



COMBEST HOLDINGS LIMITED 康佰控股有限公司*

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



2010/2011 INTERIM REPORT

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

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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 six months ended 31 December 2010 (the “Period”) are presented as follows:

	Continuing operations		Discontinued operations		Total	
	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	205,175	11,473	-	146,568	205,175	158,041
Profit/(Loss) for the period attributable to owners of the Company	50,528	(15,300)	(72)	(239,236)	50,456	(254,536)
Earnings/(Loss) per share						
– basic	1.64 cent	(0.63) cent	(0.002) cent	(9.90) cent	1.64 cent	(10.53) cent
– 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 and six months ended 31 December 2010 (“corresponding periods in 2009”) as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited			
		Three months ended		Six months ended	
		31 December		31 December	
		2010	2009	2010	2009
Notes		<i>RMB'000</i>	<i>RMB'000</i> (restated)	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Continuing operations:					
		123,575	6,510	205,175	11,473
	3	(81,638)	(5,257)	(129,458)	(9,500)
		41,937	1,253	75,717	1,973
	3	596	22,833	596	23,708
		(4,432)	(223)	(8,978)	(447)
		(4,613)	(1,898)	(8,369)	(3,329)
	5	(116)	–	(116)	–
		33,372	21,965	58,850	21,905
	6	(78)	(303)	(378)	(2,885)
		33,294	21,662	58,472	19,020
	8	(6,833)	–	(7,923)	–
		26,461	21,662	50,549	19,020
Discontinued operations:					
	10	(72)	(77,171)	(72)	(271,338)
		26,389	(55,509)	50,477	(252,318)

		Unaudited			
		Three months ended 31 December		Six months ended 31 December	
Notes	2010 <i>RMB'000</i>	2009 <i>RMB'000</i> (restated)	2010 <i>RMB'000</i>	2009 <i>RMB'000</i> (restated)	
Other comprehensive income, for the period:					
Release from redemption of convertible note	–	(15,654)	–	(15,654)	
Arising from disposal of subsidiaries	–	(110,351)	–	(110,351)	
Exchange loss on translation of financial statements of foreign operations	(3,555)	(1,021)	(2,993)	(10)	
	(3,555)	(127,026)	(2,993)	(126,015)	
Total comprehensive income for the period	22,834	(182,535)	47,484	(378,333)	
Profit/(Loss) for the period attributable to:					
Owners of the Company	26,063	(54,625)	50,456	(254,536)	
Non-controlling interests	326	(884)	21	2,218	
	26,389	(55,509)	50,477	(252,318)	
Total comprehensive income attributable to:					
Owners of the Company	22,531	(181,651)	47,466	(378,874)	
Non-controlling interests	323	(884)	18	541	
	22,854	(182,535)	47,484	(378,333)	
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period					
11					
– Basic (<i>RMB cent(s)</i>)					
From continuing and discontinued operations	0.83 cent	(2.26) cent	1.64 cent	(10.53) cent	
From continuing operations	0.83 cent	(0.50) cent	1.64 cent	(0.63) cent	
– Diluted (<i>RMB cent(s)</i>)					
From continuing and discontinued operations	N/A	N/A	N/A	N/A	
From continuing operations	N/A	N/A	N/A	N/A	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,758	3,000
Interests in an associate		–	21,535
Intangible assets	13	189,020	86,600
Goodwill	14	57,451	15,993
		250,229	127,128
CURRENT ASSETS			
Inventories	15	32,980	14,095
Trade receivables	16	30,581	6,621
Prepayments, deposits and other receivables		28,759	30,006
Due from a related company	17	–	7,237
Tax recoverable		457	–
Cash and cash equivalents		27,454	5,045
		120,231	63,004
CURRENT LIABILITIES			
Trade payables	18	17,289	3,145
Other payables and accruals		22,244	6,630
Due to a shareholder		–	1,744
Due to a related party	19	13,661	30,573
Tax payable		–	775
		53,194	42,867
NET CURRENT ASSETS		67,037	20,137

	31 December	30 June
	2010	2010
<i>Notes</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Due to a shareholder	15,473	18,273
Deferred tax liabilities	47,255	21,650
	62,728	39,923
NET ASSETS	254,538	107,342
EQUITY		
Equity attributable to owners of the Company		
Share capital	22 30,860	28,216
Reserves	222,045	77,516
Non-controlling interests	252,905	105,732
	1,633	1,610
TOTAL EQUITY	254,538	107,342

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the six months ended 31 December	
	2010	2009
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	26,414	(57,457)
Net cash (outflow)/inflow from investing activities	(15,665)	99,462
Net cash inflow/(outflow) from financing activities	16,211	(123,674)
Net increase/(decrease) in cash and cash equivalents	26,960	(81,669)
Cash and cash equivalents at beginning of the period	5,045	88,707
	32,005	7,038
Effects of exchange rate changes on the balance of cash held in foreign currencies	(4,551)	(2,839)
Cash and cash equivalents at end of the period	27,454	4,199
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	27,454	4,199

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010

	Unaudited								
	Equity attributable to owners of the Company								
	Share capital	Share premium*	Statutory reserves*	Exchange fluctuation reserve*	Convertible bonds equity reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2010	28,216	322,469	265	333	-	(245,551)	105,732	1,610	107,342
Issue of new shares	2,644	97,068	-	-	-	-	99,712	-	99,712
Profit for the period	-	-	-	-	-	50,456	50,456	21	50,477
Other comprehensive income									
Exchange difference on translation	-	-	-	(2,995)	-	-	(2,995)	2	(2,993)
Arising from disposal of subsidiaries	-	-	-	(284)	-	284	-	-	-
Total comprehensive income for the period	-	-	-	(3,279)	-	284	(2,995)	2	(2,993)
Balance at 31 December 2010	30,860	419,537	265	(2,946)	-	(194,811)	252,905	1,633	254,538
Balance at 1 July 2009	23,992	224,895	16,100	6,124	72,040	(15,525)	327,626	87,232	414,858
(Loss)/Profit for the period	-	-	-	-	-	(254,536)	(254,536)	2,218	(252,318)
Other comprehensive income									
Release from redemption of convertible note	-	-	-	-	(72,040)	56,386	(15,654)	-	(15,654)
Exchange difference on translation	-	-	-	(552)	-	-	(552)	542	(10)
Arising from disposal of subsidiaries	-	-	(16,100)	(4,800)	-	-	(20,900)	(89,451)	(110,351)
Total comprehensive income for the period	-	-	(16,100)	(5,352)	(72,040)	(198,150)	(291,642)	(86,691)	(378,333)
Balance at 31 December 2009	23,992	224,895	-	772	-	(213,675)	35,984	541	36,525

* These reserve accounts comprise the consolidated reserves of approximately RMB222,045,000 (30 June 2010: RMB77,516,000) in the condensed consolidated statement of financial position.

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 six months ended 31 December 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, other income and gains

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. Analysis of the Group's revenue and other income is shown as follows:

	Unaudited					
	For the six months ended 31 December					
	Continuing operations		Discontinued operations		Total	
2010	2009	2010	2009	2010	2009	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue						
Sales of goods	205,175	11,473	-	146,568	205,175	158,041
Other income						
Interest income	10	69	-	29	10	98
Gross rental income from investment properties	-	-	-	350	-	350
Sales of scrap materials	586	135	-	3,841	586	3,976
Sundry income	-	525	-	-	-	525
Gains						
Fair value gain on investment properties	-	-	-	100	-	100
Fair value gain on the derivative component of the convertible bonds	-	22,979	-	-	-	22,979
	596	23,708	-	4,320	596	28,028

4. Segment information

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

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

There were no inter-segment sales and transfers during the Period (corresponding periods in 2009: Nil).

4. Segment information (Continued)

	Unaudited six months ended 31 December					
	Functional healthcare bedroom products		OEM consumer electronic products		Total	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Revenue						
– From external customers						
Reportable segment revenue	<u>193,817</u>	<u>–</u>	<u>11,358</u>	<u>11,473</u>	<u>205,175</u>	<u>11,473</u>
Reportable segment profit (Continuing operations)	<u>54,058</u>	<u>–</u>	<u>54</u>	<u>1,307</u>	<u>54,112</u>	<u>1,307</u>
Depreciation	<u>256</u>	<u>–</u>	<u>296</u>	<u>752</u>	<u>552</u>	<u>752</u>
	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)
Reportable segment assets	349,733	–	14,947	40,765	364,680	40,765
Additions to non-current segment assets during the period, including arising from acquisition of subsidiaries	<u>149,040</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>149,040</u>	<u>–</u>
Reportable segment liabilities	<u>48,716</u>	<u>–</u>	<u>1,282</u>	<u>5,498</u>	<u>49,998</u>	<u>5,498</u>

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:

	Unaudited six months ended	
	31 December	
	2010	2009
	RMB'000	RMB'000
Reportable segment revenue (Continuing operation)	205,175	11,473
Discontinued operation		
– Sales of goods:		
Consumer electronic products and component, and satellite communication products*	–	146,568
Group revenue	205,175	158,041
Reportable segment profit	54,112	1,307
Fair Value gain on the derivative component of the convertible bonds	–	22,979
Unallocated income	10	729
Finance costs	–	(2,885)
Unallocated expenses	(3,573)	(3,110)
Profit before income tax and discontinued operations	50,549	19,020
* <i>Other than OEM consumer electronic products</i>		
	31 December	30 June
	2010	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Reportable segment assets	364,680	156,315
Assets from disposed subsidiaries	118	–
Interests in an associate	–	21,535
Other corporate assets	5,662	12,282
Group assets	370,460	190,132
Reportable segment liabilities	49,998	7,320
Liabilities from disposed subsidiaries	697	–
Other borrowings	15,473	–
Taxes payables	–	775
Deferred tax liabilities	47,225	21,650
Other corporate liabilities	2,529	53,045
Group liabilities	115,922	82,790

4. Segment information (Continued)

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	31 December 2010 <i>RMB'000</i> (Unaudited)	2009 <i>RMB'000</i> (Unaudited)	31 December 2010 <i>RMB'000</i> (Unaudited)	30 June 2009 <i>RMB'000</i> (Audited)
Principal markets				
The PRC	194,810	12,992	3,758	127,128
Hong Kong	6,537	141,258	246,471	–
Europe	1,687	3,123	–	–
Others	2,141	668	–	–
	205,175	158,041	250,229	127,128

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

5. Other operating expenses

	Unaudited	
	Six months ended 31 December 2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Loss on disposal of subsidiaries	116	–

6. Finance costs

	Continuing operations		Discontinuing operations		Unaudited Six months ended 31 December	
	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000 (restated)	RMB'000	RMB'000
Interest on bank loans and overdrafts and other loans wholly repayable within five years	378	-	-	105	378	105
Imputed interest on convertible bonds	-	2,885	-	-	-	2,885
Total interest on financial liabilities stated at amortised cost	378	2,885	-	105	378	2,990

7. Profit before income tax

The Group's profit before income tax is arrived at after charging/(crediting):

	Unaudited Six months ended 31 December	
	2010	2009
	RMB'000	RMB'000
Cost of inventories sold/services provided	129,458	9,500
Depreciation	552	133
Staff costs (including directors' remuneration and retirement scheme contribution)	9,315	631
Interest income	10	(69)
Loss on disposal of subsidiaries	116	57,854

8. Income tax expense

Hong Kong profits tax has been provided at the tax rate of 16.5% on the estimated assessable profit for the six months ended 31 December 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 six months ended 31 December 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
Hong Kong profits tax	-	-	-	52	-	52
PRC income tax	7,923	-	-	1,420	7,923	1,420
	7,923	-	-	1,472	7,923	1,472

9. Interim dividends

The Board did not recommend the payment of an interim dividend for the six months ended 31 December 2010 (corresponding period in 2009: Nil).

10. Discontinued operations

On 23 November 2010, the Group has disposed the hardware and software maintenance services and other related businesses to independent third parties for nil consideration as the business was loss-making.

On 12 October 2009, the Group has 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 to 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 and cash flows of the discontinued operations included in the consolidated income statement are as follows:

	Unaudited	
	Six months ended	
	31 December	
	2010	2009
	RMB'000	RMB'000
		(restated)
Revenue	–	146,568
Cost of sales	–	(125,682)
Gross profit	–	20,886
Other income and gains	–	4,320
Selling and distribution costs	–	(3,465)
Administrative expenses	(72)	(4,832)
Finance cost	–	(105)
Other operating expenses	–	(286,670)
Loss before income tax	(72)	(269,866)
Income tax expense	–	(1,472)
Loss for the period from discontinued operations	(72)	(271,338)
Operating cash flows	(116)	(67,133)
Investing cash flows	–	886
Financing cash flows	–	11,807
Net decrease in cash flows	(116)	(54,440)

11. Earnings/(Loss) per share

Basic

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/(loss) for the three months and six months ended 31 December 2010 of approximately RMB26,063,000 and RMB50,456,000, respectively (loss for the three months and six months ended 31 December 2009: RMB54,625,000 and RMB254,536,000, respectively) and the weighted average of the 3,156,934,783 and the 3,082,179,348 ordinary shares in issue during the three months and six months ended 31 December 2010 (three months and six months ended 31 December 2009: the weighted average of the 2,416,500,000 ordinary shares).

From continuing operations

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

	Unaudited			
	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(Loss) for the period attributable to owners of the Company	26,063	(54,625)	50,456	(254,536)
Less: Loss for the period from discontinued operations attributable to owners of the Company	(72)	(42,439)	(72)	(239,236)
Profit/(Loss) for the period for the purpose of basic earnings per share from continuing operations attributable to owners of the Company	26,135	(12,186)	50,528	(15,300)

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

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

From discontinued operations

Basic loss per share from the discontinued operations was RMB0.002 and RMB0.002 cents per share for the three months and six months ended 31 December 2010 (2009: loss per share of RMB1.76 and RMB9.90 cents per share for the three months and six months ended 31 December 2009), which was calculated based on the loss from the discontinued operations of RMB72,000 for the three months and six months ended 31 December 2010 (2009: loss of RMB42,439,000 and RMB239,236,000 for the three months and six months ended 31 December 2009). 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 and six months ended 31 December 2010 and 2009 as the outstanding convertible bonds were anti-dilutive.

12. Property, plant and equipment

During the six months ended 31 December 2010, after acquisition of Combest Group, the Group still have approximately RMB3,758,000 plant and machinery on hand (as at 30 June 2010: RMB3,000,000).

13. Intangible assets

	Brand name	
	31 December	30 June
	2010	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Opening carrying amount	86,600	–
Acquisition of subsidiaries	102,420	86,600
Closing carrying amount	189,020	86,600

14. Goodwill

	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)
Opening net carrying amount	15,993	291,436
Acquisition of subsidiaries	41,458	16,493
Impairment loss	-	(291,936)
	<hr/>	<hr/>
Closing net carrying amount	57,451	15,993

15. Inventories

	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)
Raw materials	6,052	1,474
Work in progress	1,545	636
Finished goods	25,383	11,985
	<hr/>	<hr/>
	32,980	14,095

16. Trade receivables

The credit period is generally for a period of one to three months, extending up to three to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

An aging analysis of the trade receivables as at the respective reporting date, based on invoice date and net of provision, are as follows:

	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)
Within one month	-	1,785
One to three months	30,581	4,253
Three months to one year	-	583
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	30,581	6,621

17. Due from a related company

Details of amount due from a related company pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower	揭東鑽寶科技電子有限公司 ("揭東鑽寶")
Director connected with the borrower	Mr. Lim Merng Phang
Amount outstanding at	
1 July 2010	RMB7,237,000
31 December 2010	RMB–
Maximum amount outstanding during the period	RMB7,237,000

Mr. Lim Merng Phang, a director of the Company, is also a director of 揭東鑽寶. The amount due from a related company is unsecured, interest free and repayable on demand.

18. Trade payables

An aging analysis of the trade payables, based on invoice date, is as follows:

	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)
Within one month	14,005	3,067
One to three months	3,284	72
Three months to one year	–	5
Over one year	–	1
	17,289	3,145

19. Due to a related party

	31 December 2010 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Audited)
揭陽市鑽寶電子有限公司 ("揭陽鑽寶")	13,661	30,573

As at 31 December 2010 and 30 June 2010, Mr. Lim Merng Phang is a common director of the Company and 揭陽鑽寶. The amount due is unsecured, interest free and repayable on demand.

20. Disposal of subsidiaries

On 23 November 2010, the Group has disposed the hardware and software maintenance services and other related businesses to independent third parties for nil consideration as the business was loss-making.

On 12 October 2009, the Group has disposed entire interest in Highway Bright Holdings Limited ("Highway Bright") and its subsidiaries Diamond Electronics Hong Kong Company Ltd., Jiedong Diamond Technology Electronics Co., Ltd, Jiedong Zuanbao Plastics Metal Products Co., Ltd and Jie Yang Diamond Electronics Co., Ltd (collectively the "Highway Bright Group"), to its substantial shareholder, Chinasing Investment Holdings Limited ("Chinasing") for a cash consideration of HK\$60,000,000 and the cancellation of convertible bond amounting HK\$62,988,000 hold by Cytech Investment Limited which is a wholly-owned subsidiary of Chinasing for an aggregate consideration of HK\$122,987,500. The principal activities of these subsidiaries are the manufacture, trading and sale of Satellite, telecommunication products, ODM for gaming and consumer electronics products.

	2010	2009
	RMB'000	RMB'000
Net asset disposed of:		
Property, plant and equipment	–	103,969
Investment property	–	11,000
Land use rights	–	48,774
Cash at banks and in hand	3	83,716
Trade receivables	115	94,217
Inventories	–	13,990
Prepayments, deposits and other receivables	–	18,924
Financial assets at fair value through profit and loss	–	2
Other loans	–	(43,865)
Trade payables	–	(88,178)
Other payables, deposits and accruals	–	(23,484)
Amount due to a related company	–	(1,500)
Tax payable	–	(7,707)
Deferred tax liabilities	–	(11,077)
Non-controlling interests	–	(84,581)
	118	114,200
Release of exchange fluctuation reserve upon disposal	(2)	(5,954)
Gain on redemption of Cytech CB	–	(620)
Gain on redemption of Vendors CB	–	(1,173)
Loss on disposal of subsidiaries	(116)	(7,877)
	–	98,576
Satisfied by:		
Cash	–	52,800
Redemption of Cytech CB	–	45,776
	–	98,576

20. Disposal of subsidiaries (Continued)

An analysis of the net cash outflow arising from disposal of subsidiaries is as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Cash consideration	–	52,800
Cash and cash equivalents disposed of	<u>(3)</u>	<u>(83,716)</u>
Net outflow of cash and cash equivalents	<u>(3)</u>	<u>(30,916)</u>

21. Business combinations

- (a) On 11 August 2010, the Group acquired 100% equity interest in Beijing Combest Corporate Management Co., Limited, Beijing Century Investment Advisory Co., Limited, Linyi Combest Co., Limited, Guangxi Health Co., Limited, and Perfect Crown Enterprises Limited, (together the "Beijing Combest Group") at a consideration of RMB49,098,000. Beijing Combest Group is principally engaged in the manufacture and sales of functional healthcare bedroom products and other accessories.

Details of identified net assets acquired and goodwill are as follows:

	<i>RMB'000</i>
Purchase consideration:	
– Cash paid	9,594
– Fair value of shares consideration	<u>39,504</u>
Total purchase consideration	49,098
Fair value of net identified assets acquired – as shown below	<u>(41,664)</u>
Goodwill	<u>7,434</u>

The fair value of the shares consideration was determined based on the published share price available on the acquisition date.

The goodwill is attributable to the brand name in the PRC.

21. Business combinations (Continued)

(a) (Continued)

The fair value of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts are as follows:

	Fair value <i>RMB'000</i>	Acquiree's carrying amount <i>RMB'000</i>
Property, plant and equipment	26	26
Intangible assets	63,100	–
Inventories	169	169
Other receivables	39	39
Cash and bank balances	891	891
Deferred tax liabilities	(15,775)	–
Long term investment	475	475
Other payables	(7,290)	(115)
Tax recoverable	29	29
	<hr/>	<hr/>
Net assets acquired	41,664	1,514
	<hr/>	<hr/>
Bank and cash balances in subsidiaries acquired		891
Cash consideration		(9,594)
		<hr/>
Net cash outflow on acquisition		(8,703)
		<hr/>

- (b) On 11 August 2010, the Group acquired 50% equity interest in Shanghai Combest Corporate Management Co., Ltd. (together the "Shanghai Combest Group") at a consideration of RMB30,092,000. Shanghai Combest Group is principally engaged in the manufacture and sales of functional healthcare bedroom products and other accessories.

21. Business combinations (Continued)

(b) (Continued)

Details of identified net assets acquired and goodwill are as follows:

	<i>RMB'000</i>
Purchase consideration:	
– Cash paid	5,880
– Fair value of shares consideration	24,212
	<hr/>
Total purchase consideration	30,092
Fair value of net identified assets acquired – as shown below	(2,871)
	<hr/>
Goodwill	27,221
	<hr/>

The fair value of the shares consideration was determined based on the published share price available on the acquisition date.

The goodwill is attributable to the brand name in the PRC.

The fair value of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts are as follows:

	Fair value <i>RMB'000</i>	Acquiree's carrying amount <i>RMB'000</i>
Property, plant and equipment	138	138
Intangible assets	37,900	–
Investment in an associate	(21,360)	–
Other receivables and prepayment	1,425	1,425
Cash and bank balances	2,424	2,424
Deferred tax liabilities	(9,475)	–
Inventories	383	383
Other payables	(8,564)	(4,658)
	<hr/>	<hr/>
Net assets acquired	2,871	(288)
	<hr/>	<hr/>
Bank and cash balances in subsidiaries acquired		2,424
Cash consideration		(5,880)
		<hr/>
Net cash outflow on acquisition		(3,456)
		<hr/>

21. Business combinations (Continued)

- (c) On 30 September 2010, the Group acquired 100% equity interest in Zhejiang Anji Da Hua Jin Cheng Healthcare Products Co., Ltd and Forever Bloom Trading Limited (together the "Da Hua Jin Cheng Group") at a consideration of RMB8,593,000. Da Hua Jin Cheng Group is principally engaged in the manufacture and sales of functional healthcare bedroom products and other accessories.

Details of identified net assets acquired and goodwill are as follows:

	<i>RMB'000</i>
Purchase consideration:	
– Cash paid	2,500
– Fair value of shares consideration	6,093
	<hr/>
Total purchase consideration	8,593
Fair value of net identified assets acquired – as shown below	(1,790)
	<hr/>
Goodwill	6,803
	<hr/>

The fair value of the shares consideration was determined based on the published share price available on the acquisition date.

The goodwill is attributable to the brand name in the PRC.

The fair value of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts are as follows:

	Fair value <i>RMB'000</i>	Acquiree's carrying amount <i>RMB'000</i>
Property, plant and equipment	136	–
Intangible assets	1,420	–
Trade receivable	26	–
Other receivables	230	33
Inventories	344	–
Cash and bank balances	8	8
Other payables	(19)	(19)
Deferred tax liabilities	(355)	–
	<hr/>	<hr/>
Net assets acquired	1,790	22
	<hr/>	<hr/>
Bank and cash balances in subsidiaries acquired		7
Cash consideration		(2,500)
		<hr/>
Net cash outflow on acquisition		(2,493)
		<hr/>

22. Share capital

	2010		2009	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	20,000,000	210,000	20,000,000	210,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each				
At the beginning of the year	2,896,500	28,216	2,416,500	23,992
New shares issued for acquisition of subsidiaries (<i>note</i>)	205,000	1,790	480,000	4,224
New issue of share	100,000	854	–	–
At the end of the year	3,201,500	30,860	2,896,500	28,216

Note:

On 11 August 2010, 30 September 2010 and 11 November 2010, 200,000,000, 5,000,000 and 100,000,000 new shares were issued to Treasure Focus Enterprises Limited, Silver Sail Investment Limited and Yongxin Development Limited at HK\$0.40, HK\$0.25 and HK\$0.40 each, respectively. The issue of a total of 205,000,000 new shares of HK\$0.01 each with a total fair value of RMB69,809,000 was used as share consideration for acquisition of subsidiaries.

On 19 March 2010 and 30 June 2010, 210,000,000 and 270,000,000 new shares were issued to Glory Path Management Limited at HK\$0.24 each. The issue of a total of 480,000,000 new shares of HK\$0.01 each with a total fair value of RMB101,798,000 was used as share consideration for acquisition of subsidiaries.

23. Share option scheme

The Company operates a share options scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees or proposed employees of the Group, the Company's directors, including non-executive directors, suppliers of goods or services to the Group, customers of the Group, persons or entities who provide technology support to the Group, shareholders of any of the Group companies, and any other participants determined by the Company's directors as having contributed or who may contribute by way of joint venture or business alliances to the development and growth of the Group. The Scheme became effective on 24 January 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

23. Share option scheme (Continued)

The maximum number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group may not in aggregate exceed 30% of the Company's shares in issue from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group, may not in aggregate exceed 10% of the Company's shares in issue as at the date on which the Scheme was adopted without prior approval from the Company's shareholders.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, management shareholder or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Up to the approval date of the financial statements, no options have been granted or agreed to be granted under the Scheme since its effective date on 24 January 2002.

24. Related party transactions

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Unaudited	
	Six months ended	
	31 December	
	2010	2009
	RMB'000	RMB'000
Operating lease rentals paid to a related company	—	104

Note:

The rentals were paid, in respect of the Group's office premises situated in Hong Kong and PRC to Diamond H.K. and 揭東鑽寶 respectively, of which Mr. Lim Merng Phang is a director of the aforesaid companies. The leases will expire on 30 June 2012.

- (b) *Compensation of key management personnel*

	Unaudited	
	Six months ended	
	31 December	
	2010	2009
	RMB'000	RMB'000
Total remuneration of directors and other members of key management during the Period – short-term employee benefits	1,630	631

FINANCIAL REVIEW

Continuing operations

In the continuing operations, the Group recorded a revenue of RMB205,175,000 for the six months ended 31 December 2010, representing an increase of 1,688.3% as compared to the corresponding period in 2009. The increase in revenue of the Group is due to the contribution of Combest Group acquired in 2010.

The Group's gross profit margin increased to approximately 36.9% for the six months ended 31 December 2010, as compared to approximately 17.2% for the corresponding period in 2009.

Discontinued operations

In the discontinued operations, the Group recorded nil revenue for the six months ended 31 December 2010, as compared to a revenue of HK\$146,568,000 for the corresponding period in 2009. 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/(loss) attributable to the owners of the Company for the Period amounted to RMB50,456,000, compared to the loss of RMB254,536,000 for the corresponding period in 2009.

The profit for 31 December 2010 represented the contribution from Combest Group which was acquired in 2010 while the loss incurred in the previous corresponding period was due to the disposal of the satellite and ODM of consumer electronic products business in October 2009.

Liquidity and financial resources

We generally finance our operations by our operating cash flow and internal resources. As at 31 December 2010, we had cash and bank balances amounting to a total of approximately RMB27,454,000 (30 June 2010: RMB5,045,000) and we had current assets of approximately RMB120,231,000 (30 June 2010: RMB63,004,000).

Based on these resources, we are confident that we have adequate financial resources for our operations.

Charge on the Group's assets

As at 31 December 2010, no assets have been pledged to financial institutions for banking facilities granted to the Group (30 June 2010: Nil).

Gearing ratio

As at 31 December 2010, our gearing ratio as a percentage for amount due to a shareholder and related party over total assets was 7.9% (30 June 2010: 26.6%).

Material acquisition and disposals of subsidiaries and affiliated companies during the six months ended 31 December 2010

On 11 August 2010, the Company completed its acquisition of the remaining business of Combest Group in the PRC.

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 franchise stores located in Zhejiang and Shanxi provinces in the PRC.

Treasury policies and capital structure

Any surplus fund derived from operating activities will be strategically placed in savings account and short term time deposits with original maturity of less than three months which secures the Group's liquidity position in meeting its daily operating needs.

Exposure to exchange rate risks

For the six months ended 31 December 2010, the Group's business in manufacturing and trading of functional healthcare bedroom products and electronic products and other borrowings were transacted in HK\$, US dollar and RMB. The Directors consider that the Group did not have significant exposure to foreign exchange fluctuation as the management monitors the related foreign currency closely and will consider hedging significant foreign currency exposure.

Contingent liabilities

As at 31 December 2010, we did not have any significant contingent liabilities (30 June 2010: Nil).

Details of future plans for material investment or capital assets

The Group does not have any plan for material investment or capital assets.

Employee and remuneration policies

The total number of full-time employee in the Group was approximately 600 at 31 December 2010 (30 June 2010: 600). It is our policy to remunerate and appraise our employee on the basis of performance, experience, and the prevailing industry practice.

To maintain our service standard and for staff development, we provided comprehensive training programs for our staff.

We have a share option scheme whereby certain employee may be granted options to acquire shares.

RESEARCH AND DEVELOPMENT

As at 31 December 2010, we have a team of 8 professional technical staff engaged in research and development activities (31 December 2009: 8 technical staff).

BUSINESS REVIEW

We are principally engaged in two business segments, namely (i) manufacturing and sales of functional healthcare 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:

Functional healthcare bedroom products

Following the acquisition of the functional healthcare bedroom products business, the Company has taken the following business measures:

1. Relocated the production base to Jieyang, Guangdong province and reorganized the operating structure and production systems and processes of the Group to achieve cost savings and enhance production efficiency as well as the Group's profitability;

2. Commenced establishing directly-managed customer service centres in strategic cities to enhance the Combest brand image and awareness amongst consumers and to enable our franchisees to strengthen their ability to promote our products and increase their overall business volume and enhance their and our results and profits; and
3. Expanded our product range beyond functional healthcare bedroom products into functional healthcare household products such as the magnetic chair. Selling a more diversified product range, the Group will be able to achieve more repeated sales and increased overall profitability even based on its existing customers. This will enhance our leading branding position in the market and help to increase our market share as well as to better satisfy the different needs of consumers for healthcare products and maintain their loyalty.

Recently, we launched a new magnetic chair in late December 2010 which was well received by the market. This series of functional healthcare household products is targeted at health conscious households with higher purchasing power.

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.

BUSINESS OUTLOOK

Our Company is well positioned to ride on the wave of increased spending by the PRC domestic consumers. Such increased spending has been triggered by accelerated urbanization in the mainland as well as the effects of PRC government's policies to promote domestic consumption. We expect that prospects are bright for companies such as our Company which are focused on selling to domestic consumers given increased overall household incomes arising from a booming domestic economy. Supported by our extensive network of over 3,600 franchise stores distributed throughout large and medium-sized cities in the PRC, we serve the PRC domestic consumers by providing them with a wide range of functional healthcare products and accessories and herbal healthcare supplements. As a direct beneficiary of the effects of the PRC government's policies to stimulate domestic consumption, we are very confident of our prospects this year as we are the leading brand in our product segment with more than 12 years operating history in the PRC domestic market.

We estimate that we have accumulated a loyal customer base of close to 10 million customers over our 12 years of operating history. Many of our customers are either elderly or middle-aged, have spending power and leisure time and most importantly, are health conscious. We aim to expand our product range to achieve repeated sales with these loyal customers by developing new products to suit their needs. In addition to our existing line of functional healthcare bedroom products and accessories, we have recently launched a new line of functional healthcare household products, the first of which is the magnetic chair in late December 2010 as well as trial-launched a range of herbal healthcare supplement products to provide our customers with a more complete range of products and satisfy the market demand.

Based on our brand name effect as the leading brand for functional bedroom healthcare products as well as the trust and loyalty of our customers, we are confident that our new products will be well-received by the market. In the coming years, we will focus on three main product series:

- functional healthcare bedroom products;
- functional healthcare household products; and
- herbal healthcare supplements.

These three main product series will form a solid foundation to propel our growth in business performance, profitability and customer base as well as same customer repeat business.

To maintain our leading position in the market, we are collaborating with the well-known sports scientist Professor Wang Jian and his research team of more than 30 academics to jointly set up a product research centre. The research centre will improve and enhance the existing range of functional healthcare products and ensure our products will continue to suit customers' preferences. We will work closely with Professor Wang and design and develop new products to meet market demand so as to maintain our leading position in the industry. We will own all the intellectual property rights of any new technology developed by the research centres.

We will continue to expand the customer service centre network which aims to improve the management, training and service standards of our franchise network. It will also exhibit a more complete range of our products and enhance our brand image in the market. This will also enhance our customers' confidence in us and our products and help to promote sales. In the coming years we aim to establish close to 200 customer service centres throughout the country.

With the launch of new products we anticipate significantly increased demand for our products and will invest in increasing the production capacity of our production plant in Jieyang, Guangdong province. Concurrently, we are actively exploring the possibility of setting up another production base in Eastern China to meet increasing market demand, minimize transportation costs and shorten product delivery time. With the continued increase in the demand for functional healthcare bedroom and household products in the PRC, we envisage that our existing production capacity will require another round of increases sometime towards the end of this year or early next year. We may also consider subcontracting certain products to third party manufacturers.

Presently, there are an estimated 300 million persons in the PRC who are middle-aged and older. We believe that key factors such as the continued fast pace of economic growth, increasing levels of affluence, an aging population, increased health awareness, high rate of urbanization as well as the implementation of the state policies to promote domestic consumption will continue to benefit us directly. Based on our established Combest brand and extensive franchise sales network, we will be able to ride on such growth opportunities by launching more new functional healthcare products and supplements in the market, and we strongly believe that we have a bright future and will be well-positioned to generate good returns our shareholders.

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

As at 31 December 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 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 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 Stock 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 31 December 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	20.30%
Diamond Highway Limited ("Diamond Highway") (Note 2)	39,714,286 ordinary shares	Beneficial owner	1.24%
Mr. Zeng Pei Hui ("Mr. Zeng") (Note 2)	689,714,286 ordinary shares	Interest of controlled corporation	21.54%
Dream Star International Limited ("Dream Star") (Note 1)	474,285,714 ordinary shares	Beneficial owner	14.81%
Mr. Hong Yuexiong ("Mr. Hong") (Note 1)	524,765,714 ordinary shares	Interest of controlled corporation	16.39%

Name	Number and class of securities	Capacity	Approximate percentage to the issued share capital of the Company
Glory Path Management Limited ("Glory Path") (Note 3)	210,000,000 ordinary shares	Beneficial owner	6.56%
Famous Kindway Limited ("Famous Kindway") (Note 3)	270,000,000 ordinary shares	Beneficial owner	8.43%
Mr. Au Yeung Cheuk Nam ("Mr. Au Yeung") (Note 3)	480,000,000 ordinary shares	Interest of controlled corporation	14.99%

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 210,000,000 and 270,000,000 shares were registered in the name of Glory Path and Famous Kindway respectively. Glory Path and Famous Kindway are 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 31 December 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 <i>(Note 1)</i>	Capacity	Approximately percentage to the issued share capital of the Company
Cytech Investment Limited ("Cytech Investment") <i>(Note 3)</i>	164,500,000 ordinary shares	Beneficial owner	5.14%
Benep Management Limited ("Benep") <i>(Note 3)</i>	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
Chinasing Investment Holdings Limited ("Chinasing") <i>(Note 3)</i>	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
Pioneer Idea Finance Limited ("Pioneer") <i>(Note 4)</i>	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
Mr. Huang Quan ("Mr. Huang") <i>(Note 4)</i>	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
Treasure Focus Enterprises Limited ("Treasure") <i>(Note 5)</i>	200,000,000 ordinary shares	Beneficial owner	6.25%
Mr. Wang Weijun ("Mr. Wang") <i>(Note 5)</i>	200,000,000 ordinary shares	Interest of controlled corporation	6.25%

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	7.60%
Brow Crown International Limited ("Brow Crown") (Note 2)	197,000,000 ordinary shares	Beneficial owner	6.15%
Mr. Qian Shiyu ("Mr. Qian") (Note 2)	198,000,000 ordinary shares	Interest of controlled corporation	6.18%

Notes:

1. It represents the interests in the shares or the underlying shares of the Company.
2. The 197,000,000 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 six months ended 31 December 2010.

CORPORATE GOVERNANCE

For the six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 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 31 December 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 primary responsibilities of the audit committee are to review the Group's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments to the Board of Directors. The audit committee also 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, 18 January 2011

As at the date of this report, the Board is composed of Mr. Lim Merng Phang and Mr. Lee Man To as executive Directors, and Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang and Mr. Xing Fengbing as independent non-executive Directors.