34,323	30,402
Promissory note receivable	2,024	22,524
Amounts due from minority shareholders of subsidiaries (<i>Note ii</i>)	39,271	36,180
Amounts due from directors of subsidiaries (<i>Note ii</i>)	2,863	1,925
Amount due from a related company of subsidiary (<i>Note ii</i>)	20,476	19,773
Total	105,090	114,686

Notes:

- i. Deposits, prepayments and other receivables included a refundable deposit paid of approximately HK\$36 million which was related to acquisition of Zhejiang Anxing Yuan Company Limited. A total of approximately HK\$17 million 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 in relation to the disposal of 51% interest in the registered and paid-up capital of each of Xinjiang Ruilin Zhiye Company Limited and Neimenggu Shenghe Development Limited (the "Disposal"). 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 2011 Unaudited HK\$'000	31 March 2011 Audited HK\$'000
Trade payables, with ageing analysis:		
0–30 days	2,967	707
Over 60 days	15,374	19,527
Total trade payables	18,341	20,234
Other payables and accruals	89,770	75,544
Amounts due to directors of subsidiaries	4,755	4,603
Amounts due to related companies of subsidiaries	1,226	1,187
Total	114,092	101,568

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorized (ordinary shares of HK\$0.04 each)		
At 31 March 2010 and 30 September 2011	5,000,000,000	200,000
Issued and fully paid (ordinary shares of HK\$0.04 each)		
At 31 March 2010	1,731,786,138	69,272
Issue of new shares under share placing (<i>Note</i>)	346,000,000	13,840
At 31 March 2011 and 30 September 2011	2,077,786,138	83,112

Note: On 1 November 2010, 346,000,000 shares of the Company were issued to places at a total consideration of HK\$44,288,000 of which HK\$13,840,000 was credited to share capital account and the net balance after expenses of HK\$29,216,000 was credited to share premium account.

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		Six months ended	
	30 September		30 September	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	75	75	150	180
Post-employment benefits	—	—	—	2
	75	75	150	182

16. POST BALANCE SHEET EVENT

On 27 September 2011, the Company and Celestial Capital 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 best effort basis, a maximum of 415,000,000 Placing Shares at a price of HK\$0.069 per Placing Share. The Placing was completed and the aggregated of 415,000,000 shares were issued on 12 October 2011. The net proceeds from the Placing amount to approximately HK\$27,800,000 were intended to be used for general working capital of the Group and/or for further investment. Details of information and the meanings of the capitalized terms used herein were set out in the Company's announcements dated on 27 September 2011 and 12 October 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months period ended 30 September 2011 under review, the Group recorded a turnover of approximately HK\$35,216,000 (2010: HK\$40,228,000), representing a decrease of 12.5% as compared to the last period in 2010.

The administrative and other operating expenses for the period amounted to approximately HK\$34,988,000 (2010: HK\$18,037,000), which included a non-cash expenses of HK\$2,836,000 (2010: HK\$1,491,000) relating to the share-based payments to certain consultants of the Company. The significant increase in expenses during the period was mainly attributable to the loss on disposal of available-for-sale investments of approximately HK\$19,881,000 (2010: Nil).

The loss for the six months ended 30 September 2011 attributable to the owners of the Company was approximately HK\$24,242,000 (2010: HK\$1,255,000) and the loss per share for the six months ended 30 September 2011 was 1.17 HK cents (2010: 0.07 HK cents).

Healthcare Products

The turnover of healthcare products for the period amounted to approximately HK\$8,632,000 (2010: HK\$4,505,000) and recorded a segmental profit of approximately HK\$78,000 (2010: loss of HK\$54,000).

Electronic Components

The turnover of electronic components for the period amounted to approximately HK\$9,557,000 (2010: HK\$3,110,000) and recorded a segmental profit of approximately HK\$29,000 (2010: HK\$111,000).

Funeral and Related Businesses

The turnover of funeral and related businesses for the period amounted to approximately HK\$17,027,000 (2010: HK\$32,613,000) and recorded a segmental profit of approximately HK\$233,000 (2010: HK\$4,796,000).

Prospects

The global economic environment is expected to be challenging and uncertain for the year 2011. The Board 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 2011, the total net current assets of the Group was approximately HK\$191,148,000 as compared to net current assets of approximately HK\$149,601,000 at 31 March 2011.

As at 30 September 2011, the Group had no outstanding bank borrowing (31 March 2011: HK\$4,749,000) and the interest expenses for the six months period were approximately HK\$151,000 (2010: HK\$528,000 of which HK\$448,000 was imputed interest expenses on capitalized land lease payments).

As at 30 September 2011, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 26.9% (31 March 2011: 24.5%).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong Dollars, United States Dollars and Renminbi and considers that the impact of foreign exchange exposure of the Group is minimal.

Significant Investments

As at 30 September 2011, the Group did not have any significant investments.

Contingent Liabilities

As at 30 September 2011, the Group did not have any material contingent liabilities.

Employee Information

As at 30 September 2011, the Group employed a total of 130 (2010: 192) full-time employees. During the six months ended 30 September 2011, the total remuneration to employees, including Directors' emoluments amounted to approximately HK\$3,727,000 (2010: HK\$6,231,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice.

OTHER INFORMATION

Directors' and Chief Executives' Interests in Securities

As at 30 September 2011, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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 Rule 5.46 of the GEM Listing Rules.

Share Option Scheme

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

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

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

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

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

Given that the Old Share Option Scheme will expire shortly on 14 January 2012, 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\$2,836,000 (2010: HK\$1,491,000) of the expense has been included in the consolidated statement of comprehensive income for the six months ended 30 September 2011, the corresponding amount of which has been credited to share options reserve. No liabilities were recognized due to the share-based payments transactions.

Directors' Rights to Acquire Shares or Debentures

At no time during the reporting period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right.

Substantial Shareholders

As at 30 September 2011, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Disclosure of Information on Director Pursuant to Rule 17.50A(1) of the GEM Listing Rules

During the reporting period, Mr. Chi Chi Hung, Kenneth, an independent non-executive Director and chairman of the audit committee, was appointed as an independent non-executive director of Interchina Holdings Limited (stock code: 202) with effect from 4 October 2011.

Competing Interests

As at 30 September 2011, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group.

Audit Committee

An audit committee was established with written terms of reference in compliance with the relevant GEM Listing Rules. The audit committee comprises three independent non-executive Directors (the "INEDs"), namely, Mr. Chi Chi Hung, Kenneth, being the chairman of the audit committee, Dr. Wong Yun Kuen and Mr. Man Kwok Leung. The primary duties of the audit committee are to review and provide supervision over the financial reporting system and internal control procedures of the Group. These unaudited consolidated results for the six months ended 30 September 2011 have been reviewed by the audit committee.

Remuneration Committee

A remuneration committee has been established with written terms of reference in accordance with the requirements of the Code on Corporate Governance Practices. The remuneration committee comprises one executive Director Mr. Chui Kwong Kau, being the chairman of the remuneration committee and three INEDs, namely Mr. Chi Chi Hung, Kenneth, Dr. Wong Yun Kuen and Mr. Man Kwok Leung. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy, 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 2011.

Corporate Governance Code Compliance

The Company has complied throughout the six months ended 30 September 2011 with the code provisions set out in the Code on Corporate Governance Practices contained in appendix 15 of the GEM Listing Rules.

Purchase, Sale or Redemption of Shares

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Board Practices and Procedures

The Company has complied with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules throughout the six months ended 30 September 2011.

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

Hong Kong, 10 November 2011

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