



ZMAY HOLDINGS LIMITED

中民安園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8085

First Quarterly Report
2012/13



CHARACTERISTICS OF THE GROWTH ENTERPRISE 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 higher 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 (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 <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.zmayholdings.com>.

FIRST QUARTERLY RESULTS

The board of Directors (the "Board") hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June	
		2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Turnover	4	20,336	17,412
Cost of sales		(11,516)	(11,469)
Gross profit		8,820	5,943
Other revenue and net income	4	1,205	704
Administrative and operating expenses		(13,607)	(7,844)
Finance costs	5	(659)	(85)
Loss before tax	6	(4,241)	(1,282)
Income tax	7	(49)	(391)
Loss for the period		(4,290)	(1,673)
Other comprehensive income:			
Fair value changes on available-for-sale investments		—	(20,979)
Exchange difference arising on translation of foreign operations		(1,119)	1,604
Total comprehensive income for the period		(5,409)	(21,048)
(Loss)/profit attributable to:			
— owners of the Company		(4,259)	(1,826)
— non-controlling interests		(31)	153
		(4,290)	(1,673)
Total comprehensive income attributable to:			
— owners of the Company		(5,064)	(21,936)
— non-controlling interests		(345)	888
		(5,409)	(21,048)
Loss per share:			
— Basic and diluted (HK cents)	9	(0.17)	(0.09)

NOTES TO THE 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"); and (iii) the funeral and related businesses in 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 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 2012 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 has not applied the new HKFRSs that have been issued but are not yet effective.

3. SEGMENT INFORMATION

The Group's segment information reported is based on the types of goods or services delivered or provided by the Group's operating divisions 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's operating and reportable segments are as follows:

- (a) Sale of healthcare products;
- (b) Sale of electronic components; and
- (c) Funeral and related businesses.

Information regarding the above segments is reported below:

(a) Segment revenues and results

For the period ended 30 June 2012	Sale of healthcare products HK\$'000	Sale of electronic components HK\$'000	Funeral and related businesses HK\$'000	Total HK\$'000
Revenue from external customers	2,888	1,974	15,474	20,336
Segment results	26	45	615	686
Unallocated corporate income				1,203
Unallocated corporate expenses				(5,471)
Finance costs				(659)
Income tax				(49)
Loss for the period				<u>(4,290)</u>
For the period ended 30 June 2011	Sale of healthcare products HK\$'000	Sale of electronic components HK\$'000	Funeral and related businesses HK\$'000	Total HK\$'000
Revenue from external customers	3,353	4,193	9,866	17,412
Segment results	30	12	628	670
Unallocated corporate income				86
Unallocated corporate expenses				(1,953)
Finance costs				(85)
Income tax				(391)
Loss for the period				<u>(1,673)</u>

(b) Geographical information

The following is an analysis of the revenue from external customers by location of operation:

	Three months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Hong Kong	2,888	3,353
PRC	17,448	14,059
	20,336	17,412

4. TURNOVER, OTHER REVENUE AND NET INCOME

	Three months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Turnover		
Sale of healthcare products	2,888	3,353
Sale of electronic components	1,974	4,193
Funeral and related businesses	15,474	9,866
	20,336	17,412
Other revenue and net income		
Interest income	4	86
Loan interest income	1,201	—
Sundry income	—	618
	1,205	704

5. FINANCE COSTS

	Three months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest expense on bank and other borrowings wholly repayable within one year	659	85

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Three months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Staff costs (including directors' emoluments)		
— salaries and allowances	2,768	1,914
— contributions of defined contributions retirement benefits schemes	17	8
	2,785	1,922
Depreciation of property, plant and equipment	1,938	2,007
Legal and professional fees	1,127	—
Operating lease rentals in respect of rented premises	191	51
Share-based payments to consultants	1,418	1,418

7. INCOME TAX

	Three months ended 30 June	
	2012	2011
	Unaudited HK\$'000	Unaudited HK\$'000
PRC enterprise income tax	49	391

Hong Kong profits tax has been provided at 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

PRC enterprise income tax on profit arising in the PRC has been provided on the estimated assessable profits at the rates of income tax prevailing in the PRC.

No deferred tax has been recognized in respect of the unused tax losses which are available to offset against future profits due to the unpredictability of future profit streams.

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2012 (2011: 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 June	
	2012	2011
	Unaudited HK\$'000	Unaudited HK\$'000
Loss for the period attributable to the owners of the Company	4,259	1,826
Weighted average number of ordinary shares in issue during the period	2,492,786,138	2,077,786,138

The diluted loss per share for the periods ended 30 June 2012 and 2011 has not been presented as the potential shares arising from the exercise 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	Share options reserve	Investments revaluation reserve	Translation 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)	4,102	(1,026)	1,560	(67,394)	289,464	57,434	326,898
(Loss)/profit for the period	—	—	—	—	—	—	(1,826)	(1,826)	153	(1,673)
Fair value changes on available-for-sale investments	—	—	—	—	(20,979)	—	—	(20,979)	—	(20,979)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	869	—	869	735	1,604
Total comprehensive income for the period	—	—	—	—	(20,979)	869	(1,826)	(21,936)	888	(21,048)
Recognition of equity-settled share-based payments	—	—	—	1,418	—	—	—	1,418	—	1,418
At 30 June 2011	83,112	289,108	(39,998)	5,520	(22,005)	2,429	(69,220)	248,946	58,322	307,268
At 1 April 2012	99,712	300,302	(39,998)	9,774	—	4,035	(95,842)	277,983	56,068	334,051
(Loss)/profit for the period	—	—	—	—	—	—	(4,259)	(4,259)	(31)	(4,290)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(805)	—	(805)	(314)	(1,119)
Total comprehensive income for the period	—	—	—	—	—	(805)	(4,259)	(5,064)	(345)	(5,409)
Recognition of equity-settled share-based payments	—	—	—	1,418	—	—	—	1,418	—	1,418
At 30 June 2012	99,712	300,302	(39,998)	11,192	—	3,230	(100,101)	274,337	55,723	330,060



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the three months ended 30 June 2012 under review, the Group recorded a turnover of approximately HK\$20,336,000 (2011: HK\$17,412,000), representing an increase of 16.8% as compared to the corresponding period in 2011.

Healthcare Products

The turnover of healthcare products for the period amounted to approximately HK\$2,888,000 (2011: HK\$3,353,000) and recorded a segmental profit of approximately HK\$26,000 (2011: HK\$30,000).

Electronic Components

The turnover of electronic components for the period amounted to approximately HK\$1,974,000 (2011: HK\$4,193,000) and recorded a segmental profit of approximately HK\$45,000 (2011: HK\$12,000).

Funeral and Related Businesses

The turnover of funeral and related businesses for the period amounted to approximately HK\$15,474,000 (2011: HK\$9,866,000) and recorded a segmental profit before finance costs and income tax of approximately HK\$615,000 (2011: HK\$628,000).

Securities Investments

During the period under review, the Company recorded a fair value loss of HK\$86,000 (2011: Nil) on held-for-trading investments. For the three months ended 30 June 2011, the Company had recorded a fair value loss of available-for-sale investments of approximately HK\$20,979,000 in the other comprehensive income and investments revaluation reserve respectively.

The administrative and operating expense for the period amounted to approximately HK\$13,607,000 (2011: HK\$7,844,000), which included a non-cash expenses of HK\$1,418,000 (2011: HK\$1,418,000) relating to the share-based payments to consultants of the Company.

The loss for the three months ended 30 June 2012 attributable to the owners of the Company was approximately HK\$4,259,000 (2011: HK\$1,826,000) and the loss per share was 0.17 HK cents (2011: 0.09 HK cents).



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.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 27 June 2012, the Company and Kingston Securities Limited (the "**Placing Agent**") entered into the placing agreement, pursuant to which the Company had conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 498,500,000 new shares at a price of HK\$0.20 per placing share (the "**Placing**"). The net proceeds of approximately HK\$96.1 million from the Placing are intended to be used for the general working capital of the Group and/or further investment in the proposed acquisition of 159 Regenerative Medicine Group (H.K.) Limited (formerly known as "Advance Victory Group Limited") (the "**Target Company**"). The Placing was completed on 18 July 2012. Details of the Placing were disclosed in the Company's announcements dated 27 June 2012, 4 July 2012 and 18 July 2012 respectively.

MATERIAL EVENT

On 23 November 2011, the Company entered into the conditional sale and purchase agreement and on 28 December 2011 and 21 May 2012, entered into the supplemental deeds (collectively, the "**Agreements**") with Add Talent Holdings Limited (the "**Vendor**"), Dr. Lin Xiongbin, being the guarantor (the "**Guarantor**") who indirectly owns the majority issued share capital of the Vendor and the Target Company. The main asset of the Target Company is the user right of the Stem Cell Technology (as defined in the circular of the Company dated 25 May 2012). Pursuant to the Agreements, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the equity interest of the Target Company at a total consideration of HK\$330,000,000 (subject to adjustments) (the "**Acquisition**"). The Acquisition constitutes a major transaction under the GEM Listing Rules and therefore is subject to shareholder's approval at the extraordinary general meeting of the Company (the "**EGM**").



On 11 June 2012, the Company received a letter (the “**Letter**”) from legal advisers to an independent third party in the United States of America (the “**Claimant**”) alleging that the Stem Cell Technology infringes the Claimant’s intellectual property rights. The Company and the Guarantor are each seeking legal advice and opinions on the Letter and the results of which will be made known in a Company’s supplemental circular to be issued before the EGM.

Details of the Acquisition and the Letter were disclosed in the Company’s circular dated 25 May 2012 and the Company’s announcements dated 12 June 2012 and 26 June 2012.

As at the date of this report, the Acquisition has not yet completed.

OTHER INFORMATION

Directors’ and Chief Executive’s Interests in Securities

As at 30 June 2012, none of the Directors or 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, Cap. 571 of the Laws of Hong Kong (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 otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by the 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 three months ended 30 June 2012 and the total outstanding share options were 293,376,000 as at 30 June 2012.

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\$1,418,000 (2011: HK\$1,418,000) of the expense has been included in the consolidated statement of comprehensive income for the three months ended 30 June 2012, 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 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

Substantial Shareholders

As at 30 June 2012, 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, underlying shares or debentures 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.



Competing Interests

As at 30 June 2012, none of the Directors, substantial shareholders of the Company nor any of 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 of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with the Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3 of the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules (the “**CG Code and Report**”). There are three members in the Audit Committee comprising three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Mr. Chi Chi Hung, Kenneth is the chairman of the Audit Committee. The principal responsibilities of the Audit Committee are to review and provide supervision over the financial reporting system and internal control procedures of the Group and to review the Company’s annual report and accounts, half-year report and quarterly reports and to provide advises and comments thereon to the Board. These unaudited consolidated results for the three months ended 30 June 2012 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 dealings 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 three months ended 30 June 2012.

Corporate Governance Code Compliance

The Company has complied throughout the three months ended 30 June 2012 with the Code Provisions as set out in the CG Code and Report.



Purchase, Sale or Redemption of Shares

During the three months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

By order of the Board
ZMAY Holdings Limited
Lu Zhiqiang

Executive Director and Chief Executive Officer

Hong Kong, 14 August 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.