



COMBEST HOLDINGS LIMITED

康佰控股有限公司*

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



2010/2011 THIRD 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

1. The financial highlights of the Company and its subsidiaries (collectively, the "Group") for the nine months ended 31 March 2011 (the "Period") are presented as follows:

	Continuing operations		Discontinued operations		Total	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i> (Restated)	2011 <i>RMB'000</i>	2010 <i>RMB'000</i> (Restated)	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Revenue	272,462	18,035	-	146,568	272,462	164,603
Profit/(Loss) for the period attributable to owners of the Company	65,275	(16,619)	-	(239,236)	65,275	(255,855)
Earnings/(Loss) per share						
- basic	2.09 cents	(0.68) cents	-	(9.78) cents	2.09 cents	(10.46) 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 and nine months ended 31 March 2011 (“corresponding periods in 2010”) as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited			
		Three months ended 31 March		Nine months ended 31 March	
		2011	2010	2011	2010
Note		<i>RMB'000</i>	<i>RMB'000</i> (Restated)	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Continuing operations:					
	Revenue	67,287	6,562	272,462	18,035
	Cost of sales	(43,761)	(6,007)	(173,219)	(15,507)
	Gross profit	23,526	555	99,243	2,528
	Other income	121	130	717	23,838
	Selling and distribution costs	(2,885)	(406)	(11,863)	(853)
	Administrative expenses	(5,425)	(1,598)	(13,866)	(4,927)
	Other operating expenses	-	-	(116)	-
	Profit/(Loss) from operating activities	15,337	(1,319)	74,115	20,586
	Finance costs	(78)	-	(456)	(2,885)
	Profit/(Loss) before income tax	15,259	(1,319)	73,659	17,701
	Income tax expense	(1,512)	-	(9,435)	-
	Profit/(Loss) after income tax from continuing operations	13,747	(1,319)	64,224	17,701
	Discontinued operations:				
	Loss for the period from discontinued operations	-	-	-	(271,338)
	Profit/(Loss) for the period	13,747	(1,319)	64,224	(253,637)

	Unaudited			
	Three months ended		Nine months ended	
	31 March		31 March	
	2011	2010	2011	2010
Note	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
Other comprehensive income for the period:				
Exchange gain/(loss) on translation of financial statements of foreign operations	975	-	(2,018)	(10)
Total comprehensive income for the period	14,722	(1,319)	62,206	(253,647)
Profit/(Loss) for the period attributable to:				
Owners of the Company	14,777	(1,053)	65,275	(255,855)
Non-controlling interests	(1,030)	(266)	(1,051)	2,218
	13,747	(1,319)	64,224	(253,637)
Total comprehensive income attributable to:				
Owners of the Company	15,752	(1,053)	63,254	(253,922)
Non-controlling interests	(1,030)	(266)	(1,048)	275
	14,722	(1,319)	62,206	(253,647)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company during the period				
- Basic (RMB cent(s))				
From continuing and discontinued operations	0.46 cents	(0.04) cents	2.09 cents	(10.46) cents
From continuing operations	0.46 cents	(0.04) cents	2.09 cents	(0.68) cents
- Diluted (RMB cent(s))				
From continuing and discontinued operations	N/A	N/A	N/A	N/A
From continuing operations	N/A	N/A	N/A	N/A

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 nine months ended 31 March 2011.

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 denominated in RMB.

3. Revenue and other income

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after allowances for return and trade discounts, where applicable. Analysis of the Group's revenue and other income for the nine months ended 31 March 2011 is shown as follows:

	Unaudited					
	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
Sales of goods	<u>272,462</u>	<u>18,035</u>	<u>-</u>	<u>146,568</u>	<u>272,462</u>	<u>164,603</u>
Other income						
Interest income	21	69	-	29	21	98
Rental income	-	-	-	350	-	350
Sales of scrap materials	586	135	-	3,841	586	3,976
Sundry income	110	655	-	-	110	655
Gains						
Fair value gain on investment property	-	-	-	100	-	100
Fair value gain on derivative component of the convertible bonds	<u>-</u>	<u>22,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,979</u>
	<u>717</u>	<u>23,838</u>	<u>-</u>	<u>4,320</u>	<u>717</u>	<u>28,158</u>

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4. Segment information

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

- (a) Functional healthcare consumer products include mattresses, pillows, blankets, other bedroom accessories, magnetic chairs 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 nine months ended 31 March 2011 is as follows:

	Functional healthcare consumer products		OEM consumer electronic products		Total	
	For the nine months ended 31 March					
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Revenue						
– From external customers						
Reportable segment revenue	252,389	–	20,073	18,035	272,462	18,035
Reportable segment profit/(loss) (Continuing operations)	81,668	–	(2,336)	371	79,332	371
Depreciation	385	–	450	444	835	444

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 nine months ended	
	31 March	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue (Continuing operations)	272,462	18,035
Discontinued operations		
– Sales of goods:		
Consumer electronic products and component, and satellite communication products*	–	146,568
Group revenue	272,462	164,603
Reportable segment profit	79,332	371
Unallocated income	–	22,979
Finance costs	(456)	(2,885)
Unallocated expenses	(5,217)	(2,764)
Profit before income tax and discontinued operations	73,659	17,701

* *Other than OEM consumer electronic products*

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5. Finance costs

An analysis of the Group's finance costs for the nine months ended 31 March 2011 and 2010 is as follows:

	Unaudited					
	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	456	-	-	105	456	105
Imputed interest on convertible bonds	-	2,885	-	-	-	2,885
Total interest on financial liabilities stated at amortised cost	456	2,885	-	105	456	2,990

6. Income tax expense

Hong Kong profits tax has been provided at the tax rate of 16.5% on the estimated assessable profits for the nine months ended 31 March 2011 and 2010 respectively. 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 nine months ended 31 March 2011 and 2010 is as follows:

	Unaudited					
	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong profits tax	-	-	-	52	-	52
PRC income tax	9,435	-	-	1,420	9,435	1,420
	9,435	-	-	1,472	9,435	1,472

7. Discontinued operations

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 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 2010 in accordance with HKFRS 5. An analysis of the results and cash flows of the discontinued operations included in the consolidated statement of comprehensive income are as follows:

	Unaudited Nine months ended 31 March 2010 <i>RMB'000</i> (Restated)
Revenue	146,568
Cost of sales	(125,682)
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Gross profit	20,886
Other income	4,320
Selling and distribution costs	(3,465)
Administrative expenses	(4,832)
Finance costs	(105)
Other operating expenses	(286,670)
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Loss before income tax	(269,866)
Income tax expense	(1,472)
	<hr/>
Loss for the period from discontinued operations	<u>(271,338)</u>

8. Interim dividends

The Board did not recommend the payment of an interim dividend for the nine months ended 31 March 2011 (corresponding period in 2010: Nil).

9. Earnings/(loss) per share

Basic

From continuing and discontinued operations

The calculation of basic earnings or loss per share for the three months and nine months ended 31 March 2011 from continuing and discontinued operations is based on the profit attributable to owners of the Company of approximately RMB14,777,000 and RMB65,275,000, respectively (loss for the three months and nine months ended 31 March 2010: RMB1,053,000 and RMB255,855,000, respectively) on the weighted average of the 3,201,500,000 and the 3,121,952,899 ordinary shares in issue during the three months and nine months ended 31 March 2011 (three months and nine months ended 31 March 2010: the weighted average of 2,426,463,504 and 2,446,833,333 ordinary shares).

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

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 31 March		Nine months ended 31 March	
	2011 RMB'000	2010 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000 (Restated)
Profit/(Loss) for the period attributable to owners of the Company	14,777	(1,053)	65,275	(255,855)
Less: Loss for the period from discontinued operations attributable to owners of the Company	-	-	-	(239,236)
Profit/(Loss) for the period for the purpose of basic earnings/(loss) per share from continuing operations attributable to owners of the Company	<u>14,777</u>	<u>(1,053)</u>	<u>65,275</u>	<u>(16,619)</u>

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

From discontinued operations

Basic loss per share from the discontinued operations is RMB9.78 cents per share for the nine months ended 31 March 2010 which was calculated based on loss of RMB239,236,000 from discontinued operations for the nine months ended 31 March 2010. The denominators used are the same as those detailed above for basic earnings or loss per share from continuing and discontinued operations.

Diluted

No diluted earnings/(loss) per share are presented for the three months and nine months ended 31 March 2011 as the outstanding convertible bonds were redeemed.

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10. Share capital and reserves

For the nine months ended 31 March 2011

	Unaudited								
	Attributable to owners of the Company							Non-controlling interests RMB '000	Total RMB '000
	Share capital RMB '000	Share premium RMB '000	Statutory reserves RMB '000	Exchange fluctuation reserve RMB '000	Convertible bonds equity reserve RMB '000	Accumulated losses RMB '000	Total RMB '000		
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	2,644	97,068	-	-	-	-	99,712	-	99,712
Disposal of subsidiaries	-	-	-	(284)	-	284	-	-	-
	2,644	97,068	-	(284)	-	284	99,712	-	99,712
Profit/(Loss) for the period	-	-	-	-	-	65,275	65,275	(1,051)	64,224
Other comprehensive income									
Exchange loss on translation of financial statements of foreign operation	-	-	-	(2,017)	-	-	(2,017)	(1)	(2,018)
Total comprehensive income for the period	-	-	-	(2,017)	-	65,275	63,258	(1,052)	62,206
At 31 March 2011	30,860	419,537	265	(1,968)	-	(179,992)	268,702	558	269,260
At 1 July 2009	23,992	224,895	16,100	6,124	72,040	(15,525)	327,626	87,232	414,858
Transactions with owners									
Issue of new shares	1,848	38,993	-	-	-	-	40,841	-	40,841
Disposal of subsidiaries	-	-	(16,100)	(4,800)	-	-	(20,900)	(89,451)	(110,351)
Redemption of convertible bonds	-	-	-	-	(72,040)	56,386	(15,654)	-	(15,654)
	1,848	38,993	(16,100)	(4,800)	(72,040)	56,386	4,287	(89,451)	(85,164)
(Loss)/Profit for the period	-	-	-	-	-	(255,855)	(255,855)	2,218	(253,637)
Other comprehensive income									
Exchange gain/(loss) on translation of financial statements of foreign operation	-	-	-	(286)	-	-	(286)	276	(10)
Total comprehensive income for the period	-	-	-	(286)	-	(255,855)	(256,141)	2,494	(253,647)
At 31 March 2010	25,840	263,888	-	1,038	-	(214,994)	75,772	275	76,047

11. Comparative figures

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

FINANCIAL REVIEW

Continuing operations

For our continuing operations, the Group recorded a revenue of RMB272,462,000 for the nine months ended 31 March 2011, representing an increase of 1,411% compared to the corresponding period in 2010. This significant increase was due mainly to the sales of functional healthcare consumer products under our own “Combest” brand name.

The Group’s gross and net margin increased to approximately 36.4% and 23.6% respectively for the nine months ended 31 March 2011. Compared to the gross profit margin of 36.9% and 24.6% respectively for the six month period ended on 31 December 2010, there was a slight decrease attributable to the traditional slow down of sales for the month of February due to the Lunar New Year holidays as well as our annual sales training seminars.

The unaudited profit attributable to owners of the Company for the nine months ended 31 March 2011 amounted to RMB65,275,000 compared with the loss of RMB255,855,000 for the corresponding period in 2010.

The profit for the nine months ended 31 March 2011 represented the contributions from the Combest Group acquired in 2010 while the loss incurred for the corresponding period in 2010 was due to disposal of the satellite telecommunications equipment manufacture and sale business as well as the ODM of consumer electronic products, components and accessories manufacture and sale business in October 2009.

BUSINESS REVIEW

The period under review coincided with the Lunar New Year celebrations period in mainland PRC and we took advantage of the lull in sales due to the holiday season to conduct our annual sales training sessions on a nationwide basis. We organised sales training seminars (particularly for new products) for our sales force and franchise shop operators on a regional basis in various cities. In addition, our sales managers and regional managers also set goals and targets for the year ahead. We also reviewed our sales strategies and methods and undertook measures to improve sales.

Building upon our new product development momentum with the trial launch of our magnetic chair at the end of last year, we are pushing ahead with our own product development to widen our range of existing products. We are also building on our collaboration with Professor Wang Jian of Zhejiang University and his team to develop and launch new products into our sales network in the coming quarters.

We are pushing ahead to establish more customer service centres and have established our guidelines for establishing and operating such centres in the mainland. We have received enthusiastic response from our sales network to set up customer service centres in their regions and thereby endorsing our strategy. The customer service centres will also serve as a showroom for our oncoming new products and will help our sales network market these products to their customers. Our plans to set up a direct sales force in certain first tier cities are also proceeding apace and our planning and preparation phase has been completed. We have been recruiting sales staff and will be training them to sell our functional healthcare products.

BUSINESS OUTLOOK

We remain confident in the outlook for our business in the PRC domestic market especially given the current trends of domestic consumption and our pipeline of new products as well as the progress of our establishment of customer service centres. Backed by our 12-year operating history in the mainland, we are one of the leading brands of functional healthcare products in the PRC domestic market. Our products remain to focus on serving the health needs of our target customers and we are enhancing our product mix to better serve this market segment. New products which we plan to launch in the coming quarter will enhance our ability to serve our customers. In addition, our new products will also help us expand our customers beyond mainly middle-aged and elderly customers and our new products will also be attractive to white-collar workers as well as executives. Our Group will also focus on product innovation to launch different versions of this magnetic chair as well as other products to serve customers with different needs. We aim to capture market share in the domestic massage chair market with our new models of massage chair with our unique magnetic healthcare function.

The Board believes that building on our strong foundations, we are very confident of our growth prospects in the PRC domestic market especially in light of our growth strategies and the market response to our new products. Therefore, we believe that Combest has a bright future and will be able to generate good returns to 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 March 2011, 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 March 2011, 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%

Name	Number and class of securities	Capacity	Approximate percentage to the issued share capital of the Company
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%
Glory Path Management Limited ("Glory Path") (Note 3)	210,000,000 ordinary shares	Beneficial owner	6.56%
Famous Kindway Limited ("Famous Kindway") (Note 3)	252,000,000 ordinary shares	Beneficial owner	7.87%
Mr. Au Yeung Cheuk Nam ("Mr. Au Yeung") (Note 3)	462,000,000 ordinary shares	Interest of controlled corporation	14.43%

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 252,000,000 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 March 2011, 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%

Name	Number and class of securities (Note 1)	Capacity	Approximately percentage to the issued share capital of the Company
Chinasing Investment Holdings Limited ("Chinasing") (Note 3)	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
Pioneer Idea Finance Limited ("Pioneer") (Note 4)	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
Mr. Huang Quan ("Mr. Huang") (Note 4)	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
Treasure Focus Enterprises Limited ("Treasure") (Note 5)	218,000,000 ordinary shares	Beneficial owner	6.81%
Mr. Wang Weijun ("Mr. Wang") (Note 5)	218,000,000 ordinary shares	Interest of controlled corporation	6.81%
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%

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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 218,000,000 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 nine months ended 31 March 2011.

CORPORATE GOVERNANCE

For the nine months ended 31 March 2011, 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.

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 separate 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 Chief 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 matter 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 Board of Director.

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 nine months ended 31 March 2011.

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 nine months ended 31 March 2011.

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 March 2011, 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 four independent non-executive directors, Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang, Mr. Xing Fengbing and Mr. Nguyen, Van Tu Peter. 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, 15 April 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, Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang, Mr. Xing Fengbing and Mr. Nguyen, Van Tu Peter as independent non-executive Directors.