COMBEST HOLDINGS LIMITED
康佰控股有限公司*

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

INTERIM REPORT 2012/2013

* For identification purposes only

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 six months ended 31 December 2012 (the "Period") are presented as follows:

	2012	2011
	RMB'000	*RMB'000*
Revenue	**70,613**	69,812
Profit/(Loss) for the period attributable to owners of the Company	**14,531**	(4,735)
Earnings/(Loss) per share – basic and diluted	**0.45 cent**	(0.15 cent)

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 2012 ("corresponding periods in 2011") as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited			
		Three months ended 31 December		Six months ended 31 December	
		2012	2011	**2012**	2011
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	*3*	**38,506**	34,128	**70,613**	69,812
Cost of sales		**(22,377)**	(26,435)	**(43,062)**	(51,073)
Gross profit		**16,129**	7,693	**27,551**	18,739
Other income and gains	*3*	**5**	65	**31**	96
Selling and distribution costs		**(1,686)**	(6,423)	**(3,757)**	(9,178)
Administrative expenses		**(3,139)**	(7,436)	**(6,992)**	(14,615)
Profit/(Loss) before income tax	*5*	**11,309**	(6,101)	**16,833**	(4,958)
Income tax (expense)/credit	*6*	**(1,338)**	9	**(2,143)**	198
Profit/(Loss) for the period		**9,971**	(6,092)	**14,690**	(4,760)
Other comprehensive income for the period:					
Exchange (loss)/gain on translation of financial statements of foreign operations		**(1,079)**	347	**(1,089)**	1,129
Total comprehensive income for the period		**8,892**	(5,745)	**13,601**	(3,631)

		Unaudited			
		Three months ended 31 December		Six months ended 31 December	
		2012	2011	**2012**	2011
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Profit/(Loss) for the period attributable to:					
Owners of the Company		**9,866**	(6,066)	**14,531**	(4,735)
Non-controlling interests		**105**	(26)	**159**	(25)
		9,971	(6,092)	**14,690**	(4,760)
Total comprehensive income attributable to:					
Owners of the Company		**8,787**	(5,722)	**13,442**	(3,475)
Non-controlling interests		**105**	(23)	**159**	(156)
		8,892	(5,745)	**13,601**	(3,631)
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period	*8*				
– Basic and Diluted *(RMB cent(s))*		**0.31 cent**	(0.19 cent)	**0.45 cent**	(0.15 cent)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2012 RMB'000 (Unaudited)	30 June 2012 RMB'000 (audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	9	**5,091**	5,563
Intangible assets	10	**164,497**	168,429
Goodwill	11	**52,162**	52,162
		221,750	226,154
CURRENT ASSETS			
Inventories	12	**55,767**	42,490
Trade receivables	13	**3,196**	1,721
Prepayments, deposits and other receivables		**26,180**	45,798
Due from a related company	15	**152**	–
Cash and cash equivalents		**30,705**	27,109
		116,000	117,118
CURRENT LIABILITIES			
Trade payables	14	**14,191**	5,360
Other payables and accruals		**14,916**	41,102
Provision for product warranty		**692**	692
Due to a related party	15	**–**	1,870
Tax payable		**1,627**	542
		31,426	49,566
NET CURRENT ASSETS		**84,574**	67,552
NON-CURRENT LIABILITIES			
Provision for product warranty		**395**	395
Deferred tax liabilities		**41,124**	42,107
		41,519	42,502
NET ASSETS		**264,805**	251,204

	Notes	**31 December 2012 *RMB'000* (Unaudited)**	30 June 2012 *RMB'000* (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**30,860**	30,860
Reserves		**231,128**	217,686
		261,988	248,546
Non-controlling interests		**2,817**	2,658
TOTAL EQUITY		**264,805**	251,204

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the six months ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net cash inflow/(outflow) from operating activities	**4,779**	(9,779)
Net cash outflow from investing activities	**(94)**	(200)
Net increase/(decrease) in cash and cash equivalents	**4,685**	(9,979)
Cash and cash equivalents at beginning of the period	**27,109**	48,062
	31,794	38,083
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(1,089)**	306
Cash and cash equivalents at end of the period	**30,705**	38,389
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**30,705**	38,389

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012

	Unaudited							
	Equity attributable to owners of the Company							
	Share capital	Share premium*	Statutory reserves*	Exchange fluctuation 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*
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	**–**	**–**	**–**	**–**	**14,531**	**14,531**	**159**	**14,690**
Other comprehensive income								
Exchange difference on translation of financial statements of foreign operation	**–**	**–**	**–**	**(1,089)**	**–**	**(1,089)**	**–**	**(1,089)**
Total comprehensive income for the period	**–**	**–**	**–**	**(1,089)**	**14,531**	**13,442**	**159**	**13,601**
Transfer to statutory reserves	**–**	**–**	**1,942**	**–**	**(1,942)**	**–**	**–**	**–**
Balance at 31 December 2012	**30,860**	**419,537**	**10,210**	**2,060**	**(200,679)**	**261,988**	**2,817**	**264,805**
Balance at 1 July 2011	30,860	419,537	8,268	2,728	(184,004)	277,389	1,958	279,347
Loss for the period	–	–	–	–	(4,735)	(4,735)	(25)	(4,760)
Other comprehensive income								
Exchange difference on translation of financial statements of foreign operation	–	–	–	1,260	–	1,260	(131)	1,129
Total comprehensive income for the period	–	–	–	1,260	(4,735)	(3,475)	(156)	(3,631)
Transfer to statutory reserves	–	–	(321)	–	321	–	–	–
Balance at 31 December 2011	30,860	419,537	7,947	3,988	(188,418)	273,914	1,802	275,716

* *These reserve accounts comprise the consolidated reserves of approximately RMB231,128,000 (30 June 2012: RMB217,686,000) 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 2012.

The unaudited condensed consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standard ("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, 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	
	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**70,613**	69,812
Other income		
Interest income	**31**	25
Sales of scrap materials	**–**	62
Sundry income	**–**	9
	31	96

4. Segment information

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

(a) Functional healthcare bedroom products includes 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.

There were no inter-segment sales and transfers during the Period (corresponding periods in 2011: Nil).

4. Segment information (Continued)

	Unaudited six months ended 31 December					
	Functional healthcare bedroom products		OEM consumer electronic products		Total	
	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	**61,864**	60,468	**8,749**	9,344	**70,613**	69,812
Reportable segment profit/(loss)	**18,903**	(368)	**353**	245	**19,256**	(123)
Depreciation	**566**	1,800	**–**	–	**566**	1,800
Amortization of intangible assets	**3,932**	3,934	**–**	–	**3,932**	3,934

	31 December 2012	30 June 2012	**31 December 2012**	30 June 2012	**31 December 2012**	30 June 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets	**300,750**	309,164	**6,295**	6,999	**307,045**	316,163
Additions to non-current segment assets during the period	**–**	666	**–**	50	**–**	716
Reportable segment liabilities	**26,708**	42,117	**1,339**	2,884	**28,047**	45,001

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	
	2012	2011
	RMB'000	*RMB'000*
Reportable segment profit/(loss)	**19,256**	(123)
Unallocated income	**11**	25
Unallocated expenses	**(2,434)**	(4,860)
Profit/(loss) before income tax	**16,833**	(4,958)

	31 December 2012	30 June 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets	**307,045**	316,163
Other corporate assets	**30,705**	27,109
Group assets	**337,750**	343,272
Reportable segment liabilities	**28,047**	45,001
Taxes payables	**1,627**	542
Deferred tax liabilities	**41,124**	42,107
Other corporate liabilities	**2,147**	4,418
Group liabilities	**72,945**	92,068

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		**31 December**	30 June
	2012	2011	**2012**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Principal markets				
The PRC	**62,234**	60,782	**221,749**	226,154
Hong Kong	**1,344**	2,100	**–**	–
Taiwan	**1,175**	1,966	**–**	–
Europe	**5,860**	4,820	**–**	–
Others	**–**	144	**–**	–
	70,613	69,812	**221,749**	226,154

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. Profit/(Loss) before income tax

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

	Unaudited	
	Six months ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Cost of inventories sold/services provided	**43,062**	51,073
Depreciation	**566**	1,800
Amortization of intangible assets	**3,932**	3,934
Staff costs (including directors' remuneration and retirement scheme contribution)	**7,372**	9,711

6. 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 six months ended 31 December 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 six months ended 31 December 2012 and 2011 is as follows:

	Unaudited	
	Six months ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
PRC income tax	**3,126**	785
Deferred tax	**(983)**	(983)
	2,143	(198)

7. Interim dividends

The Board did not recommend the payment of an interim dividend for the six months ended 31 December 2012 (corresponding period in 2011: Nil).

8. Earnings/(Loss) per share

Basic

The calculation of basic earnings/(loss) per share is based on the profit for the three months and six months ended 31 December 2012 of approximately RMB9,866,000 and RMB14,531,000 respectively (loss for the three months and six months ended 31 December 2011: RMB6,066,000 and RMB4,735,000 respectively) and the weighted average of the 3,201,500,000 ordinary shares in issue during the three months and six months ended 31 December 2012 (three months and six months ended 31 December 2011: the weighted average of the 3,201,500,000 ordinary shares).

Diluted

No diluted earnings/(loss) per share are presented for the three months and six months ended 31 December 2012 and 2011 as there is no dilutive ordinary share.

9. Property, plant and equipment

During the six months ended 31 December 2012, the Group has approximately RMB5,091,000 plant and machinery on hand (as at 30 June 2012: RMB5,563,000).

10. Intangible assets

	Brand names *RMB'000*	Franchise networks *RMB'000*	Total *RMB'000*
Balance at 1 July 2012	121,140	47,289	168,429
Amortisation	–	(3,932)	(3,932)
At 31 December 2012	**121,140**	**43,357**	**164,497**

11. Goodwill

	31 December 2012 ***RMB'000*** **(Unaudited)**	30 June 2012 *RMB'000* (Audited)
Opening net carrying amount	**52,162**	61,788
Impairment loss	**–**	(9,626)
Closing net carrying amount	**52,162**	52,162

12. Inventories

	31 December 2012	30 June 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**8,642**	9,851
Work in progress	**27,856**	19,707
Finished goods	**19,269**	12,932
	55,767	42,490

13. 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 dates and net of provision, are as follows:

	31 December 2012	30 June 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one month	**2,334**	135
One to three months	**426**	1,160
Three months to one year	**402**	384
Over one year	**34**	42
	3,196	1,721

14. Trade payables

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

	31 December 2012 *RMB'000* (Unaudited)	30 June 2012 *RMB'000* (Audited)
Within one month	**6,798**	2,484
One to three months	**2,719**	1,027
Three months to one year	**4,540**	1,715
Over one year	**134**	134
	14,191	5,360

15. Due from/(to) a related party

	31 December 2012 *RMB'000* (Unaudited)	30 June 2012 *RMB'000* (Audited)
揭東康保磁科技有限公司(“揭東康保”)	**152**	(1,870)

揭東康保 is a company indirectly wholly owned by Mr. Wang Linjia, a substantial shareholder of the Company and Mr. Yong Kee Poh becomes a common director of the Company and 揭東康保 at 11 April 2012. The amounts due are unsecured, interest free and repayable on demand. The maximum balance of amount due to 揭東康保 is approximately RMB152,000.

16. Share capital

	2012 Number of shares '000	2012 RMB'000	2011 Number of shares '000	2011 RMB'000
Authorised:				
Ordinary shares of HK$0.01 each	**20,000,000**	**210,000**	20,000,000	210,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**3,201,500**	**30,860**	3,201,500	30,860

17. Share option scheme

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.

18. 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	
	2012	2011
	RMB'000	*RMB'000*
Purchase of raw material from a related company	**8,379**	7,298

Note:

The purchases were made from 揭東康保 which is indirectly wholly-owned by Mr. Wang Linjia, a substantial shareholder of the Company and Mr. Yong Kee Poh becomes a common director of the Company and 揭東康保 on 11 April 2012.

(b) Compensation of key management personnel

	Unaudited Six months ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Total remuneration of directors and other members of key management during the Period – short-term employee benefits	**1,641**	2,697

FINANCIAL REVIEW

For the six months ended 31 December 2012, the Group recorded a revenue of RMB70,613,000 representing an increase of 1.1% as compared to the corresponding period in 2011.

The Group's profit margin increased to approximately 39% for the six months ended 31 December 2012 as compared to approximately 26.8% for the previous corresponding period. The increase is due to, amongst other things, the success of cost saving programs and the new products launched.

Profit/(Loss) attributable to owners of the Company

The unaudited profit attributable to owners of the Company for the six months ended 31 December 2012 amounting to RMB14,531,000, as compared to the loss of RMB4,735,000 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").

Liquidity and financial resources

We generally finance our operations by our operating cash flow and internal resources. As at 31 December 2012, we had cash and bank balances amounting to a total of approximately RMB30,705,000 (30 June 2012: RMB27,109,000) and we had net current assets of approximately RMB84,574,000 (30 June 2012: RMB67,552,000).

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 2012, no assets have been pledged to financial institutions for banking facilities granted to the Group (30 June 2012: Nil).

Gearing ratio

As at 31 December 2012, our gearing ratio as a percentage for amount due to a shareholder and related party over net assets was nil (30 June 2012: 0.7%).

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 2012, 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 2012, we did not have any significant contingent liabilities (30 June 2012: 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

It is our policy to remunerate and appraise our employee on the basis of performance, experience, Group's performance and the prevailing industry practice.

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

RESEARCH AND DEVELOPMENT

As at 31 December 2012, we have a team of 8 professional technical staff engaged in research and development activities (31 December 2011: 8 technical staff).

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. 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 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 31 December 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 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 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 respectively 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 31 December 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%

Name	Number and class of securities *(Note 1)*	Capacity	Approximately percentage to the issued share capital of the Company
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 six months ended 31 December 2012.

CORPORATE GOVERNANCE

For the six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 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 numbers, 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, 31 January 2013

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.