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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in ZMAY Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**ZMAY HOLDINGS LIMITED****中民安園控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8085)

**(I) REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES;  
(II) REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT;  
AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**VINCO**  **城高**

**Grand Vinco Capital Limited**

**A wholly owned subsidiary of Vinco Financial Group Limited**

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A notice convening the extraordinary general meeting of the Company to be held at 1/F., Function Room, Macau Jockey Club, China Merchant Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong on Friday, 21 January 2011 at 11:00 a.m. or any adjournment thereof is set out on pages 17 to 19 of this circular. Whether or not you are able to attend the extraordinary general meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the extraordinary general meeting should you so wish.

*This circular will remain on the “Latest Company Announcements” page of the website of GEM at <http://www.hkgem.com> for at least 7 days from the date of its posting and the website of the Company at <http://www.zmayholdings.com>.*

4 January 2011

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## CHARACTERISTICS OF GEM

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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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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“AGM”	the annual general meeting held on 4 August 2010
“associate(s)”	has the meaning given to that term in the GEM Listing Rules
“Board”	the board of Directors
“Company”	ZMAY Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM
“controlling shareholders”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 1/F., Function Room, Macau Jockey Club, China Merchant Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong on Friday, 21 January 2011 at 11:00 a.m. to consider and, if thought fit, approve the refreshment of the Scheme Mandate Limit and the refreshment of the Existing General Mandate
“Existing General Mandate”	the general mandate granted at the AGM to the Directors to allot, issue and deal with 346,357,227 new Shares, being 20% of the issued share capital of the Company as at the date of AGM
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 17 November 2010
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, established by the Board to advise the Independent Shareholders in respect of the refreshment of the Existing General Mandate
“Latest Practicable Date”	3 January 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

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## DEFINITIONS

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“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Old Share Option Scheme”	the share option scheme adopted by the Company on 1 February 2002 and was terminated on 17 November 2010
“Refreshed General Mandate”	the general mandate proposed to grant to the Directors at the EGM to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the relevant ordinary resolution by the Independent Shareholders
“PRC”	the People’s Republic of China, and for the sole purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all Share options which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Existing Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares of HK\$0.04 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing General Mandate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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### ZMAY HOLDINGS LIMITED

### 中民安園控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8085)

*Executive Directors:*

Mr. Chu Hon Pong (*Chairman*)

Mr. Lam Wing Tai

Mr. Chui Kwong Kau

*Independent Non-executive Directors:*

Dr. Wong Yun Kuen

Mr. Man Kwok Leung

Mr. Chi Chi Hung, Kenneth

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal Place  
of Business*

Unit 902, 9/F.,

Wings Building,

110-116 Queen's Road Central

Central

Hong Kong

4 January 2011

*To the Shareholders*

Dear Sir or Madam,

**(I) REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES;**

**(II) REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT;**

**AND**

**(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

The purpose of this circular is to provide you with, among other things, the details of (i) the refreshment of the Scheme Mandate Limit and the refreshment of the Existing General Mandate; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the refreshment of the Existing General Mandate; (iii) a letter of recommendation from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate; and (iv) the notice of EGM at which resolution will be proposed to be considered and if thought fit, approve the refreshment of the Scheme Mandate Limit and the refreshment of the Existing General Mandate.

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## LETTER FROM THE BOARD

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### REFRESHMENT OF SCHEME MANDATE LIMIT

Pursuant to a resolution passed at the extraordinary general meeting of the Company held on 4 August 2010 and the approval of the listing of and permission to deal in the Shares to be issued under the Existing Share Option Scheme by the Stock Exchange granting on 17 November 2010, the Existing Share Option Scheme was adopted and the Old Share Option Scheme was terminated.

The purpose of the Existing Share Option Scheme is to motivate and give incentives to the eligible participants as defined in the Existing Share Option Scheme for their contribution to the Group. The exercise price of the share option must be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

### Old Share Option Scheme

As the Old Share Option Scheme was terminated, no further options can be granted under the Old Share Option Scheme. As at the Latest Practicable Date, 120,376,000 share options were outstanding and unexercised under the Old Share Option Scheme.

Apart from the Existing Share Option Scheme, the Company has no other share option scheme in place.

### Existing Share Option Scheme

Pursuant to the Existing Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted by the Company under the Existing Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Existing Share Option Scheme or as at the date of approving the refreshment of Scheme Mandate Limit if so refreshed. Share options lapsed in accordance with the terms of the Existing Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by the Shareholders in general meeting from time to time.

At the extraordinary general meeting of the Company held on 4 August 2010 and the approval of the listing of and permission to deal in the Shares to be issued under the Existing Share Option Scheme by the Stock Exchange granting on 17 November 2010, the Existing Share Option Scheme was adopted and the Old Share Option Scheme was terminated (the "**Adoption Date**"), the Existing Share Option Scheme was adopted to allow the Company to grant share options entitling holders to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the adoption, which amounted to 173,178,613 share options.

Since the Adoption Date, the Company had granted a total of 173,000,000 share options to certain consultants to allow them to subscribe for 173,000,000 Shares, which represented approximately 99.90% of the Scheme Mandate Limit. None of these share options have lapsed nor have been cancelled. As at the Latest Practicable date, no share options was exercised.

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## LETTER FROM THE BOARD

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As almost all of the Scheme Mandate Limit has been utilised, the Directors are of the view that in order to provide incentives and rewards to the eligible participants for their contribution or potential contribution to the Group by granting share options to them, the Scheme Mandate Limit shall be refreshed to provide the Company with greater flexibility on recruiting and retaining high calibre employees and attracting human resources that are valuable to the Group.

As at the Latest Practicable Date, there were 2,077,786,138 Shares in issue. Assuming there is no allotment and issue of Shares and no further grant of share options under the Existing Share Option Scheme, upon the granting of a refreshment of the Scheme Mandate Limit by the Shareholders at the EGM, the Scheme Mandate Limit (as refreshed) will allow the Company to grant share options entitling holders thereof to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the refreshment of the Scheme Mandate Limit which are 207,778,613 Shares.

As at the Latest Practicable Date, there were in aggregate of 293,376,000 share options outstanding since the adoption of the Existing Share Option Scheme and the Old Share Option Scheme and the option holders were entitled to subscribe for 293,376,000 Shares, representing approximately 14.12% of the issued share capital of the Company. Assuming that the options carrying the right to subscribe for 207,778,613 Shares were granted and fully exercised, the total number of Shares to be issued pursuant to the exercise of share options, together with all outstanding options as at the Latest Practicable Date carrying the right to subscribe for 293,376,000 Shares, is 501,154,613 Shares, representing approximately 24.12% of the total number of Share in issue as at the Latest Practicable Date. Assuming no further Shares are issued and no Shares are repurchased after the Latest Practicable Date and up to the date of the EGM, such percentage falls below the 30% of the Shares in issue.

The refreshment of the Scheme Mandate Limit is conditional upon:

1. the passing of an ordinary resolution by the Shareholders at the EGM to approve, among other things, the refreshment of the Scheme Mandate Limit; and
2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of share options to be granted under the Existing Share Option Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the grant of listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of share options to be granted under the Existing Share Option Scheme.

### **REFRESHMENT OF GENERAL MANDATE**

#### **The Existing General Mandate**

At the AGM, the Shareholders approved, among others, the grant of the Existing General Mandate to the Directors. Pursuant to the Existing General Mandate, the Directors were granted an unconditional general mandate to issue, allot and deal with a maximum of 346,357,227 new Shares, representing 20% of the issued share capital of the Company at the date of AGM.

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## LETTER FROM THE BOARD

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### **Reasons for the Refreshment of the Existing General Mandate**

As set out in the announcement of the Company dated 8 October 2010, the Company has entered into a placing agreement whereby the Company has agreed to place a maximum of 346,000,000 new Shares to not fewer than six independent placees (the “**Placing**”) and the placing was completed on 1 November 2010 as announced by the Company as the same day. Since the date of AGM to the Latest Practicable Date, the Existing General Mandate has been utilized as to 346,000,000 Shares, representing approximately 99.90% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate, as a result of the Placing. Since the date of AGM to the Latest Practicable Date, the Existing General Mandate has not been refreshed. As at the Latest Practicable Date, the Company has an issued share capital of 2,077,786,138 Shares. Upon the issue and allotment of new Shares as a result of Placing, only 357,227 new Shares might be further issued and allotted under the Existing General Mandate, which represents only approximately 0.02% of the issued share capital of the Company.

The net proceeds of approximately HK\$43 million raised from the Placing have not been utilized as at the Latest Practicable Date. The net proceeds were intended to be used for the general working capital of the Group and/or further investment if suitable opportunities are identified in the future. As per Interim Report of the Company for the six months ended 30 September 2010, the cash and bank balances of the Group was approximately HK\$108.24 million whereas total liabilities of the Group amounted to approximately HK\$121.17 million. In view of the gradual recovery in global economy, the Company is exploring new investment opportunities in order to maximize Shareholders’ returns. Although there is no certainty that the investment opportunities will be identified in the near future, the Directors propose to seek the Independent Shareholders’ approval to grant the Refreshed General Mandate which will provide them with the flexibility necessary to raise capital by issue of new Shares in a timely manner to capture fund raising opportunities when the equity market is active. In addition, there is no certainty that existing cash and facility resources will be adequate for any appropriate investment that may be identified by the Company in the future, additional funding may still be needed in a timely manner when necessary for financing future investments should suitable investment opportunities arise.

The Directors believe that the Refreshed General Mandate will provide a flexible mean for the Company to raise further funds through the issue of new Shares for its future business development if and when opportunities arise. Accordingly, the Directors consider that the approval of the Refreshed General Mandate is in the best interests of the Company and the Shareholders as a whole. In this regard, the Board proposes to refresh the Existing General Mandate to allow the Directors to issue and allot Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

### **The Refreshed General Mandate**

As at the Latest Practicable Date, the Company has 2,077,786,138 Shares in issue. Subject to the passing of the proposed ordinary resolution for the refreshment of the Existing General Mandate and on the basis that no Share will be issued or repurchased by the Company prior to the date of EGM, the Refreshed General Mandate will allow the Directors to be given unconditional general mandate to allot and issue a maximum of 415,557,227 new Shares, representing 20% of the issued share capital of the Company at the EGM.

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## LETTER FROM THE BOARD

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The Refreshed General Mandate will, if granted at the EGM, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held in accordance with the articles of association of the Company, or any other applicable laws of the Cayman Islands; and (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

### **EGM**

The EGM will be held at 1/F., Function Room, Macau Jockey Club, China Merchant Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong on Friday, 21 January 2011 at 11:00 a.m. to consider and, if though fit, approve the refreshment of the Scheme Mandate Limit and the refreshment of the Existing General Mandate.

Pursuant to Rule 17.42A of the GEM Listing Rules, the grant of the Refreshed General Mandate for the Directors to issue and allot new Shares of the Company not exceeding 20% of the issue share capital of the Company as at the date of the EGM is subject to the approval of the Independent Shareholders at the EGM by way of poll. The controlling Shareholders (as defined in the GEM Listing Rules) and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates shall abstain from voting in favour of the relevant resolution at the EGM. As at the Latest Practicable Date, the Company has no controlling Shareholders and no Director and the chief executives and their respective associates have interests in the Shares. As such, no Shareholder is required to abstain from voting in favours of the resolution approving the refreshment of the General Mandate as set out in the Resolution 2 in the Notice.

As at the Latest Practicable Date, 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.

The notice of EGM is set out on pages 17 to 19 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting should you so wish.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 misleading.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate. The text of the letter of advice from Vinco Capital containing its recommendation are set out on pages 10 to 16 of this circular.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to consider the refreshment of the Existing General Mandate.

The Independent Board Committee, having taken into account the advice of Vinco Capital, considers the terms of the Refreshed General Mandate to be fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the respective resolution to be proposed at the EGM to approve the refreshment of the Existing General Mandate. The text of the letter from the Independent Board Committee is set out on page 9 of this circular.

The Directors consider that the refreshment of Existing General Mandate and the Refreshment of Scheme Mandate Limit are in the interests of the Company and the Shareholders as a whole and the terms of the Refreshed General Mandate and the Scheme Mandate Limit as refreshed are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the refreshment of the Existing General Mandate and the refreshment of Scheme Mandate Limit.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 9 of this circular; and (ii) the letter from Vinco Capital to the Independent Board Committee and the Independent Shareholders set out on pages 10 to 16 of this circular.

By order of the Board  
**ZMAY HOLDINGS LIMITED**  
**Lam Wing Tai**  
*Executive Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**ZMAY HOLDINGS LIMITED**

**中民安園控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8085)

4 January 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ALLOT AND ISSUE SHARES**

We refer to the circular of the Company dated 4 January 2011 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this the Circular shall have the same meanings when used herein.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders on whether the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Refreshed General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Your attention is also drawn to the letter from the Board set out on pages 3 to 8 of the Circular and the letter of advice from Vinco Capital as set out on pages 10 to 16 of the Circular.

Having considered, among others, the factors and reasons considered by, and the opinion of Vinco Capital as stated in its letter of advice, we consider that the grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the refreshment of the Existing General Mandate to be proposed at the EGM.

Yours faithfully,

On behalf of the Independent Board Committee

**Dr. Wong Yun Kuen**  
*Independent Non-executive  
Director*

**Mr. Man Kwok Leung**  
*Independent Non-executive  
Director*

**Mr. Chi Chi Hung, Kenneth**  
*Independent Non-executive  
Director*

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the proposed refreshment of Existing General Mandate, which has been prepared for the purpose of incorporation in this circular.*



**Grand Vinco Capital Limited**

Units 4909-4910, 49/F., The Center  
99 Queen's Road Central, Hong Kong

4 January 2011

*To the Independent Board Committee and the Independent Shareholders of  
ZMAY Holdings Limited*

Dear Sirs,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed refreshment of the Existing General Mandate, details of which are set out in the section headed "Letter from the Board" in the circular ("Circular") issued by the Company to the Shareholders dated 4 January 2011 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

At the AGM, the Shareholders approved, among other things, the ordinary resolution to grant to the Directors the Existing General Mandate to allot up to 346,357,227 Shares, representing 20% of the then issued share capital of the Company.

On 8 October 2010, the Company and the placing agent entered into a placing agreement pursuant to which 346,000,000 new Shares were issued under the Existing General Mandate. Upon completion of the placing on 1 November 2010, the Existing General Mandate has almost been fully utilised, only 357,227 new Shares might be further issued and allotted under the Existing General Mandate, which represents only approximately 0.02% of the issued share capital of the Company. In order to allow the flexibility to raise further capital through the issue of new Shares to finance its future investments and/or for future business development, the Board proposes to refresh the general mandate to allow the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company at the date of EGM.

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## LETTER FROM VINCO CAPITAL

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In accordance with Rule 17.42A of the GEM Listing Rules, the proposed refreshment of the Existing General Mandate requires the approval of the Independent Shareholders by way of poll at the EGM. Since the Company had no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the refreshment of the Existing General Mandate.

The Refreshed General Mandate will, if granted at the EGM, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held in accordance with the articles of association of the Company, or any other applicable laws of the Cayman Islands; and (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

The Independent Board Committee comprising Dr. Wong Yun Kuen, Mr. Man Kwok Leung and Mr. Chi Chi Hung, Kenneth, all being independent non-executive Directors has been established to advise the Independent Shareholders as to whether the proposed refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and whether the proposed refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospect.

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## LETTER FROM VINCO CAPITAL

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Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the proposed refreshment of the Existing General Mandate, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed refreshment of Existing General Mandate and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate, we have taken into consideration the following principal factors and reasons:

#### **Background of and reasons for the proposed refreshment of Existing General Mandate**

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the trading and sales of health care products in Hong Kong; (ii) trading and sales of electronic components; and (iii) funeral and related business in the PRC.

The Company obtained approval from its shareholders for the grant of the Existing General Mandate at the AGM, whereby the Directors were authorised to issue and allot additional shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution at the AGM, which is equivalent to 346,357,227 Shares.

According to the announcement of the Company dated 8 October 2010, the Company and the placing agent entered into a placing agreement pursuant to which 346,000,000 new Shares were issued under the Existing General Mandate. Accordingly, the Existing General Mandate has almost been fully utilised, only 357,227 new Shares might be further issued and allotted under the Existing General Mandate, which represents only approximately 0.02% of the issued share capital of the Company.

As at the Latest Practicable Date, the Company has 2,077,786,138 Shares in issue. Subject to the passing of the proposed ordinary resolution for the refreshment of the Existing General Mandate and on the basis that no Share will be issued or repurchased by the Company prior to the date of EGM, the Refreshed General Mandate will allow the Directors to be given unconditional general mandate to allot and issue a maximum of 415,557,227 new Shares, representing 20% of the issued share capital of the Company at the EGM.

As stated in the Letter from the Board, the Directors believe that the Refreshed General Mandate will provide the Company with necessary financing flexibility to raise further capital to finance future investments and/or for future business development.

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## LETTER FROM VINCO CAPITAL

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The Board proposed to pass an ordinary resolution at the EGM to approve the proposed refreshment of the Existing General Mandate in accordance with Rule 17.42A of the GEM Listing Rules to allow flexibility to issue any additional new Shares so that the Directors would be granted to allot and issue not exceeding 20% of the issued share capital of the Company as at the date of the EGM. The proposed refreshment of the Existing General Mandate will be in force when it is approved by the Independent Shareholders at the EGM.

### **Fund raising activities of the Company in the past twelve months**

Set out below are the fund raising activities of the Company during the past twelve months immediately prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the Latest Practicable Date</b>
8 October 2010	Placing of 346,000,000 new Shares at the placing price of HK\$0.128 per share	HK\$43 million	For general working capital of the Group and/or further investment	The net proceeds have not been utilised but will be used as intended
5 August 2010 ( <i>note</i> )	Placing of 346,000,000 new Shares	N/A	For general working capital of the Group and further investments	N/A
23 March 2010	Placing of 288,000,000 new Shares at the placing price of HK\$0.16 per share	HK\$ 44.80 million	For general working capital of the Group and/or further investments	Used as intended

*Note:* The placing has been lapsed, details have been set out in the announcement of the Company dated 5 October 2010.

Save as disclosed above, the Directors confirmed that the Company has not conducted any other fund raising activities during the past twelve months immediately prior to the Latest Practicable Date. We were advised by the Directors that the placing activity dated 8 October 2010 was recently completed on 1 November 2010 and thus such net proceeds are yet to be utilised for general working capital of the Group and/or further investments. As advised by the Directors, the net proceeds will be utilised as to approximately HK\$33 million for future business development and as to approximately HK\$10 million will be applied to general working capital of the Group. As such, we are of the view that the actual use of net proceeds was in line with the intended use of net proceeds as stated in their respectively announcements of the above mentioned fund raising activities.

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## LETTER FROM VINCO CAPITAL

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We noted from the interim report of the Company for the six months ended 30 September 2010, the cash and bank balances of the Group was approximately HK\$108.24 million whereas the current liabilities of the Group amounted to approximately HK\$121.17 million. In view of the gradual recovery in global economy, we are advised by the Directors that they have been actively seeking potential investment opportunities and business developments of the Group. Given that the Group also intends to enhance its existing business operation, we therefore consider that it is not unreasonable for the Directors to propose refreshment of the Existing General Mandate in the EGM in order to give the Company greater flexibility in the issuance of new Shares and/or convertible instruments in future as and when the Company considers desirable for the benefit of the development of the Company.

The Directors confirmed that the existing cash resources of the Company are sufficient for it to conduct its daily operations and the Company has sufficient working capital to meet its present requirements. However, there is no certainty that the cash resources available to the Company will be adequate for its general working capital, future possible acquisition or potential investments that are in the interest of the Company and the Independent Shareholders as a whole. In the event that the Company identifies a suitable investment opportunity but does not have sufficient cash resources on hand, or it fails to obtain loans on terms which the Directors consider acceptable to the Company, or it fails to raise funds from the equity capital market, or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Company may lose its bid in an otherwise favourable investment.

In view of the foregoing and the next annual general meeting will not be convened until around August 2011 (which is about nine months away from the Latest Practicable Date), we consider that it is reasonable for the Company to propose the refreshment of the Existing General Mandate in order to provide the Company with necessary financing flexibility to raise further capital to finance future investments and/or for future business development as and when opportunity arises.

### **Financial flexibility**

As confirmed by the Directors, the Company is exploring new investment opportunities in order to maximise Shareholders' returns. However, there is no concrete proposal for any investment or any immediate fund needs for the business development of the Group as at the Latest Practicable Date. The Directors believe that the proposed refreshment of the Existing General Mandate will provide the Company with necessary financial flexibility to raise further capital to finance future investments and/or for future business development.

Given that equity financing is interest free and security free by nature, we consider that the proposed refreshment of the Existing General Mandate could enhance the financing flexibility of the Company to raise capital, to strengthen the capital base of the Company and serves as a cost effective means of raising additional capital for the Company. Furthermore, the proposed refreshment of the Existing General Mandate would provide the Company with the maximum flexibility as allowed under the GEM Listing Rules to allot and issue new Shares to raise further capital for its future investments as and when an opportunity arises. The increased amount of capital which may be raised under the proposed refreshment of the Existing General Mandate provides more options of financing to the Company when assessing and negotiating potential investment in a timely manner.

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## LETTER FROM VINCO CAPITAL

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### Other financing alternatives

As advised by the Directors, apart from equity financing, the Directors will also consider other financing methods such as bank financing and debt financing so as to meet its financing requirements arising from any future development of the Group, depending on the financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. Additionally, bank financing and debt financing will usually incur interest burden on the Group and may be subject to, including but not limited to, lengthy due diligence and negotiations with the banks. The alternative options encompass certain uncertainties and are time-consuming as compared to equity financing.

Further to our discussion with the Directors, they have also considered other forms of pro rata equity financing methods such as rights issue or open offer, however, most would result in substantial costs including but not limited to legal costs and underwriting commissions and there is the likely chance of a highly dilutive pricing of the offer established by an underwriter. The Company may also not be able to procure favourable terms in commercial underwriting. Accordingly, the Directors consider that the Refreshed General Mandate may provide an alternative to fund any possible business development or investment opportunities of the Group. Additionally, the Directors confirmed that they would exercise due and careful consideration when choosing the financing method available to the Group and would adopt the method which serves the best interest of the Group. Having considered that (i) investment opportunities which may arise at any time and require prompt decision by the Group; (ii) the bank financing and debt financing will incur additional interest burden to the Group and cause lengthy due diligence; and (iii) there is no guarantee on the sufficient number of invested participants if the Company engages rights issue or open offer which cause higher dilutive effect of shareholding, we thus concur with the Directors' view that the Refreshed General Mandate will provide the Company an additional financing alternative for the Company to raise funds for its future investments or business developments. Also, we considered that it is in the interest of the Company and the Independent Shareholders as a whole and is reasonable for the Company to have the flexibility in deciding the best financing methods for any future investments or business developments.

### Potential dilution to shareholdings of the Shareholders

	<b>As at the Latest Practicable Date</b>		<b>Upon full utilisation of the Refreshed General Mandate</b>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
<b>Public Shareholders</b>				
Shares that may be issued under the Refreshed General Mandate	–	–	415,557,227	16.67
Other public Shareholders	2,077,786,138	100.00	2,077,786,138	83.33
Total	<u>2,077,786,138</u>	<u>100.00</u>	<u>2,493,343,365</u>	<u>100.00</u>

The above table demonstrated the shareholdings of the Company as at the Latest Practicable Date, and for illustrative purpose, the potential dilution effect on the shareholdings of the Company immediately after full utilisation of the Refreshed General Mandate (assuming no further Shares will be issued or repurchased by the Company after the Latest Practicable Date and up to the date of the EGM).

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## LETTER FROM VINCO CAPITAL

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The aggregate shareholding of the other public Shareholders will decrease from 100.00% to approximately 83.33% upon full utilisation of the Refreshed General Mandate, indicating a potential maximum dilution of approximately 16.67%. Taking into account the potential benefits of the proposed refreshment of Refreshed General Mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionally to their respective shareholdings upon full utilisation of the Refreshed General Mandate, we consider such maximum potential dilution to the shareholdings of the Shareholders to be acceptable.

### CONCLUSION

Having taken into consideration of the above principal factors and reasons, we are of the view that the proposed refreshment of the Existing General Mandate is fair and reasonable, so far as the Independent Shareholders are concerned and that the proposed refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the proposed refreshment of the Existing General Mandate.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

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## NOTICE OF EGM

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### ZMAY HOLDINGS LIMITED

### 中民安園控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8085)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of ZMAY Holdings Limited (the “Company”) will be held at 1/F., Function Room, Macau Jockey Club, China Merchant Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong on Friday, 21 January 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to the GEM granting the listing of, and permission to deal in, the shares of the Company to be issued pursuant to the exercise of options which may be granted under the Scheme Mandate Limit (as defined below) and pursuant to the existing share option scheme of the Company, adopted on 17 November 2010 (the “**Share Option Scheme**”), approval be and is hereby generally and unconditionally granted for refreshing and renewing the Scheme Mandate Limit (as defined in the circular of the Company dated 4 January 2011) under the Share Option Scheme provided that (i) the total number of shares of the Company which may be allotted and issued upon the exercise of the options to be granted under the Share Option Scheme and other share option schemes of the Company shall not exceed 10% of the total number of shares of the Company in issue as at the date of the passing of this resolution (the “**Scheme Mandate Limit**”); and (ii) the overall limit on the number of shares of the Company which may be issued upon the exercise of all options to be granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time and that the directors of the Company be and are hereby authorised, at their absolute discretion, to grant options under the Share Option Scheme up to the Scheme Mandate Limit and to exercise all the powers of the Company to allot, issue and deal with the shares of the Company pursuant to the exercise of such options.”

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## NOTICE OF EGM

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2. **“THAT**

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company (the **“Directors”**) during the Relevant Period (as hereafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period (as defined below) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereafter defined); (ii) any Share Option Scheme (as hereafter defined) of the Company; (iii) the exercise of rights of conversion under the terms of any securities which are convertible into shares of the Company or warrants to subscribe for shares of the Company; or (iv) any scrip dividend or other similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the articles of associations of the Company, shall not exceed 20% of the issued share capital of the Company as at the date of passing of this resolution and the approval in paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution, **“Relevant Period”** means the period from the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
  - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws of the Cayman Islands to be held.

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## NOTICE OF EGM

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“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange applicable to the Company); and

“**Share Option Scheme**” means a share option scheme or similar arrangement for the time being, as varied from time to time, adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or other eligible person of shares or rights to acquire shares of the Company.”

By order of the Board  
**ZMAY HOLDINGS LIMITED**  
**Lam Wing Tai**  
*Executive Director*

Hong Kong, 4 January 2011

*Head Office and Principal Place of Business in Hong Kong:*

Unit 902, 9/F.  
Wings Building  
110-116 Queen’s Road Central  
Central  
Hong Kong

*Notes:*

1. Any shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if the member is a holder of two or more shares) to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders is present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be duly lodged at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
4. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.