



COMBEST HOLDINGS LIMITED

康佰控股有限公司*

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

Third
Quarterly **2014/15**
Report

* 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 nine months ended 31 March 2015 (the “Period”) are presented as follows:

	Total	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	72,926	89,317
Profit for the period attributable to owners of the Company	3,603	18,519
	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share – basic and diluted	0.11	0.58

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 nine months ended 31 March 2015 (“Corresponding period in 2014”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited			
		Three months ended 31 March		Nine months ended 31 March	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	3	23,924	17,297	72,926	89,317
Cost of sales		(13,982)	(8,282)	(44,645)	(43,385)
Gross profit		9,942	9,015	28,281	45,932
Other income and gains	3	8	7	36	29
Selling and distribution costs		(1,935)	(2,080)	(7,934)	(7,024)
Administrative expenses		(5,430)	(5,713)	(15,339)	(14,727)
Profit before income tax		2,585	1,229	5,044	24,210
Income tax expense	5	(656)	(781)	(1,292)	(5,544)
Profit for the period		1,929	448	3,752	18,666
Other comprehensive income for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of financial statements of foreign operations		73	(154)	(156)	(160)
Total comprehensive income for the period		2,002	294	3,596	18,506

		Unaudited			
		Three months ended 31 March		Nine months ended 31 March	
		2015	2014	2015	2014
Notes		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period attributable to:					
	Owners of the Company	1,924	349	3,603	18,519
	Non-controlling interests	5	99	149	147
		<u>1,929</u>	<u>448</u>	<u>3,752</u>	<u>18,666</u>
Total comprehensive income attributable to:					
	Owners of the Company	1,996	195	3,443	18,357
	Non-controlling interests	6	99	153	149
		<u>2,002</u>	<u>294</u>	<u>3,596</u>	<u>18,506</u>
Earnings per share for profit attributable to owners of the Company during the period					
	– Basic and Diluted (<i>RMB cent(s)</i>)	0.06 cent	0.01 cent	0.11 cent	0.58 cent

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 2015.

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 2014.

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 2014. 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 nine months ended 31 March 2015 is as follows:

	Unaudited	
	Nine months ended	
	31 March	
	2015	2014
	RMB'000	RMB'000
Revenue		
Sales of goods	72,926	89,317
Other income		
Interest income	36	29

4. Segment information

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

- (a) Functional healthcare products include mattresses, magnetic chairs, pillows, blankets, food supplements, air ionizer products, other bedroom accessories and a range of functional healthcare clothes and accessories; and
- (b) OEM consumer electronic components including RS connectors and transmitters for consumer electronic products.

4. Segment information (Continued)

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 2015 is as follows:

	Unaudited					
	Functional healthcare products		OEM consumer electronic components		Total	
	For the nine months ended 31 March					
	2015	2014	2015	2014	2015	2014
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue						
– From external customers						
Reportable segment revenue	62,098	84,173	10,828	5,144	72,926	89,317
Reportable segment profit	7,851	27,544	975	337	8,826	27,881
Depreciation	736	1,101	12	12	748	1,113
Amortisation of intangible assets	5,898	5,898	–	–	5,898	5,898

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	
	For the nine months ended 31 March	
	2015	2014
	RMB'000	RMB'000
Reportable segment revenue	72,926	89,317
Reportable segment profit	8,826	27,881
Unallocated expenses	(3,782)	(3,671)
Profit before income tax	5,044	24,210

5. Income tax expense

Taxes on assessable profits 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 2015 is as follows:

	Unaudited	
	For the nine months ended	
	31 March	
	2015	2014
	RMB'000	RMB'000
Current tax		
PRC income tax	2,712	7,018
Deferred tax	(1,420)	(1,474)
	1,292	5,544

6. Interim dividends

The Board did not recommend the payment of an interim dividend for the nine months ended 31 March 2015 and 2014.

7. Earnings per share

Basic

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the three months ended 31 March 2015 of approximately RMB1,924,000 and profit attributable to owners of the Company for the nine months ended 31 March 2015 of approximately RMB3,603,000 respectively (Corresponding period in 2014: approximately profit of RMB349,000 and profit of RMB18,519,000 respectively) and the weighted average of the 3,201,500,000 ordinary shares in issue during the three months and nine months ended 31 March 2015 (Corresponding period in 2014: the weighted average of 3,201,500,000 ordinary shares).

Diluted

No diluted earnings per share were presented for the three months and nine months ended 31 March 2015 and 2014, as the Company had no dilutive potential ordinary shares outstanding at the end of the reporting periods.

8. Share capital and reserves

For the nine months ended 31 March 2015

	Unaudited								
	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Exchange fluctuation reserve	Accumulated losses	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 July 2014	30,860	419,537	8,268	4,741	(181,117)	282,289	3,241	285,530	
Profit for the period	-	-	-	-	3,603	3,603	149	3,752	
Other comprehensive income									
Item that may be reclassified subsequently to profit and loss:									
Exchange difference on translation of financial statements of foreign operation	-	-	-	(160)	-	(160)	4	(156)	
Total comprehensive income for the period	-	-	-	(160)	3,603	3,443	153	3,596	
Balance at 31 March 2015	30,860	419,537	8,268	4,581	(177,514)	285,732	3,394	289,126	
Balance at 1 July 2013	30,860	419,537	8,268	4,654	(194,125)	269,194	3,052	272,246	
Profit for the period	-	-	-	-	18,519	18,519	147	18,666	
Other comprehensive income									
Item that may be reclassified subsequently to profit and loss:									
Exchange difference on translation of financial statements of foreign operation	-	-	-	(162)	-	(162)	2	(160)	
Total comprehensive income for the period	-	-	-	(162)	18,519	18,357	149	18,506	
Transfer to statutory reserves	-	-	2,709	-	(2,709)	-	-	-	
Balance at 31 March 2014	30,860	419,537	10,977	4,492	(178,315)	287,551	3,201	290,752	

FINANCIAL REVIEW

For the nine months ended 31 March 2015, the Group's revenue was approximately RMB72,926,000 which represented a decrease of approximately 18.4% compared to the previous corresponding period.

The Group's profit margin decreased to approximately 38.8% for the nine months ended 31 March 2015 as compared to approximately 51.4% for the previous corresponding period. The decrease is due to, amongst other things, the increase in cost of raw materials. At the same time, the Group stepped up a number of promotional and discounts strategies during the period.

Profit attributable to owners of the Company

The unaudited profit attributable to owners of the Company for the nine months ended 31 March 2015 amounted to RMB3,603,000, as compared to profit of RMB18,519,000 for the previous corresponding period. The decrease is due to, amongst other things, a lower gross profit margin.

BUSINESS REVIEW

We are currently principally engaged in two business segments, namely (i) manufacturing and sales of functional healthcare products, and (ii) manufacturing and trading of OEM consumer electronic products and components. As at the date of this report, the Board considers that the maintenance of Customer Service Centres (CSCs) will not be financially effective and after taking into consideration the concerns and worries raised by some of the franchisees, the Group has restructured the Customer Service Centres programme. We have closed down approximately 10 self-managed CSCs in various cities in China that could not effectively benefit the Group. After the restructuring, there are no self-managed CSCs now.

BUSINESS OUTLOOK

Despite the difficult business environment encountered in the last financial year due to the continuing slowdown of the domestic economy, the company still makes a profit for the three months ended 31 March 2015 especially for the OEM consumer electronic products. The Board will continue to explore the healthcare market in China and the OEM consumer electronic business.

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.

For further expansion, given the uniqueness of our magnetic healthcare products, the Board has considered to expand into overseas markets, especially into other ASEAN countries, 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 that we stay as 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.

Also, there is a signal for the recovery of OEM electronic components businesses as its turnover increased to approximately RMB11,000,000 which has doubled the revenue for the corresponding period. The Board will put more resources to develop this kind of business in near future.

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.

On 14 October 2014, the Company withdrew the application to the Stock Exchange for the transfer of listing of all shares of the Company (the "Shares") from the GEM to the Main Board of the Stock Exchange (the "Transfer of Listing") under Chapter 9A of the Listing Rules as the profit test under Rule 8.05(1) of the Listing Rules could no longer be met by the Company.

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 2015, 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 2015, 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%

Name	Number and class of securities	Capacity	Approximate percentage to the issued share capital of the Company
Famous Kindway Limited ("Famous Kindway") (Note 1)	299,980,000 ordinary shares	Beneficial owner	9.37%
Kiyuhon Limited ("Kiyuhon") (Note 1)	103,630,000 ordinary shares	Beneficial owner	3.24%
	774,265,714 ordinary shares	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 and Diamond Highway respectively. Both 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 March 2015, 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 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%
Mr. Li Jiahui	243,360,000 ordinary shares	Beneficial owner	7.60%
Brow Crown International Limited ("Brow Crown") (Note 2)	174,000,000 ordinary shares	Beneficial owner	5.43%
Mr. Qian Shiyu ("Mr. Qian") (Note 2)	176,000,000 ordinary shares	Interest of controlled corporation	5.5%

Notes:

1. It represents the interests in the shares or the underlying shares of the Company.
2. The 174,000,000 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.

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 2015.

CORPORATE GOVERNANCE

For the nine months ended 31 March 2015, 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 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 nine months ended 31 March 2015.

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 nine months ended 31 March 2015.

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 2015.

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, 15 May 2015

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 independent non-executive Directors.