



ZMAY HOLDINGS LIMITED

中民安園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8085

**Interim 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.

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>.

INTERIM RESULTS

The board of Directors (the "Board") hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 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 September		Six months ended 30 September	
		2012	2011	2012	2011
		Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	4	18,220	17,804	38,556	35,216
Cost of sales		(11,970)	(13,712)	(23,486)	(25,181)
Gross profit		6,250	4,092	15,070	10,035
Other revenue and net income	4	1,457	711	2,662	1,415
Impairment loss of goodwill	11	(28,205)	–	(28,205)	–
Administrative and other operating expenses		(19,055)	(27,144)	(32,662)	(34,988)
Finance costs	5	(646)	(66)	(1,305)	(151)
Loss before tax	6	(40,199)	(22,407)	(44,440)	(23,689)
Income tax	7	49	(216)	–	(607)
Loss for the period		(40,150)	(22,623)	(44,440)	(24,296)
Other comprehensive income:					
Reclassification of available- for-sale investments upon disposal		–	22,005	–	1,026
Exchange differences arising on translation of foreign operations		(547)	2,516	(1,666)	4,120
Total comprehensive income for the period		(40,697)	1,898	(46,106)	(19,150)
Loss attributable to:					
— owners of the Company		(39,616)	(22,416)	(43,875)	(24,242)
— non-controlling interests		(534)	(207)	(565)	(54)
		(40,150)	(22,623)	(44,440)	(24,296)
Total comprehensive income attributable to:					
— owners of the Company		(39,983)	949	(45,047)	(20,987)
— non-controlling interests		(714)	949	(1,059)	1,837
		(40,697)	1,898	(46,106)	(19,150)
Loss per share					
— Basic and diluted (HK cents)	9	(1.33)	(1.08)	(1.60)	(1.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2012 Unaudited HK\$'000	As at 31 March 2012 Audited HK\$'000
Non-current assets			
Property, plant and equipment	10	125,484	112,139
Goodwill	3(b),11	178,694	8,864
Available-for-sale investments		917	925
		305,095	121,928
Current assets			
Inventories		57,764	46,949
Trade and other receivables	12	194,339	172,569
Held-for-trading investments		52,291	43,258
Cash and bank balances		113,592	108,931
		417,986	371,707
Current liabilities			
Bank borrowing		18,341	18,504
Trade and other payables	13	177,360	141,080
		195,701	159,584
Net current assets		222,285	212,123
Total assets less current liabilities		527,380	334,051
Non-current liabilities			
Contingent consideration arrangements	11	69,813	–
Net assets		457,567	334,051
Capital and reserves			
Share capital		131,678	99,712
Reserves		284,365	178,271
Equity attributable to the owners of the Company		416,043	227,983
Non-controlling interests		41,524	56,068
Total equity		457,567	334,051

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	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)	269,464	57,434	326,898
Loss 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
At 1 April 2012	99,712	300,302	(39,998)	9,774	-	4,035	(95,842)	277,983	56,068	334,051
Loss for the period	-	-	-	-	-	-	(43,875)	(43,875)	(565)	(44,440)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,172)	-	(1,172)	(494)	(1,666)
Total comprehensive income for the period	-	-	-	-	-	(1,172)	(43,875)	(45,047)	(1,059)	(46,106)
Issue of ordinary share under share placing	19,940	76,195	-	-	-	-	-	96,135	-	96,135
Issue of ordinary share for acquisition of subsidiaries	12,026	72,110	-	-	-	-	-	84,136	-	84,136
Recognition of equity-settled share-based payments	-	-	-	2,836	-	-	-	2,836	-	2,836
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(13,485)	(13,485)
At 30 September 2012	131,678	448,607	(39,998)	12,610	-	2,863	(139,717)	416,043	41,524	457,567

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash flows (used in)/from operating activities	(47,148)	5,342
Net cash flows (used in)/from investing activities	(42,325)	59,299
Net cash flows from/(used in) financing activities	94,830	(4,900)
Net increase in cash and cash equivalents	5,357	59,741
Effect of foreign exchange rate changes	(696)	539
Cash and cash equivalents at the beginning of the period	108,931	99,961
Cash and cash equivalents at the end of the period	113,592	160,241
Analysis of cash and cash equivalents		
Cash and bank balances	113,592	160,241
	113,592	160,241



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"); (iii) the funeral and related businesses in the PRC; and (iv) the stem cell technology business.

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 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) the funeral and related businesses; and (iv) the stem cell technology business. Information regarding the above segments for the six months ended 30 September 2012 and 2011 are as follows:

(a) Segment revenues and results

For the six months ended 30 September 2012	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Stem cell technology business Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	9,842	3,147	25,567	–	38,556
Segment results	9	(5)	1,160	(1,031)	133
Impairment loss of goodwill					(28,205)
Fair value changes of held-for-trading investments					(4,298)
Unallocated corporate income					2,657
Unallocated corporate expenses					(13,422)
Finance costs					(1,305)
Income tax					–
Loss for the period					<u>(44,440)</u>
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	Stem cell technology business Unaudited HK\$'000	Total Unaudited HK\$'000
Revenue from external customers	8,632	9,557	17,027	–	35,216
Segment results	78	29	233	–	340
Loss on disposal of available-for-sale investments					(19,881)
Unallocated corporate income					258
Unallocated corporate expenses					(4,255)
Finance costs					(151)
Income tax					(607)
Loss for the period					<u>(24,296)</u>

(b) Segment assets and liabilities

As at 30 September 2012	Sale of healthcare products Unaudited HK\$'000	Sale of electronic components Unaudited HK\$'000	Funeral and related businesses Unaudited HK\$'000	Stem cell technology business Unaudited HK\$'000	Total Unaudited HK\$'000
Segment assets	8,710	197	272,145	23,574	304,626
Goodwill	–	–	8,864	169,830	178,694
Unallocated assets					<u>239,761</u>
Consolidated assets					<u><u>723,081</u></u>
Segment liabilities	875	71	151,151	35,126	187,223
Unallocated liabilities					<u>78,291</u>
Total liabilities					<u><u>265,514</u></u>
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	Stem cell technology business 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>

(c) **Geographical information**

The Group's sale of healthcare products and stem cell technology business are 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 30 September		Non-current assets as at 30 September	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	11,014	8,632	188,305	1,175
The PRC	27,542	26,584	116,790	118,261
	38,556	35,216	305,095	119,436

4. **TURNOVER, OTHER REVENUE AND NET INCOME**

	Three months ended 30 September		Six months ended 30 September	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sales of healthcare products	6,954	5,279	9,842	8,632
Sales of electronic components	1,172	5,364	3,147	9,557
Funeral and related businesses	10,094	7,161	25,567	17,027
	18,220	17,804	38,556	35,216
Other revenue and net income				
Interest income	5	174	9	260
Loan interest income	1,286	–	2,487	–
Sundry income	166	537	166	1,155
	1,457	711	2,662	1,415

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on bank borrowing wholly repayable within one year	646	66	1,305	151
	646	66	1,305	151

6. LOSS BEFORE TAX

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including the Directors' emoluments)				
— Salaries and allowance	3,085	1,763	5,853	3,677
— Contributions of defined contributions retirement benefits schemes	259	42	276	50
	3,344	1,805	6,129	3,727
Loss on disposal of available-for-sale investments	—	19,881	—	19,881
Fair value changes on held-for-trading investments	4,212	—	4,298	—
Depreciation of property, plant and equipment	2,042	2,043	3,980	4,050
Operating lease rentals in respect of rented premises	779	51	970	102
Share-based payments to consultants	1,418	1,418	2,836	2,836

7. INCOME TAX

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC enterprise income tax	(49)	216	–	607

No provision for the Hong Kong profits tax has been made as the Group had no assessable profits for the period (2011: Nil).

The 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 an interim dividend for the six months ended 30 September 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		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to the owners of the Company	39,616	22,416	43,875	24,242

Weighted average number of ordinary shares for the purpose of basic loss per share

	2,976,889,399	2,077,786,138	2,736,160,455	2,077,786,138
--	----------------------	---------------	----------------------	---------------

The diluted loss per share for the periods ended 30 September 2012 and 2011 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 period and is regarded as anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

	30 September	31 March
	2012	2012
	Unaudited	Audited
	HK\$'000	HK\$'000
Opening net book amount	112,139	111,028
Additions	2,050	5,001
Acquisition of subsidiaries	16,243	–
Transfer	–	(4)
Depreciation and amortization	(3,980)	(8,141)
Exchange adjustments	(968)	4,255
	125,484	112,139

11. BUSINESS COMBINATIONS

On 18 September 2012 (the “**Acquisition Date**”), the Group acquired 51% of the entire issued share capital of 159 Regenerative Medicine Group (H.K.) Limited (formerly known as Advance Victory Group Limited) (the “**Target Company**”) and its subsidiaries (collectively, the “**Target Group**”) at a total consideration of HK\$184,000,000 (the “**Acquisition**”). Details of the proportion of voting equity interests of the Target Group acquired and their principal activities are as follows:

	Proportion of nominal value of the issued capital held by the Company		Principal activities
	Directly	Indirectly	
	%	%	
The Target Company	51	–	Investment holding
159 Anti-Aging Center (H.K.) Limited	–	51	Stem cell anti-aging application-related service
159 Human Aging Test Laboratory (H.K.) Limited	–	51	Human aging test service
159 Autologous Stem Cell LifeBank (H.K.) Limited	–	51	Storage and processing of stem cells
159 Hematopoietic Stem Cell Technology Institute (H.K.) Limited	–	51	Research and development of stem cells technology
159 International Health Club Limited	–	51	Stem cell health services

Details of consideration on the Acquisition are as follows:

	<i>HK\$000</i>
Cash	30,000
Issue of shares	84,187
Contingent consideration arrangements (<i>Notes</i>)	69,813
	<hr/>
	184,000

Notes:

- (i) The Company is required to allot and issue of 51,000,000 Consideration Shares (as defined below) to Add Talent Holdings Limited (the "**Vendor**") credited as fully paid if the 51% of the consolidated earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of the Target Group is not less than HK\$15,300,000 for the period from 1 October 2012 to 31 December 2013 (the "**Guaranteed Period A**");
- (ii) The Company is required to allot and issue of 85,000,000 Consideration Shares (as defined below) to the Vendor credited as fully paid if the EBITDA of the Target Group is not less than HK\$25,500,000 for the period from 1 January 2014 to 31 December 2014 (the "**Guaranteed Period B**"); and
- (iii) The Company is required to allot and issue of 113,333,333 Consideration Shares (as defined below) to the Vendor credited as fully paid upon either:
 - (a) Dr. Lin Xiongbin ("**Dr. Lin**"), beneficially holds approximately 41.16% of the issued share capital of the Vendor, has obtained a patent granted by the State Intellectual Property Office of the PRC and the user right of stem cell technology granted by Dr. Lin to the Target Group remaining fully effective; or
 - (b) the actual accumulative EBITDA achieved for the Guaranteed Period A and the Guaranteed Period B is not less than HK\$25,500,000.

Assets acquired and liabilities recognized on the Acquisition Date

	Target Group <i>HK\$'000</i>
Non-current assets	
Plant and equipment	16,243
Current assets	
Deposits, prepayments and other receivables	6,514
Cash and bank balances	1,322
Current liabilities	
Accruals and other payables	(6,600)
Non-current liabilities	
Amounts due to a shareholder	(30,000)
Other payable	(15,000)
	<hr/>
	(27,521)
	<hr/>

Non-controlling interests

The non-controlling interests (49% in the Target Group) recognized at the Acquisition Date was measured by reference to the proportionate share of the fair value of the acquiree's identifiable net liabilities and amounted to approximately HK\$13,486,000.

Goodwill arising on the Acquisition

	Target Group <i>HK\$'000</i>
Consideration of the Acquisition	184,000
Less: non-controlling interests	(13,486)
Add: fair value of identifiable net liabilities assumed	27,521
	<hr/>
	198,035
Less: impairment	(28,205)
	<hr/>
	169,830
	<hr/> <hr/>

The management of the Company had carried out impairment assessment on the carrying amount of goodwill arising on the Acquisition based on the business valuation of the Target Group prepared by Roma Appraisals Limited. According to the valuation, the fair value of the Target Group was HK\$333,000,000, of which HK\$169,830,000 was attributable to the interest held by the Group, resulting in an impairment loss of HK\$28,205,000 was recognized in the profit or loss for the period ended 30 September 2012.

Net cash outflow arising on the Acquisition

	<i>HK\$'000</i>
Consideration paid in cash	30,000
Less: cash and bank balances acquired	(1,322)
	<hr/>
	28,678
	<hr/> <hr/>

Impact of the Acquisition on the results of the Group

The Target Group contributed HK\$Nil and loss of approximately HK\$1,031,000 to the Group's turnover and loss for the period respectively for the period between the Acquisition Date and the end of the reporting period.

If the Acquisition had been completed on 1 April 2012, the total Group's turnover for the period would have been unchanged due to the Target Group has no turnover and the loss for the period would have been HK\$21,348,437. The pro-forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of the operations of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2012, nor is intended to be a projection of future results.

12. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2012	2012
	Unaudited	Audited
	HK\$'000	HK\$'000
Trade receivables, with ageing analysis:		
0–30 days	1,137	787
31–60 days	2,997	412
Over 60 days	3,594	2,187
<hr/>		
Total trade receivables	7,728	3,386
Deposits, prepayments and other receivables (<i>Note i</i>)	74,417	72,536
Loan receivables	37,000	30,400
Amounts due from minority shareholders of subsidiaries (<i>Note ii</i>)	52,905	41,870
Amounts due from directors of subsidiaries (<i>Note ii</i>)	774	2,932
Amount due from a related company of subsidiary (<i>Note ii</i>)	21,515	21,445
<hr/>		
Total	194,339	172,569

Notes:

- (i) Deposits, prepayments and other receivables in 31 March 2012 included a refundable deposit of HK\$30,000,000 for the Acquisition which was completed on the Acquisition Date.
- (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.

13. TRADE AND OTHER PAYABLES

	30 September 2012 Unaudited HK\$'000	31 March 2012 Audited HK\$'000
Trade payables, with ageing analysis:		
0–30 days	875	1,039
Over 60 days	10,664	19,912
<hr/>		
Total trade payables	11,539	20,951
Other payables and accruals	115,260	108,666
Amount due to minority shareholders of subsidiaries	30,098	98
Amounts due to directors of subsidiaries	4,741	4,783
Amounts due to related companies of subsidiaries	15,722	6,582
<hr/>		
Total	177,360	141,080

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorized (ordinary shares of HK\$0.04 each)		
At 31 March 2011 and 30 September 2012	5,000,000,000	200,000
<hr/>		
Issued and fully paid (ordinary shares of HK\$0.04 each)		
At 31 March 2012	2,492,786,138	99,711
Issue of new shares under share placing (Note (i))	498,500,000	19,940
Issue of new shares for the Acquisition (Note (ii))	300,666,667	12,027
<hr/>		
At 31 March 2012 and 30 September 2012	3,291,952,805	131,678

Notes:

- (i) On 18 July 2012, 498,500,000 new shares of the Company were allotted and issued to placees at a total consideration of HK\$99,700,000 of which HK\$19,940,000 was credited to share capital account and the net balance after expenses of HK\$76,195,000 was credited to share premium account.
- (ii) On 18 September 2012, 300,666,667 new shares of the Company were allotted and issued to the Vendor's nominees for the Acquisition.

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 the Directors during the period is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Short-term benefits	439	75	838	150
Post-employment benefits	5	–	9	–
	444	75	847	150



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the six months period under review, the Group recorded a turnover of approximately HK\$38,556,000 (2011: HK\$35,216,000), representing an increase of 9.5% as compared to the corresponding period in 2011.

The administrative and other operating expenses for the period amounted to approximately HK\$32,662,000 (2011: HK\$34,988,000), which included a non-cash expenses of HK\$2,836,000 (2011: HK\$2,836,000) relating to the share-based payments to certain consultants of the Company.

During the period under review, the Group recorded a significant increase in loss as compared to the last corresponding period in 2011. The loss was mainly attributable to the impairment loss of goodwill in relation to the Acquisition of approximately HK\$28,205,000. The loss attributable to the owners of the Company for the period was approximately HK\$43,875,000 (2011: HK\$24,242,000) and the loss per share was HK\$1.60 cents (2011: HK\$1.17 cents).

Healthcare Products

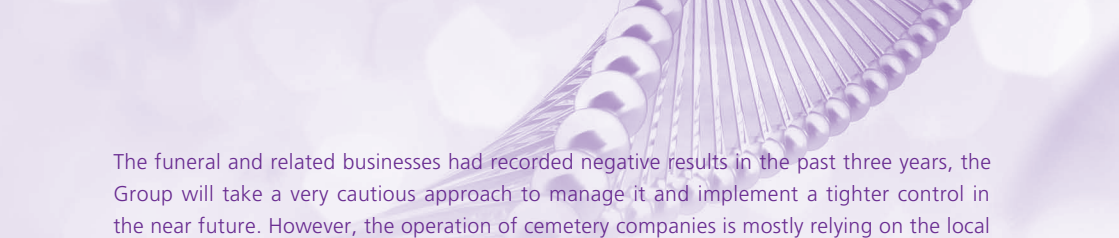
The turnover of healthcare products for the period amounted to approximately HK\$9,842,000 (2011: HK\$8,632,000) and recorded a segmental profit of approximately HK\$9,000 (2011: HK\$78,000).

Electronic Components

The turnover of electronic components for the period amounted to approximately HK\$3,147,000 (2011: HK\$9,557,000) and recorded a segmental loss of approximately HK\$5,000 (2011: profit of HK\$29,000).

Funeral and Related Businesses

The turnover of funeral and related businesses for the period amounted to approximately HK\$25,567,000 (2011: HK\$17,027,000) and recorded a segmental profit before finance costs and income tax of approximately HK\$1,160,000 (2011: HK\$233,000).



The funeral and related businesses had recorded negative results in the past three years, the Group will take a very cautious approach to manage it and implement a tighter control in the near future. However, the operation of cemetery companies is mostly relying on the local management teams and the cyclical nature of the market. These businesses may not be able to demonstrate promising growth potential in the near future and the Company has no plan to make further investment in these cemetery companies.

Stem Cell Technology Business

On 18 September 2012, the Group had successfully completed the acquisition of the Target Group, the details of the Target Group's assets acquired and liabilities recognized on the Acquisition Date is set out in Note 11 in this report. The Target Group has not commenced business operation since the Acquisition Date and the end of the reporting period, stem cell technology business segment had no turnover and recorded a loss of approximately HK\$1,031,000 mainly from the administrative and other operating expenses.

Securities Investments

During the period under review, the Company recorded a fair value loss on held-for-trading investments of approximately HK\$4,298,000. For the six months ended 30 September 2011, the Company had recorded a loss on disposal of available-for-sale investments of approximately HK\$19,881,000.

PROSPECTS

The global economic environment remains 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. After the completion of the acquisition of the stem cell technology business of the Target Group, the Board still will explore other investment opportunities to expand and diversify its portfolio.



LIQUIDITY, FINANCIAL RESOURCES

As at 30 September 2012, the Group had net current assets approximately HK\$222,285,000 (31 March 2012: HK\$212,123,000) and the cash and bank balances was approximately HK\$113,592,000 (31 March 2012: HK\$108,931,000). The bank borrowings were approximately HK\$18,341,000 (31 March 2012: HK\$18,504,000) and the interest expenses for the period were approximately HK\$1,305,000 (2011: HK\$151,000). The gearing ratio of the Group, being the ratio of total liabilities to total assets, was approximately 36.7% (31 March 2012: 32.3%).

CAPITAL STRUCTURE

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\$96,100,000 from the Placing are intended to be used for the general working capital of the Group and/or further investment in the Acquisition. 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.

Issuance of the Consideration Shares for the Acquisition

A termination deed (the “**Deed**”) was entered into between the Company, the Vendor, Dr. Lin and the Target Company on 4 September 2012. Pursuant to the Deed, a conditional sale and purchase agreement dated 23 November 2011 relating to the sale and purchase of the entire issued share capital of the Target Company as amended by the supplemental deeds dated 28 December 2011 and 21 May 2012 (the “**Major Transaction Agreement**”) was terminated.

Details of the relevant information of the Major Transaction Agreement were disclosed in the Company’s circular dated 25 May 2012 and the information regarding the termination of the Major Transaction Agreement were disclosed in the Company’s announcement dated 4 September 2012.



Following the termination of the Major Transaction Agreement and simultaneously, a conditional sale and purchase agreement dated 4 September 2012 (the “**Agreement**”) and the supplemental deed dated 6 September 2012 were entered into between the Company, the Vendor, Dr. Lin, Mr. Deng Jun Jie (“**Mr. Deng**”) and the Target Company for the Acquisition at a total consideration of HK\$195,000,000 (subject to adjustments). The consideration shall be satisfied by HK\$30,000,000 in cash by means of a refundable deposit which is interest-free (the “**Deposit**”) and 550,000,000 new shares to be allotted and issued by the Company to the Vendor at the issue price of HK\$0.30 (the “**Consideration Shares**”). On 4 September 2012, the Deposit was fully paid to the Vendor and HK\$90,200,000 by means of 300,666,667 Consideration Shares were allotted and issued by the Company to the Vendor’s nominees on the Acquisition Date. The remaining HK\$74,800,000 by means of 249,333,333 Consideration Shares will be allotted and issued to the Vendor or its nominees upon fulfillment of the terms and conditions of the Agreement.

Details of the Acquisition were disclosed in the Company’s announcements dated 4 September 2012, 6 September 2012, 11 September 2012 and 18 September 2012.

CHANGE OF COMPANY NAME

Following the completion of the Acquisition and pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 31 October 2012, subject to the approval by the Registrar of Companies in the Cayman Islands, the English and Chinese name of the Company to be changed from “ZMAY Holdings Limited 中民安園控股有限公司” to “Hong Kong Life Sciences and Technologies Group Limited 香港生命科學技術集團有限公司”. Details of the change of Company name were set out in the Company’s announcements dated 21 September 2012 and 31 October 2012 and the Company’s circular dated 4 October 2012.

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 of the Company (the “**Audit Committee**”), retired as independent non-executive director and members of each of the audit committee and the remuneration committee of Interchina Holdings Company Limited (stock code: 202) on 15 August 2012. He was appointed as independent non-executive director, chairman of the audit committee and member of the remuneration committee of Goodtop Tin International Holdings Limited (stock code: 195) with effect from 12 October 2012.



OTHER INFORMATION

Directors' and Chief Executive's Interests in Securities

As at 30 September 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 six months ended 30 September 2012 and the total outstanding share options were 293,376,000 as at 30 September 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\$2,836,000 (2011: HK\$2,836,000) of the expense has been included in the consolidated statement of comprehensive income for the six months ended 30 September 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 Directors 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 September 2012, so far as is known to the Directors and the chief executives of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executives of the Company) in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be 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, were as follows:

Name of Shareholders	Capacity	Number of Shares Held	Number of Underlying Shares Held (Note 1)	Total	Approximate Percentage of the Company's Issued Share Capital
					(Note 5) %
Dr. Lin	Interest of controlled corporation	123,754,401 (Note 2)	102,625,600	226,380,001	6.88
	Interest of spouse	29,170,680 (Note 3)	24,190,320 (Note 1)	53,361,000	1.62
Ms. Lin Liuyin ("Ms. Lin")	Beneficial owner	29,170,680	—	29,170,680	0.89
	Interest of controlled corporation	—	24,190,320 (Note 1)	24,190,320	0.73
	Interest of spouse	123,754,401 (Note 4)	102,625,600 (Note 1)	226,380,001	6.88
Stem Cells Anti-Aging Medicine Technologies Holdings Limited ("Stem Cells")	Beneficial owner	147,621,322	—	147,621,322	4.48
	Interest of controlled corporation	—	146,608,000 (Note 1)	146,608,000	4.45
Solar Might Investments Limited ("Solar Might")	Beneficial owner	110,194,333	—	110,194,333	3.35
	Interest of controlled corporation	—	91,380,667 (Note 1)	91,380,667	2.78
Mr. Deng	Interest of controlled corporation	110,194,333 (Note 1)	91,380,667 (Note 1)	201,575,000	6.12
The Vendor	Beneficial owner	—	249,333,333	249,333,333	7.57



Notes:

1. These underlying shares under this column were Consideration Shares, to be allotted and issued by the Company to the Vendor or its nominees upon fulfillment of the terms and conditions of the Agreement. The Vendor was owned as to approximately 58.8% by Stem Cells and approximately 36.65% by Solar Might. Stem Cells was beneficially owned as to 70% by Dr. Lin and 16.5% by Ms. Lin. Solar Might was wholly and beneficially owned by Mr. Deng. Details of the Consideration Shares and the shareholding structure of the Vendor were disclosed in the Company's announcements dated 4 September 2012, 6 September 2012, 11 September 2012 and 18 September 2012.
2. These shares were registered in the name of Stem Cells which was beneficially owned as to 70% by Dr. Lin. Under the SFO, Dr. Lin was deemed to be interested in these shares held by Stem Cells.
3. These shares were registered in the name of Ms. Lin who is the spouse of Dr. Lin. Under the SFO, Dr. Lin was deemed to be interested in these shares held by Ms. Lin.
4. These shares were registered in the name of Stem Cells which was beneficially owned as to 70% by Dr. Lin who is the spouse of Ms. Lin. Under the SFO, Ms. Lin was deemed to be interested in these shares held by Stem Cells.
5. The percentage is calculated on the basis of 3,291,952,805 shares of the Company in issue as at 30 September 2012.

Save as disclosed above, as at 30 September 2012, so far as is known to the Directors and the chief executives of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other person or corporation had interest in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be 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.

Competing Interests

As at 30 September 2012, none of the Directors, substantial shareholders of the Company (the "**Substantial Shareholders**") 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

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**”).

The composition of the Audit Committee has been changed with effect from 21 September 2012 as a result of the resignation of Mr. Man Kwok Leung and Dr. Wong Yun Kuen. As at the date of this report, there are three members in the Audit Committee comprising three independent non-executive Directors, namely, Mr. Chi Chi Hung, Kenneth, Mr. Chan Yun Hing and Mr. Gui Qiangfang. 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 advices and comments thereon to the Board. These unaudited consolidated results for the six months ended 30 September 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 six months ended 30 September 2012.

Corporate Governance Code and Report Compliance

The Company has complied throughout the six months ended 30 September 2012 with the code provisions as set out in the CG Code and Report except the following:

Appointments, re-election and removal

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.



Currently, all the independent non-executive Directors were not appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code and Report. They are subject to retirement by rotation and re-election at the annual general meeting under the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporation governance practices are no less exacting than those in the CG Code and Report.

Purchase, Sale or Redemption of Shares

During the six months ended 30 September 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, 12 November 2012

As at the date of this report, the Board comprises (i) six executive Directors, namely Mr. Chu Hon Pong, Mr. Lam Wing Tai, Mr. Chui Kwong Kau, Mr. Lu Zhiqiang, Mr. Cai Da and Ms. Li Mei; and (ii) three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth, Mr. Chan Yun Hing and Mr. Gui Qiangfang.