



ZMAY

HOLDINGS LIMITED THIRD QUARTERLY 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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*This report, for which the directors (the “**Directors**”) of ZMAY Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, 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.*

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company’s website at www.zmayholdings.com.

SUMMARY

For the nine months ended 31 December 2011:

- the turnover was approximately HK\$51,303,000;
- the loss attributable to owners of the Company was approximately HK\$24,019,000;
and
- the Board does not recommend the payment of any interim dividend.

THIRD QUARTERLY RESULTS

The board (the “Board”) of Directors of the Company hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 31 December 2011, together with the unaudited comparative figures for the corresponding period in 2010 as follows:

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2011 Unaudited HK\$'000	2010 Unaudited HK\$'000	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Turnover	3	16,087	20,708	51,303	60,936
Cost of sales		(8,862)	(12,848)	(34,043)	(34,159)
Gross profit		7,225	7,860	17,260	26,777
Other revenue and net income	3	557	441	1,972	1,665
Administrative and other operating expenses		(6,527)	(7,917)	(41,515)	(25,954)
Finance costs	4	(92)	(74)	(243)	(602)
Profit/(loss) before tax	6	1,163	310	(22,526)	1,886
Income tax	7	(360)	(569)	(967)	(1,745)
Profit/(loss) for the period		803	(259)	(23,493)	141
Other comprehensive income:					
Fair value adjustment on available-for-sale investments		—	9,402	1,026	9,402
Exchange difference arising on translation of foreign operations		760	1,886	4,880	4,596
Total comprehensive income for the period		1,563	11,029	(17,587)	14,139
Profit/(loss) attributable to:					
— owners of the Company		223	(1,025)	(24,019)	(2,280)
— non-controlling interests		580	766	526	2,421
		803	(259)	(23,493)	141
Total comprehensive income attributable to:					
— owners of the Company		633	9,398	(20,354)	9,433
— non-controlling interests		930	1,631	2,767	4,706
		1,563	11,029	(17,587)	14,139
Earnings/(loss) per share (HK cent)	9				
— Basic		0.01	(0.05)	(1.09)	(0.13)
— Diluted		N/A	N/A	N/A	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 GEM of the Stock Exchange since 7 March 2002.

The Company is an investment holding company. The Group is principally engaged in (i) the sale of healthcare products in Hong Kong; (ii) the 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 ("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 has not applied the new HKFRSs that have been issued but are not yet effective.

3. TURNOVER, OTHER REVENUE AND NET INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Turnover				
Sale of healthcare products	3,921	6,031	12,553	10,536
Sale of electronic components	5,187	5,055	14,744	8,165
Funeral and related businesses	6,979	9,622	24,006	42,235
	16,087	20,708	51,303	60,936
Other revenue and net income				
Interest income	208	62	468	86
Sundry income	349	379	1,504	1,579
	557	441	1,972	1,665

4. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000	2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Interest expenses on bank borrowing wholly repayable within one year	92	74	243	154
Imputed interest expense on capitalized land payments	—	—	—	448
	92	74	243	602

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 four operating and reportable segments: (i) the sale of healthcare products; (ii) the sale of electronic components; (iii) funeral and related businesses; and (iv) securities investments.

Information regarding the above segments for the nine months ended 31 December 2011 and 2010 are as follows:

(a) Segment revenues and results

For the nine months ended 31 December 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	12,553	14,744	24,006	—	51,303
Segment results	117	59	1,795	(17,203)	(15,232)
Unallocated corporate income					465
Unallocated corporate expenses					(7,516)
Finance costs					(243)
Income tax					(967)
Loss for the period					<u>(23,493)</u>
For the nine months ended 31 December 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	10,536	8,165	42,235	—	60,936
Segment results	4	244	6,760	—	7,008
Unallocated corporate income					84
Unallocated corporate expenses					(4,604)
Finance costs					(602)
Income tax					(1,745)
Profit for the period					<u>141</u>

(b) Segment assets and liabilities

As at 31 December 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	8,747	214	281,335	22,750	313,046
Goodwill	—	—	8,522	—	8,522
Unallocated assets					<u>171,802</u>
Consolidated assets					<u><u>493,370</u></u>
Segment liabilities	952	73	150,640	—	151,665
Unallocated liabilities					<u>346</u>
Consolidated liabilities					<u><u>152,011</u></u>
As at 31 December 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	9,756	3,011	226,230	—	238,997
Goodwill	—	—	9,286	—	9,286
Unallocated assets					<u>197,109</u>
Consolidated assets					<u><u>445,392</u></u>
Segment liabilities	2,068	2,766	94,895	—	99,729
Unallocated liabilities					<u>706</u>
Consolidated liabilities					<u><u>100,435</u></u>

(c) Geographical information

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

	Turnover by geographical markets for the nine months ended		Non-current assets as at	
	31/12/2011 Unaudited HK\$'000	31/12/2010 Unaudited HK\$'000	31/12/2011 Unaudited HK\$'000	31/12/2010 Unaudited HK\$'000
Hong Kong	12,553	11,758	1,158	1,336
PRC	38,750	49,178	121,126	168,198
	51,303	60,936	122,284	169,534

6. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 31 December 2011		Nine months ended 31 December 2011	
	Unaudited HK\$'000	2010 Unaudited HK\$'000	Unaudited HK\$'000	2010 Unaudited HK\$'000
Staff costs (including directors' emoluments)				
— salaries and allowance	2,120	2,601	5,797	8,359
— contributions of defined contributions retirement benefits schemes	66	71	116	544
	2,186	2,672	5,913	8,903
Loss on disposal of available-for-sale investments	—	—	19,881	—
Change in fair value of financial assets held for trading	(2,678)	—	(2,678)	—
Depreciation of property, plant and equipment	2,059	1,705	6,109	5,498
Operating lease rentals in respect of rented premises	128	40	230	100
Share-based payments to consultants	1,418	1,194	4,254	2,685

7. INCOME TAX

	Three months ended		Nine months ended	
	31 December		31 December	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC enterprise income tax	360	569	967	1,745

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 nine months ended 31 December 2011 (2010: Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings/(loss) for the period attributable to the owners of the Company	223	(1,025)	(24,019)	(2,280)

Weighted average number of ordinary shares for the purpose of basic

earnings/(loss) per share	2,443,166,572	1,961,199,181	2,200,022,501	1,808,535,229
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The diluted loss per share for the periods ended 31 December 2011 and 2010 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 option reserve	Accumulated losses	Total	Non-controlling interests	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 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 investment	—	—	—	—	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

	Attributable to the owners of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Total	Non-controlling interests	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 2011	83,112	289,108	(39,998)	1,560	(1,026)	4,102	(67,394)	269,464	57,434	326,898
(Loss)/profit for the period	—	—	—	—	—	—	(24,019)	(24,019)	526	(23,493)
Fair value adjustment on available-for-sale investment	—	—	—	—	1,026	—	—	1,026	—	1,026
Exchange differences arising on translation of foreign operations	—	—	—	2,639	—	—	—	2,639	2,241	4,880
Total comprehensive income for the period	—	—	—	2,639	1,026	—	(24,019)	(20,354)	2,767	(17,587)
Issue of ordinary shares under share subscriptions	16,600	11,194	—	—	—	—	—	27,794	—	27,794
Share-based payments to consultants	—	—	—	—	—	4,254	—	4,254	—	4,254
At 31 December 2011	99,712	300,302	(39,998)	4,199	—	8,356	(91,413)	281,158	60,201	341,359

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the nine months period ended 31 December 2011 under review, the Group recorded a turnover of approximately HK\$51,303,000 (2010: HK\$60,936,000), representing a decrease of 15.8% as compared to the last period in 2010.

The administrative and other operating expenses for the period amounted to approximately HK\$41,515,000 (2010: HK\$25,954,000), which included a non-cash expenses of HK\$4,254,000 (2010: HK\$2,685,000) 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 nine months ended 31 December 2011 attributable to the owners of the Company was approximately HK\$24,019,000 (2010: HK\$2,280,000) and the loss per share for the nine months ended 31 December 2011 was 1.09 HK cents (2010: 0.13 HK cents).

Healthcare Products

The turnover of healthcare products for the period amounted to approximately HK\$12,553,000 (2010: HK\$10,536,000) and recorded a segmental profit of approximately HK\$117,000 (2010: HK\$4,000).

Electronic Components

The turnover of electronic components for the period amounted to approximately HK\$14,744,000 (2010: HK\$8,165,000) and recorded a segmental profit of approximately HK\$59,000 (2010: HK\$244,000).

Funeral and Related Businesses

The turnover of funeral and related businesses for the period amounted to approximately HK\$24,006,000 (2010: HK\$42,235,000) and recorded a segmental profit of approximately HK\$1,795,000 (2010: HK\$6,760,000).

Securities Investments

During the period under review, the Company recorded a fair value loss on available-for-sale-investments of approximately HK\$19,881,000 (2010: Nil). The available-for-sale-investments represent the investment on the listed equity securities in Hong Kong for long term investments purpose. As at 31 December 2011, the Company had the financial assets held for trading of approximately HK\$22,750,000 and recorded a fair value gain of approximately HK\$2,678,000 during the period.

Prospects

The global economic environment is expected to be challenging and uncertain for the year 2012. 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 31 December 2011, the total net current assets of the Group were approximately HK\$219,075,000 as compared to net current assets of approximately HK\$149,601,000 as at 31 March 2011.

As at 31 December 2011, the Group had outstanding bank borrowings approximately HK\$18,503,000 (31 March 2011: HK\$4,749,000) and the interest expenses for the nine months period were approximately HK\$243,000 (2010: HK\$602,000 of which HK\$448,000 was imputed interest expenses on capitalized land lease payments).

As at 31 December 2011, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 30.8% (31 March 2011: 24.5%).

Placing of new shares under general mandate

On 27 September 2011, the Company and Celestial Capital Limited (the "**Placing Agent**") entered into a 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 new shares at a price of HK\$0.069 per placing share (the "**Placing**"). The net proceeds of approximately HK\$27,800,000 from the Placing was intended to be used for general working capital of the Group and/or further expansion of the segment business. The Placing was completed on 12 October 2011. Details of the Placing were disclosed in the Company's announcements dated 27 September 2011 and 12 October 2011.

MATERIAL EVENT

On 23 November 2011 and 28 December 2011, the Company entered into a conditional sale and purchase agreement and a supplemental deed respectively with Add Talent Holdings Limited (the "**Vendor**") and Dr. Lin Xiongbin, being the Guarantor who indirectly owns the majority issued share capital of the Vendor, regarding the acquisition of Advance Victory Group Limited, a company wholly and beneficially owned by the Vendor, at a total consideration of HK\$330,000,000 (the "**Acquisition**"). The Acquisition constitutes a major transaction under Chapter 19 of the GEM Listing Rules. An extraordinary general meeting of the Company will be convened to approve the Acquisition. A circular containing further details of the Acquisition is expected to be despatched to the shareholders of the Company on or before 29 February 2012. Details of the Acquisition were disclosed in the Company's announcements dated 1 December 2011, 28 December 2011 and 31 January 2012.

OTHER INFORMATION

Directors' and Chief Executive's Interests in Securities

As at 31 December 2011, none of the Directors and the chief executive 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 required standards of dealings by the Directors as referred to in 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**") which was expired on 14 January 2012. 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 2011 and the total outstanding share options were 293,376,000 as at 31 December 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.

The fair values of the options granted were determined using the Binomial Model of valuation. In total, approximately HK\$4,254,000 (2010: HK\$2,685,000) of the expense has been included in the consolidated statement of comprehensive income for the nine months ended 31 December 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 31 December 2011, the Directors were not aware of any other person or company (other than the Directors and the chief executive of the Company) 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 substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Interests Other Than Interests Discloseable Under the SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the shares and underlying shares that is discloseable under section 336 of the SFO.

Competing Interests

As at 31 December 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 comprising three independent non-executive Directors, 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 nine months ended 31 December 2011 have been reviewed by the audit committee.

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 nine months ended 31 December 2011.

Corporate Governance Code Compliance

The Company has complied throughout the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2011.

By order of the Board
ZMAY Holdings Limited
Lu Zhiqiang
Executive Director and Chief Executive Officer

Hong Kong, 13 February 2012

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.