



COMBEST HOLDINGS LIMITED

康佰控股有限公司\*

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



FIRST QUARTERLY REPORT  
2012/2013

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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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 2012 (the "Period") are presented as follows:

	<b>Total</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Revenue	<b>32,107</b>	35,684
Profit for the period attributable to owners of the Company	<b>4,665</b>	1,331
	<b>RMB cents</b>	<i>RMB cents</i>
Earnings per share		
– basic	<b>0.15</b>	0.04
– diluted	<b>N/A</b>	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 2011 (“Corresponding period in 2011”) as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	3	<b>32,107</b>	35,684
Cost of sales		<b>(20,685)</b>	(24,638)
<b>Gross profit</b>		<b>11,422</b>	11,046
Other income	3	<b>26</b>	31
Selling and distribution costs		<b>(2,071)</b>	(2,755)
Administrative expenses		<b>(3,853)</b>	(7,179)
<b>Profit before income tax</b>		<b>5,524</b>	1,143
Income tax (expense)/credit	5	<b>(805)</b>	189
<b>Profit for the period</b>		<b>4,719</b>	1,332
<b>Other comprehensive income for the period:</b>			
Exchange (loss)/gain on translation of financial statements of foreign operations		<b>(10)</b>	782
<b>Total comprehensive income for the period</b>		<b>4,709</b>	2,114

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2012</b>	<b>2011</b>
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>Notes</i>		
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		<b>4,665</b>	1,331
Non-controlling interests		<b>54</b>	1
		<b>4,719</b>	1,332
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>4,655</b>	2,247
Non-controlling interests		<b>54</b>	(133)
		<b>4,709</b>	2,114
		<b>RMB cents</b>	<b>RMB cents</b>
<b>Earnings per share for profit attributable to owners of the Company during the period</b>			
– Basic	7	<b>0.15</b>	0.04
– Diluted		<b>N/A</b>	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 three months ended 30 September 2012.

The unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), 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 2012.

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 2012. 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 and services rendered, 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 2012 and 2011 is as follows:

	<b>Unaudited</b>	
	<b>Three months ended 30 September</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Revenue</b>		
Sales of goods	<u>32,107</u>	<u>35,684</u>
<b>Other income</b>		
Interest income	<u>26</u>	<u>31</u>

#### 4. Segment information

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

- (a) Functional healthcare bedroom products include mattresses, magnetic chairs, 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 2012 is as follows:

	Unaudited					
	Functional healthcare bedroom products		OEM consumer electronic products		Total	
	For the three months ended 30 September					
	2012	2011	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
– From external customers						
Reportable segment revenue	<b>26,567</b>	29,960	<b>5,540</b>	5,724	<b>32,107</b>	35,684
<b>Reportable segment profit/(loss)</b>	<b>6,038</b>	5,459	<b>487</b>	(267)	<b>6,525</b>	5,192
Depreciation	180	180	–	–	180	180
Amortisation of intangible assets	1,966	1,966	–	–	1,966	1,966



#### 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:

	<b>Unaudited</b>	
	<b>For the three months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Reportable segment revenue	<b>32,107</b>	35,684
Reportable segment profit	<b>6,525</b>	5,192
Unallocated expenses	<b>(1,001)</b>	(4,049)
Profit before income tax	<b>5,524</b>	1,143

## 5. Income tax expense/(credit)

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 2012 and 2011. 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/(credit) for the three months ended 30 September 2012 and 2011 is as follows:

	<b>Unaudited</b>	
	<b>For the three months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Current tax</b>		
PRC income tax	<b>1,296</b>	302
<b>Deferred tax</b>	<b>(491)</b>	(491)
	<b>805</b>	(189)

## 6. Interim dividends

The Board did not recommend the payment of an interim dividend for the three months ended 30 September 2012 and 2011.

## 7. Earnings per share

The calculation of basic earnings per share is based on the profit for the Period attributable to owners of the Company of approximately RMB4,665,000 (Corresponding period in 2011: approximately profit of RMB1,331,000) and the weighted average of the 3,201,500,000 ordinary shares in issue during the Period (Corresponding period in 2011: the weighted average of 3,201,500,000).

No diluted earnings per share were presented for the three months ended 30 September 2012 and 2011, as the Company had no potential ordinary shares outstanding at the end of the reporting periods.

## 8. Share capital and reserves

	Unaudited							
	Equity attributable to owners of the Company							
	Share capital RMB '000	Share premium RMB '000	Statutory reserves RMB '000	Exchange fluctuation reserve RMB '000	Accumulated losses RMB '000	Total RMB '000	Non-controlling interests RMB '000	Total equity RMB '000
Balance at 1 July 2012	30,860	419,537	8,268	3,149	(213,268)	248,546	2,658	251,204
Profit for the Period	-	-	-	-	4,665	4,665	54	4,719
Other comprehensive income								
Exchange loss on translation of financial statements of foreign operations	-	-	-	(10)	-	(10)	-	(10)
Total comprehensive income for the Period	-	-	-	(10)	4,665	4,665	54	4,709
Transfer to statutory reserves	-	-	(655)	-	655	-	-	-
Balance at 30 September 2012	30,860	419,537	7,613	3,139	(207,948)	253,201	2,712	255,913
Balance at 1 July 2011	30,860	419,537	8,268	2,728	(184,004)	277,389	1,958	279,347
Profit for the Period	-	-	-	-	1,331	1,331	1	1,332
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	-	-	-	916	-	916	(134)	782
Total comprehensive income for the Period	-	-	-	916	1,331	2,247	(133)	2,114
Transfer to statutory reserves	-	-	(443)	-	443	-	-	-
Balance at 30 September 2011	30,860	419,537	7,825	3,644	(182,230)	279,636	1,825	281,461

## FINANCIAL REVIEW

For the quarter ended 30 September 2012, the Group's revenue was approximately RMB32,107,000 which represented a decrease of approximately 10% compared to the previous corresponding period. The Group's profit margin increased to approximately 35.6% for the three months ended 30 September 2012 as compared to approximately 31% for the previous corresponding period. The increase is due to, amongst other things, the success of cost saving programs.

### Profit attributable to owners of the Company

The unaudited profit attributable to owners of the Company for the three months ended 30 September 2012 amounting to RMB4,665,000, as compared to the profit of RMB1,331,000 for the previous corresponding period. The increase is due to, amongst other things, decrease of the burden of renovation expenses and rental costs after the shutdown of the approximately 40 Customer Service Centres ("CSC").

## BUSINESS REVIEW

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

### Restructuring of the Customer Service Centres

As at the date of this report, the Group restructures the Customer Service Centres ("CSC") programme. We have shutdown approximately 40 self-managed CSCs in various cities in China that could not effectively benefit the Group. After the restructuring, the Group kept approximately 10 self-managed CSCs that could enhance the Combest brand awareness in the marketplace and support franchisees in growing their business volume. Ongoing training and product education of our independent franchisees and our CSC staff are also carried out there.

## BUSINESS OUTLOOK

Despite the difficult business environment encountered in the last financial year due to the continuing slowdown of the domestic economy, the Board still has reasonable confidence in the medium to long term booming consumer health-care market in China. Reason being aging population, continues awareness of healthy lifestyle and never ending high medical cost in future.

To strengthening our presence in the PRC market, we will continue to expand our franchise stores in order to increase our overall market share in this unique magnetic healthcare products market. It has always been one of the focuses of the Company to enhance the Combest brand image and hence, we are exploring setting up personal healthcare retail shops in the first and second tier cities to target the mid to higher end market segments.

For further expansion, given the uniqueness of our magnetic healthcare products, the Board intends to expand into overseas markets, especially into other ASEAN countries, Middle-East and eastern Europe by way of franchising and agency model. In the long run, the Board hopes to achieve a well balance of business volume between China and overseas segment.

Apart from expanding markets, we will also continue to commit our resources and efforts in product innovation and magnetic healthcare treatment technology. This is to ensure us to stay at market leader and there will always be a steady stream of supply of competitive and attractive products to be launched every year to the markets.

The Board believes that with the right products, right sales channels, committed franchisees and diversified markets both domestic and overseas, the Group is well positioned to regain its momentum to achieve new height in the near term.

## **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 2012, 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 2012, 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
Dream Star International Limited ("Dream Star") (Note 1)	474,285,714 ordinary shares	Beneficial owner	14.81%
Famous Kindway Limited ("Famous Kindway") (Note 1)	299,980,000 ordinary shares	Beneficial owner	9.37%
Kiyuhon Limited ("Kiyuhon") (Note 1)	103,630,000	Beneficial owner	3.24%
	774,265,714	Interest of controlled corporation	24.18%
Mr. Wang Linjia ("Mr. Wang") (Note 1)	877,895,714 ordinary shares	Interest of controlled corporation	27.42%
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%

*Notes:*

1. The 474,285,714, 299,980,000 and 103,630,000 shares are registered in the name of Dream Star, Famous Kindway and Kiyuhon which are wholly owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the shares in which Dream Star, Famous Kindway and Kiyuhon are interested pursuant to the SFO.
2. The 650,000,000 and 39,714,286 shares are registered in the name of Shing Lee Holding Limited ("Shing Lee") and Diamond Highway Limited (the "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.



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

As at 30 September 2012, 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	5.14%
Benep Management Limited ("Benep") (Note 3)	164,500,000 ordinary shares	Interest of controlled corporation	5.14%
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 WJ") (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)	194,000,000 ordinary shares	Beneficial owner	6.06%
Mr. Qian Shiyu ("Mr. Qian") (Note 2)	196,000,000 ordinary shares	Interest of controlled corporation	6.12%

*Notes:*

1. It represents the interests in the shares or the underlying shares of the Company.
2. The 194,000,000 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 57.77% by Pioneer. The issued share capitals of 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 WJ. Accordingly, Mr. Wang WJ 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 2012.

## CORPORATE GOVERNANCE

For the three months ended 30 September 2012, 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. Yong Kee Poh, 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. Yong is the most appropriate chief executive because he is experienced in management as well as mergers and acquisitions 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.

### Code Provision A.6.7

This code provision stipulated that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive directors and other non-executive directors of the Company was present from the last annual general meeting and extraordinary general meeting of the Company held on 13 November 2012.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a Code of Conduct for Securities Transactions by directors of the Company (“Code of Conduct”) on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all the directors have confirmed that they have complied with such Code of Conduct regarding securities transaction by the directors throughout the three months ended 30 September 2012.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the three months ended 30 September 2012.

## **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 2012.

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. The Post IPO Scheme is expired. 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 members, three independent non-executive directors, Mr. Chan Ngai Sang, Kenny, Mr. Nguyen Van Tu Peter and Mr. Liu Wei Zhong and one non-executive Director, Mr. Chan Kin Sang. 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**  
**Yong Kee Poh**  
*Chairman*

Hong Kong, 13 November 2012

*As at the date of this report, the Board is composed of Mr. Yong Kee Poh and Mr. Lee Man To as the executive directors of the Company, Mr. Chan Kin Sang as non-executive Director, and Mr. Chan Ngai Sang, Kenny, Mr. Nguyen Van Tu Peter and Mr. Liu Wei Zhong as an independent non-executive directors.*