



COMBEST HOLDINGS LIMITED

康佰控股有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock code: 8190)



2010/2011 FIRST QUARTERLY REPORT



* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Combest Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 document misleading.

HIGHLIGHTS

The financial highlights of the Company and its subsidiaries (collectively, the "Group") for the three months ended 30 September 2010 (the "Period") are presented as follows:

	Continuing operations		Discontinued operations		Total	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i> (Restated)	2010 <i>RMB'000</i>	2009 <i>RMB'000</i> (Restated)	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Revenue	81,600	4,963	-	110,087	81,600	115,050
Profit/(Loss) for the period attributable to owners of the Company	24,393	(3,123)	-	(196,797)	24,393	(199,920)
Earnings/(Loss) per share						
- basic	0.81 cents	(0.13) cents	N/A	(8.14) cents	0.81 cents	(8.27) cents
- diluted	N/A	N/A	N/A	N/A	N/A	N/A

RESULTS

The Board of Directors (the "Board") wishes to announce the unaudited results of the Group for the Period, together with the unaudited comparative figures for the three months ended 30 September 2009 ("Corresponding period in 2009") as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Three months ended	
		30 September	
		2010	2009
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Restated)
Continuing operations:			
Revenue	3	81,600	4,963
Cost of sales		(47,820)	(4,243)
		<hr/>	<hr/>
Gross profit		33,780	720
Other income	3	–	875
Selling and distribution costs		(4,546)	(224)
Administrative expenses		(3,756)	(1,431)
		<hr/>	<hr/>
Operating profit/(loss)		25,478	(60)
Finance costs	5	(300)	(2,582)
		<hr/>	<hr/>
Profit/(Loss) before income tax		25,178	(2,642)
Income tax expense	6	(1,090)	–
		<hr/>	<hr/>
Profit/(Loss) after income tax from continuing operations		24,088	(2,642)
Discontinued operations:			
Loss for the period from discontinued operations	7	–	(194,176)
		<hr/>	<hr/>
Profit/(Loss) for the period		24,088	(196,818)
		<hr/>	<hr/>

	Unaudited	
	Three months ended	
	30 September	
	2010	2009
<i>Notes</i>	RMB'000	RMB'000 (Restated)
Other comprehensive income for the period:		
Exchange gain on translation of financial statements of foreign operations	<u>562</u>	<u>1,011</u>
Total comprehensive income for the period	<u>24,650</u>	<u>(195,807)</u>
Profit/(Loss) for the period attributable to:		
Owners of the Company	24,393	(199,920)
Non-controlling interests	(305)	3,102
	<u>24,088</u>	<u>(196,818)</u>
Total comprehensive income attributable to:		
Owners of the Company	24,955	(199,365)
Non-controlling interests	(305)	3,558
	<u>24,650</u>	<u>(195,807)</u>
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period		
– Basic (<i>RMB cent(s)</i>)		
From continuing and discontinued operations	0.81 cents	(8.27) cents
From continuing operations	0.81 cents	(0.13) cents
– Diluted (<i>RMB cent(s)</i>)		
From continuing and discontinued operations	N/A	N/A
From continuing operations	N/A	N/A

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Notes:

1. General information

Combest Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 28 August 2001 and its shares are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "SEHK").

2. Basis of presentation

The unaudited condensed consolidated results incorporate those of the Company and its subsidiaries for the three months ended 30 September 2010.

The unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the SEHK (the "GEM Listing Rules").

The principal accounting policies and methods of computation used in the preparation of this set of report are consistent with those used in the annual financial statements for the year ended 30 June 2010.

The Group has adopted a number of new and revised standards, amendments and interpretations which are effective for the Group's accounting periods beginning on or after 1 July 2010. The adoption of these new and revised standards, amendments and interpretations does not have significant impact on the accounting policies of the Group.

All significant inter-company transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

The results of the Company are presented in Renminbi ("RMB"), which is different from the functional currency of the Company, Hong Kong dollars ("HK\$"), as the Directors consider that RMB is the most appropriate presentation currency in view of the most of the underlying transactions of the Group are denominated in RMB.

3. Revenue and other income

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for return and trade discounts, where applicable.

An analysis of the Group's revenue and other income for the three months ended 30 September 2010 and 2009 is as follows:

	Unaudited					
	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		
Revenue						
Sales of goods	81,600	4,963	-	110,087	81,600	115,050
Other income						
Interest income	-	1	-	30	-	31
Sales of scrap materials	-	574	-	3,262	-	3,836
Others	-	300	-	-	-	300
	-	875	-	3,292	-	4,167

4. Segment information

The executive directors have identified the Group's two product lines as reportable segments:

- (a) Functional healthcare bedroom products include mattresses, pillows, blankets, other bedroom accessories and a range of functional healthcare clothes and accessories; and
- (b) OEM consumer electronic products include RS connectors, transmitters for consumer electronic products.

An analysis of the Group's revenue and results by principal activities, in respect of the Group's operations for the three months ended 30 September 2010 is as follows:

	Functional healthcare bedroom products		OEM consumer electronic products		Total	
	For the three months ended 30 September					
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Revenue						
– From external customers						
Reportable segment revenue	77,058	–	4,542	4,963	81,600	4,963
Reportable segment profit/(loss) (Continuing operations)	29,424	–	(190)	720	29,234	720
Depreciation	129	–	154	829	283	829

4. Segment information (Continued)

The total represented for the Group's operation segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	For the three months ended	
	30 September	
	2010	2009
	RMB'000	RMB'000
Reportable segment revenue (Continuing operations)	81,600	4,963
Discontinued operations		
– Sales of goods:		
Consumer electronic products and component, and satellite communication products*	–	110,087
Group revenue	81,600	115,050
Reportable segment profit	29,234	720
Unallocated income	–	875
Finance costs	(300)	(2,582)
Unallocated expenses	(3,756)	(1,655)
Profit/(Loss) before income tax and discontinued operations	25,178	(2,642)

* Other than OEM consumer electronic products

5. Finance costs

	Continuing operations		Discontinued operations		Consolidated	
	2010 RMB'000	2009 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000
Interest on bank loans and overdrafts and other loans wholly repayable within five years	300	2	-	124	300	126
Imputed interest on convertible bonds	-	2,580	-	-	-	2,580
Total interest on financial liabilities stated at amortised cost	<u>300</u>	<u>2,582</u>	<u>-</u>	<u>124</u>	<u>300</u>	<u>2,706</u>

6. Income tax expense

Hong Kong profits tax has been provided at the tax rate of 16.5% on the estimated assessable profit for the three months ended 30 September 2010 and 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

An analysis of the Group's income tax expense for the three months ended 30 September 2010 and 2009 is as follows:

	Unaudited					
	Continuing operations		Discontinued operations		Consolidated	
	2010 RMB'000	2009 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000
Current tax						
PRC income tax	<u>1,090</u>	<u>-</u>	<u>-</u>	<u>1,032</u>	<u>1,090</u>	<u>1,032</u>

7. Discontinued operations

On 12 October 2009, the Group disposed the satellite and ODM of consumer electronic business to its substantial shareholders for a cash consideration of HK\$60,000,000 and cancellation of its convertible bonds amounting of HK\$62,988,000 for an aggregate consideration of HK\$122,988,000.

The Group re-presented the results of discontinued operations for the corresponding period in 2009 in accordance with HKFRS 5. An analysis of the results of the discontinued operations included in the consolidated income statement is as follows:

	Unaudited three months ended 30 September 2009 <i>RMB'000</i> (Restated)
Revenue	110,087
Cost of sales	<u>(97,282)</u>
Gross profit	12,805
Other income	3,292
Selling and distribution costs	(3,334)
Administrative expenses	(5,783)
Impairment of goodwill	(200,000)
Finance costs	<u>(124)</u>
Loss before income tax	(193,144)
Income tax expense (<i>Note 6</i>)	<u>(1,032)</u>
Loss for the period from discontinued operations	<u><u>(194,176)</u></u>

8. Interim dividends

The Board did not recommend the payment of an interim dividend for the three months ended 30 September 2010 and 2009.

9. Earnings/(Loss) per share

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company is based on the profit for the Period of approximately RMB24,393,000 (Corresponding period in 2009: approximately loss of RMB199,920,000, as restated) and the weighted average of the 3,007,423,913 ordinary shares in issue during the Period (Corresponding period in 2009: the weighted average of 2,416,500,000).

From continuing operations

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

	Unaudited	
	Three months ended	
	30 September	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Profit/(Loss) for the period attributable to owners of the Company	24,393	(199,920)
Less: Loss for the period from discontinued operations attributable to owners of the Company	-	(196,797)
	24,393	(3,123)

9. Earnings/(Loss) per share (Continued)

From continuing operations (Continued)

The denominators used are the same as those detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

From discontinued operations

For the corresponding period in 2009, basic loss per share from discontinued operations was RMB8.14 cents per share, as restated, which was calculated based on the loss for the corresponding period in 2009 from discontinued operations attributable to owners of the Company of approximately RMB196,797,000, as restated. The denominators used are the same as those detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

Diluted

No diluted earnings/(loss) per share are presented for the three months ended 30 September 2010 and 2009 as the outstanding convertible bonds were anti-dilutive.

10. Share capital and reserves

	Unaudited							Non-controlling interests	Total equity
	Equity attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Convertible bond equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance at 1 July 2010	28,216	322,469	265	333	-	(245,551)	105,732	1,610	107,342
Transactions with owners									
Issue of new shares	1,789	63,740	-	-	-	-	65,529	-	65,529
Profit for the Period	-	-	-	-	-	24,393	24,393	(305)	24,088
Other comprehensive income									
Exchange gain on translation of financial statements of foreign operations	-	-	-	562	-	-	562	-	562
Total comprehensive income for the Period	-	-	-	562	-	24,393	24,955	(305)	24,650
Transfer to statutory reserves	-	-	2,549	-	-	(2,549)	-	-	-
Balance at 30 September 2010	30,005	386,209	2,814	895	-	(223,707)	196,216	1,305	197,521
Balance at 1 July 2009	23,992	224,895	16,100	6,124	72,040	(15,525)	327,626	87,232	414,858
Loss for the period	-	-	-	-	-	(199,920)	(199,920)	3,102	(196,818)
Other comprehensive income									
Exchange gain on translation of financial statements of foreign operations	-	-	-	555	-	-	555	456	1,011
Total comprehensive income for the period	-	-	-	555	-	(199,920)	(199,365)	3,558	(195,807)
Transfer to statutory reserves	-	-	701	-	-	(701)	-	-	-
Balance at 30 September 2009	23,992	224,895	16,801	6,679	72,040	(216,146)	128,261	90,790	219,051

11. Comparative figures

Certain comparative figures have been reclassified as a result of the presentation of discontinued operations.

FINANCIAL REVIEW

Continuing operations

In the continuing operations, the Group recorded a revenue of approximately RMB81,600,000 for the three months ended 30 September 2010, representing an increase of approximately 1,544.2% as compared to the previous corresponding period. Such increase in revenue of the Group was due to the contribution of Combest Group acquired in 2010.

The Group's gross profit margin increased to approximately 41.4% for the three months ended 30 September 2010, as compared to approximately 14.5% for the previous corresponding period.

Discontinued operations

In the discontinued operations, the Group recorded nil revenue for the three months ended 30 September 2010, as compared to a revenue of RMB110,087,000 for the previous corresponding period. The revenue of the discontinued operations represented the revenue generated from the disposal of the satellite and ODM of consumer electronic products business in October 2009.

Profit/(Loss) attributable to owners of the Company

The unaudited profit attributable to owners of the Company for the three months ended 30 September 2010 amounting to RMB24,393,000, as compared to the loss of RMB199,920,000 for the previous corresponding period. The profit for 30 September 2010 represented the contribution from Combest Group which was acquired in 2010 while the loss incurred in the previous corresponding period was due to full impairment of goodwill arising from the disposal of subsidiaries in 2009.

BUSINESS REVIEW

We are principally engaged in two business segments, namely (i) manufacture and sales of functional healthcare bedroom products and other accessories, and (ii) manufacturing and trading of OEM consumer electronic products and components. The current status of our business segments is shown as follows:

Continuing operations:

Manufacture and sales of functional healthcare bedroom products

On 11 August 2010, the Company completed its acquisition of the 2nd tranche of Combest Group in the PRC.

In order to enhance brand visibility and brand equity to attract more potential franchise store owners and customers, and to provide additional sales support to our independent franchise owners to grow their business volume and expand their network, the Group decided to open self-managed customer services centres for the “Combest” brand. The first was opened in Beijing in late August 2010. Other sites in Guangzhou, Shanghai and Shandong areas are all under renovation and many to be opened by the end of calendar year 2010. These customer services centres will also host product seminars to attract new customers to understand our products and to have more interaction with them, as well as acting as a regional hub to organise training and sales and marketing events for the franchise stores within the respective regions.

With a focus on product technology and functionality, the Group dedicated to research and developing new products during the Period. These new products will be launched in the coming quarters so as to further enrich the Group’s product portfolio and enhance the business performance.

On 30 September 2010, the Group has completed the acquisition of another functional healthcare bedroom products business under the “大華金辰” brand name with over 85 franchise stores located in Zhejiang and Shanxi provinces in the PRC. This will further strengthen and expand its market share in the functional healthcare products segment in that area.

Manufacture and trading of OEM consumer electronic products

The Company retained the business of producing the OEM consumer electronic products including RS connectors, transmitters for consumer electronic products.

Discontinued operations:

Manufacturing and trading of satellite communications products and ODM for consumer electronic products

There are two categories:

1. ODM for consumer electronic products include main structure parts for electronic products' console and high frequent modular for consumer electronic products.
2. Satellite communications products include low-noise block converters, transceivers and digital video broadcasting decoders which are used in satellite broadcasting, satellite telephone, satellite monitoring and GPS.

BUSINESS OUTLOOK

Following the completion of the acquisition of the entire Combest Group of companies in the PRC in August 2010, the management has been implementing the business plan to open new self-managed customer service centres in various strategic cities in the PRC. We will also step up brand building through other marketing campaigns in order to enhance brand trustworthiness among consumers.

We will also expand the sales force to develop the wholesale market. The marketing teams believes that this wholesale market presents an important market segment with good potential for the Group to explore.

The management has been strengthening the research and development and innovation ability to launch new products to blend functions with style in order to tap into different demographic group of customers so as to increase the sales volume as well as to enhance the brand equity. A number of new products such as the magnetic massage chair is expected to be launched in the coming quarter of the year.

The management believes that with the existing seasoned management and marketing team, our product design ability and our focused business expansion plan, the number of independent franchise stores will increase significantly in coming years, the wholesale segment will generate promising growth and that the Group shall continue to outperform other players in the industry.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2010, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have required to be notified to the Company and the 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 provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standards of dealings by Directors of the Company.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

A. Substantial shareholders

So far as is known to the Directors, as at 30 September 2010, the persons, other than a director or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and who were, directly or indirectly, interested in 10% or more of the shares were as follows:

Name	Number and class of securities	Capacity	Approximate percentage to the issued share capital of the Company
Shing Lee Holding Limited ("Shing Lee") (Note 2)	650,000,000 ordinary shares	Beneficial owner	20.96%
Diamond Highway Limited ("Diamond Highway") (Note 2)	39,714,286 ordinary shares	Beneficial owner	1.28%
Mr. Zeng Pei Hui ("Mr. Zeng") (Note 2)	689,714,286 ordinary shares	Interest of controlled corporation	22.24%
Dream Star International Limited ("Dream Star") (Note 1)	474,285,714 ordinary shares	Beneficial owner	15.29%

Name	Number and class of securities	Capacity	Approximate percentage to the issued share capital of the Company
Mr. Hong Yuexiong ("Mr. Hong") (Note 1)	524,765,714 ordinary shares	Interest of controlled corporation	16.92%
Glory Path Management Limited ("Glory Path") (Note 3)	480,000,000 ordinary shares	Beneficial owner	15.48%
Mr. Au Yeung Cheuk Nam ("Mr. Au Yeung") (Note 3)	480,000,000 ordinary shares	Interest of controlled corporation	15.48%

Notes:

1. The 474,285,714 shares are registered in the name of Dream Star which is wholly owned by Mr. Hong. Accordingly, Mr. Hong is deemed to be interested in all the shares in which Dream Star is interested pursuant to the SFO.
2. The 650,000,000 and 39,714,286 shares were registered in the name of Shing Lee and Diamond Highway respectively. Shing Lee and Diamond Highway are wholly owned by Mr. Zeng. Accordingly, Mr. Zeng is deemed to be interested in all the shares in which each of Shing Lee and Diamond Highway is interested pursuant to the SFO.
3. The 480,000,000 shares were registered in the name of Glory Path which is wholly owned by Mr. Au Yeung. Accordingly, Mr. Au Yeung is deemed to be interested in all the shares in which Glory Path is interested pursuant to the SFO.

B. Other persons whose interests are recorded in the register required to be kept under Section 336 of the SFO

As at 30 September 2010, the Company has not been notified of any other person (other than a director or the chief executive of the Company) having an interest or short position in the shares or the underlying shares of Company representing 5% or more of the issued share capital of the Company save as below:

Name	Number and class of securities (Note 1)	Capacity	Approximately percentage to the issued share capital of the Company
Cytech Investment Limited ("Cytech Investment") (Note 3)	164,500,000 ordinary shares	Beneficial owner	5.30%
Benep Management Limited ("Benep") (Note 3)	164,500,000 ordinary shares	Interest of controlled corporation	5.30%
Chinasing Investment Holdings Limited ("Chinasing") (Note 3)	164,500,000 ordinary shares	Interest of controlled corporation	5.30%
Pioneer Idea Finance Limited ("Pioneer") (Note 4)	164,500,000 ordinary shares	Interest of controlled corporation	5.30%
Mr. Huang Quan ("Mr. Huang") (Note 4)	164,500,000 ordinary shares	Interest of controlled corporation	5.30%
Treasure Focus Enterprises Limited ("Treasure") (Note 5)	200,000,000 ordinary shares	Beneficial owner	6.45%
Mr. Wang Weijun ("Mr. Wang") (Note 5)	200,000,000 ordinary shares	Interest of controlled corporation	6.45%

Name	Number and class of securities (Note 1)	Capacity	Approximately percentage to the issued share capital of the Company
Mr. Li Jiahui	243,360,000 ordinary shares	Beneficial owner	7.85%
Brow Crown International Limited ("Brow Crown") (Note 2)	200,000,000 ordinary shares	Beneficial owner	6.45%
Mr. Qian Shiyu ("Mr. Qian") (Note 2)	200,000,000 ordinary shares	Interest of controlled corporation	6.45%

Notes:

1. It represents the interests in the shares or the underlying shares of the Company.
2. The 200,000,000 shares are registered in the name of Brow Crown, which is wholly owned by Mr. Qian. Accordingly, Mr. Qian is deemed to be interested in all the shares in which Brow Crown is interested pursuant to the SFO.
3. The 164,500,000 shares are registered in the name of Cytech Investment. Cytech Investment is a wholly-owned subsidiary of Benep, which is in turn a wholly-owned subsidiary of Chinasing, a company whose shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited. Accordingly, each of Chinasing and Benep is deemed to be interested in all the shares in which Cytech Investment is interested pursuant to the SFO.
4. The issued share capital of Chinasing is owned as to approximately 21.25% and 36.52% by Hebe Finance Limited and Pioneer respectively. The issued share capitals of Hebe Finance Limited and Pioneer are wholly-owned by Mr. Huang. Accordingly, each of Pioneer and Mr. Huang is deemed to be interested in all the shares in which Chinasing is interested pursuant to the SFO.
5. The 200,000,000 shares are registered in the name of Treasure, which is wholly owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the shares in which Treasure is interested pursuant to the SFO.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules for the three months ended 30 September 2010.

CORPORATE GOVERNANCE

For the three months ended 30 September 2010, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practice of the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of the Stock Exchange, save as the following deviation.

Chairman and Chief Executive Officer

The Company has not yet adopted A.2.1. Under the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separated and would not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The Company does not presently have any officer with the title CEO. At present, Mr. Lim Merng Phang, being the Chairman and Executive Director of the Company, is responsible for the strategic planning, formulation of overall corporate development policy and running the business of the Group as well as the duties of Chairman. The Board considers that, due to the nature and extent of the Group's operations, Mr. Lim is the most appropriate chief executive because he is experienced in management as well as merger and acquisition and other key corporate matters and will be able to help the sustainable development of the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make the necessary amendments.

Nomination of Directors

The Board has not established a nomination committee at the moment. The appointment of new director is therefore a matter for consideration and decision by the shareholders' meeting.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 30 September 2010.

COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2010.

The share option scheme of the Company ("Post-IPO Scheme") was approved and adopted on 24 January 2002. The principal purpose of the Post-IPO Scheme is to enable the Company to grant options to selected persons as incentives and rewards for their contribution to the Group.

As at 30 September 2010, no option has been granted or agreed to be granted under the Post-IPO Scheme.

AUDIT COMMITTEE

As required by Rules 5.28 of the GEM Listing Rules, the Company has established an audit committee which comprises three independent non-executive directors, Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang and Mr. Xing Fengbing. Mr. Chan Ngai Sang, Kenny was appointed as the Chairman of the audit committee. The audit committee meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems. This report has been reviewed and approved by the audit committee of the Company which was of the opinion that the preparation of such results complied with applicable accounting standards and the requirements and that adequate disclosures have been made.

By order of the Board
Combest Holdings Limited
Lim Merng Phang
Chairman

Hong Kong, 27 October 2010

As at the date of this report, the executive directors of the Company are Mr. Lim Merng Phang and Mr. Lee Man To and the independent non-executive directors are Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang and Mr. Xing Fengbing.