COMBEST HOLDINGS LIMITED

康佰控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8190)

Annual Report 2015

* 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yong Kee Poh
Mr. Lee Man To

NON-EXECUTIVE DIRECTOR

Mr. Chan Kin Sang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ngai Sang, Kenny
Mr. Nguyen Van Tu Peter
Mr. Liu Wei Zhong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat M-N, 24/F,
Houston Industrial Building,
32-40 Wang Lung Street,
Tsuen Wan, N.T. Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Lee Man To, CPA, FCCA

AUTHORISED REPRESENTATIVES

Mr. Yong Kee Poh
Mr. Lee Man To

COMPLIANCE OFFICER

Mr. Yong Kee Poh

AUDITOR

BDO Limited
Certified Public Accountants
Hong Kong

PRINCIPAL BANKER

Bank of Communications

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDIT COMMITTEE

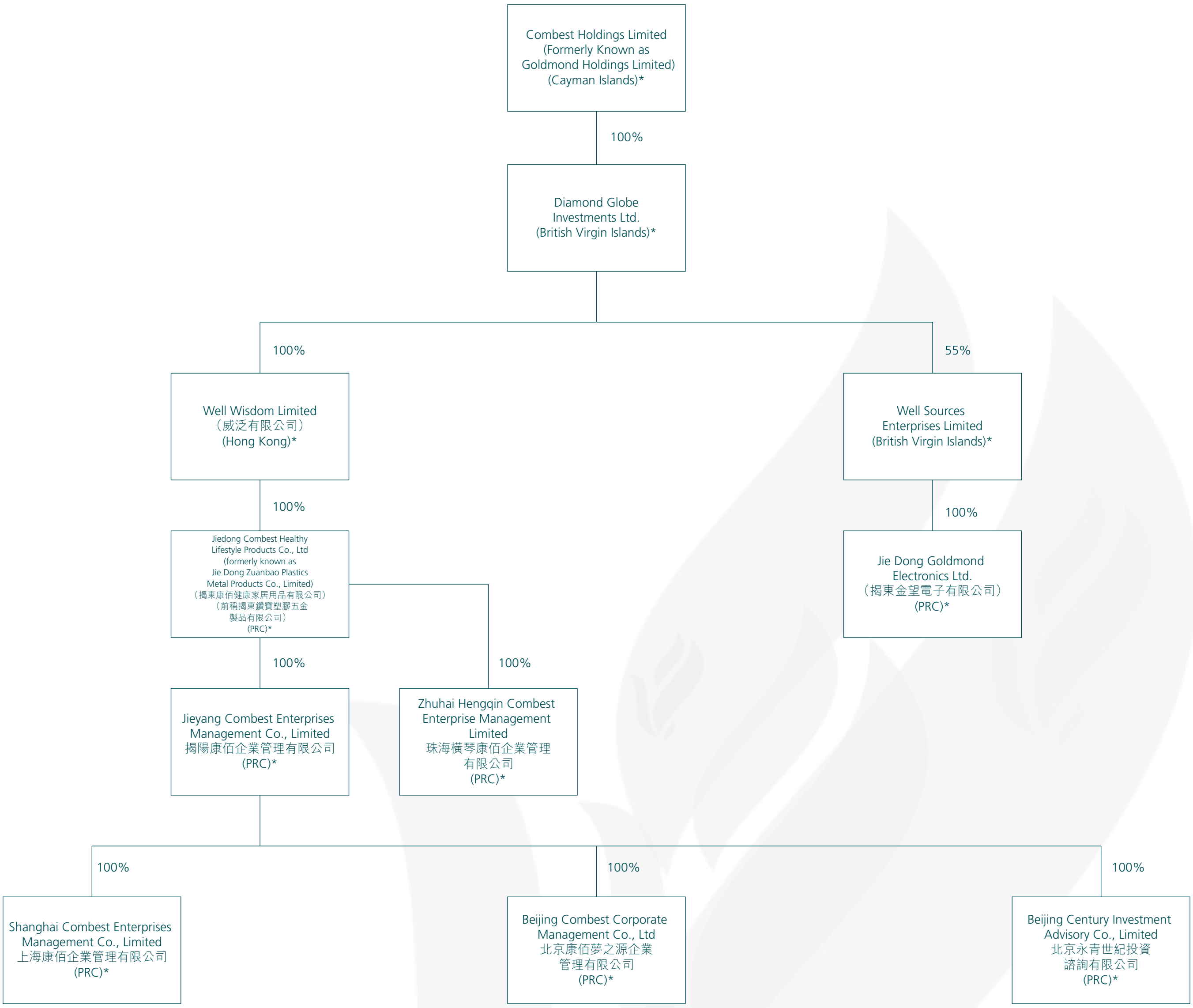
Mr. Chan Ngai Sang, Kenny
Mr. Liu Wei Zhong
Mr. Chan Kin Sang
Mr. Nguyen Van Tu Peter

STOCK CODE

8190

GROUP STRUCTURE

The following chart sets out the structure of the Company and its principal subsidiaries as at 30 June 2015:



* *place of incorporation*

CHAIRMAN’S STATEMENT

On behalf of the board of directors (the ”Board”) of Combest Holdings Limited (the ”Company”), I hereby present to our shareholders the annual report of the Company and its subsidiaries (collectively, the ”Group”) for the year ended 30 June 2015.

	Total 2015 RMB’000	2014 RMB’000
Revenue	**94,809**	103,302
(Loss)/Profit for the year attributable to owners of the Company	**(109,631)**	13,008
(Loss)/Earnings per share		
– basic (RMB cent(s))	**(3.42)**	0.41
– diluted (RMB cent(s))	**N/A**	N/A

The Group continued to focus on (i) functional healthcare products includes mattresses, gyromagnetic chairs, gyromagnetic healthcare products, pillows, blankets, food supplements, air ionizer products, other bedroom accessories and a range of functional healthcare clothes and accessories; and (ii) OEM consumer electronic products includes RF connectors, transmitters for consumer electronic products.

FRANCHISEE NETWORK

Our independent franchisees demonstrates the vitality of our business and their faith in the business potential of Combest. We are proud of our incredibly impressive group of people, the franchisees and our employees who comprise the Combest family. We are grateful that our independent franchisees share our beliefs and further the mission of the Company, by tirelessly reaching out to the marketplace to promote our functional healthcare products. They share our confidence that they have made a positive impact on their own lives and the lives of the customers they come in contact with. We greatly treasure their trust in the Combest products and we will continue to invest in training and rewarding our invaluable franchisees for their sales successes.

PRODUCT RANGE EXPANSION

We are investing in product research and development through our collaboration with Zhejiang University to expand the application of magnetic physics theory (being our core competence) to a wider range of consumer products such as the new range of the gyromagnetic massage chairs and other consumer products and by upgrading the existing features and functions of some of our key selling products and at the same time, we develop and add the smart air-cleaner and ionizer/ water purification related products on top of our traditional gyromagnetic product range so as to widen our customer base. We believe that by developing more new functional healthcare products through collaboration with renowned scientists and industry experts, we are well-positioned to enrich our product pipeline for distribution via our established and strong franchisee sales network. We believe that Combest stands out as a leader in commercializing the wider application of gyromagnetic physics and the air ionizer and water purification products into various types of consumer products and helps people to attain a healthy lifestyle. Our culture of innovation echoes with our mission of promoting a healthy life through science（科學養生）.

APPOINTMENT OF BRAND SPOKESPERSON TO SOLIDIFY BRAND AWARENESS

To solidify our brand awareness and enhance our image, Madam Lang Ping, the current coach of the China National Women Volleyball team act as our spokesperson. Madam Lang Ping was the star spiker of the PRC National volleyball team and played a pivotal role in the PRC volleyball team winning the Olympics gold medal in the 1984 Los Angeles Olympic Games as well as the PRC National volleyball team winning the World volleyball championship/world cup multiple times from 1981 to 1985. She is very well-regarded as a sports icon and enjoys nationwide acclaim as one of its top sports persons. We consider that the healthy image of Madam Lang Ping resonates strongly with our emphasis on promoting a healthy lifestyle and our dedication to perfection.

As said, we are very grateful to have a strong and dedicated force of independent franchisees, who share the beliefs and mission of the Company, by promoting our functional healthcare products to consumers. We treasure their trust in the products and future of the Company and we will continue to develop more new products to be launched in the marketplace and to take measures to expand our sales in the marketplace.

Also, we would like to express our heartfelt gratitude to all Combest staff for their dedication and outstanding performance and to our shareholders, customers and suppliers for their loyalty and support.

MANAGEMENT DISCUSSION AND ANALYSIS

The following sections provide a detailed review and analysis of the results and segmental performance of the Group for the financial year ended 30 June 2015.

FINANCIAL REVIEW

We are 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. The current status of our business segments is shown as follows:

Revenue and gross profit

During the year, the Group recorded a revenue of RMB94,809,000 representing a decrease of 8.2% as compared to that in previous year. It is because the demand on some products have been decreased.

The Group's gross profit margin ratio for the year ended 30 June 2015 was 19.02% as compared to approximately 50.2% in the previous year. The decrease is due to, amongst other things, the cost of raw material is increased and the loss of some fail products. At the same time, the Group increases a number of promotional and discounts strategies during the year. In addition, the gross profit margin of one of major products has been dropped.

The selling and distribution costs for the year were approximately RMB20,303,000, representing an increase of approximately 84.7% from last year. It comprises mainly travelling cost amounting to approximately RMB5,290,000, transportation cost amounting to approximately RMB1,878,000, the salary is approximately RMB6,849,000. The increase is mainly because of increasing in travelling cost for marketing purpose and donation for marketing expenses approximately 1,681,000. Besides, the number of selling staff and their salary has been increased.

The administrative expenses for the year were approximately RMB23,292,000, representing an increase of approximately 3.99%. (It comprises mainly the amortization of intangible asset – franchise network amounting to approximately RMB7,573,000, director fee and emolument amounting to approximately RMB2,172,000 and salary and wages amounting to RMB7,211,000).

There are the impairment of intangible assets amounting approximately RMB34,860,000 and impairment of goodwill amounting approximately RMB52,162,000 during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. As at 30 June 2015, the cash and bank balances of the Group amounting to approximately RMB26,296,000 (2014: RMB60,113,000) and the net current assets of the Group amounted to approximately RMB90,691,000 (2014: RMB116,447,000). With such resources, the Company has adequate financial resources for its operations.

Charges on the Group's asset

As at 30 June 2015, none of the Group's assets were pledged (2014: Nil).

Gearing Ratio

The Group expresses its gearing ratio (if any) as a percentage of other borrowings and long term debts over total assets. As at 30 June 2015, the gearing ratio as a percentage of other borrowings and amount due to relevant parties over total assets was nil (2014: Nil).

Treasury policies and capital structure

Any surplus funds derived from operating activities will be placed in savings accounts 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 year ended 30 June 2015, the Group's business in manufacturing and trading of functional healthcare products and electronic products and other borrowings were transacted in HK$, US dollar and RMB. The Board considers 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 30 June 2015, the Group and the Company did not have any significant contingent liabilities.

Employee information

For the year ended 30 June 2015, there are 619 staff and the staff cost, excluding directors' remuneration, amounted to RMB19,647,000. The employee remuneration was commensurate with individual performance and experience and subject to the periodic review of the senior management of the Company.

In order to maintain the standard of the Group's services and for purpose of staff development, the Group provided comprehensive training programs for its staff.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

BUSINESS OUTLOOK

The difficult business environment encountered in the last financial year due to the continuing slowdown of the domestic economy, the Company makes a loss for the year ended 30 June 2015. As the Group's financial result is not good. It is required to write off the goodwill entirely which create a huge loss this year. Although the performance is not good, 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 considers 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 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.

Also, there is a signal for the recovery of OEM electronic components business as its turnover increased to approximately RMB18,411,000 which has tripled the revenue compared with last year. 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 an 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 Rule could no longer be met by the Company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Yong Kee Poh（楊紀寶）, aged 55, is a chairman and an executive Director since 11 April 2012. He was a graduate of the National University of Singapore with an honours degree in bachelor of engineering (mechanical) in 1986. From 2011, Mr. Yong also acted as the Operations General Manager for Jiedong Combest Healthy Lifestyle Products Co., Ltd. He was responsible for the management of our operations and sale.

Mr. Lee Man To（李敏滔）, aged 42, is an executive Director, the financial controller, qualified accountant and company secretary of the Company. Mr. Lee joined the Group in June 2008. Mr. Lee is responsible for the overall financial control, accounting and company secretarial matters of the Group. Mr. Lee has over 18 years of experience in auditing, accounting and finance. Mr. Lee graduated in the Hong Kong Polytechnic University with Bachelor degree in accountancy in 1995. Mr. Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Lee acts as an independent non-executive director of Sino Harbour Property Group Ltd. in July 2011.

NON-EXECUTIVE DIRECTORS

Mr. Chan Kin Sang（陳健生）, aged 64, was appointed as an independent non-executive Director since 28 September 2004 and is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitors and Notaries. Mr. Chan has been a practising solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Laws degree in 1979. Mr. Chan was admitted as a Notary Public in 1997 and a China-appointed Attesting Officer in 2000. Mr. Chan is a fellow of Institute of Directors and is currently an independent non-executive director of a Singapore listed company, namely Luxking Group Holdings Limited and 5 Hong Kong listed companies, namely China Taifeng Beddings Holdings Limited, China Precious Metal Resources Holdings Co., Limited, Tianjin Teda Biomedical Engineering Company Limited, Tianhe Chemicals Group Limited and China Fortune Financial Group Limited. Mr. Chan is also a non-executive director of the Company listed in Hong Kong and Pan Hong Property Group Limited listed in Singapore. He was formerly an alternate director of Zhongda International Holdings Limited, an independent non-executive director of Peoples's Food Holdings Limited and a non-executive director of Pacific Plywood Holdings Limited and United Pacific Industries Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ngai Sang Kenny（陳毅生）, aged 50, is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants. Mr. Chan has over twenty five years experience in accounting, taxation, auditing and corporate finance and was involved in several merger and acquisition and initial public offering projects. Mr. Chan holds a Bachelor of Commerce degree from the University of New South Wales and is a member of Chartered Accountants Australia and New Zealand, The Association of International Accountants, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Chan served as the President of the Association of International Accountants – Hong Kong Branch in the year 2012-2015. He also serves on several tribunals of the HKSAR Government which includes the Mandatory Provident Fund Schemes Appeal Board and the Tsuen Wan District Fight Crime Committee. Mr. Chan served as the District Governor of Lions Clubs International District 303 – Hong Kong & Macao, China in the year 2009/2010. He is an independent non-executive director of each of TSC Group Holdings Limited (stock code: 206), Convoy Financial Holdings Limited (stock code: 1019) and AMCO United Holding Limited (stock code: 630), each of which are companies listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of WLS Holdings Ltd, a company listed on the GEM of the Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Liu Wei Zhong（劉偉忠）, aged 62, is an independent non-executive Director of the Company since 18 July 2012. Mr. Liu has substantial experience in journalism in Hong Kong and mainland China and is a senior media practitioner. He has more than 10-year experiences in magazines editing. Mr. Liu is currently engaged in editing for a local magazine. Mr. Liu was engaged in theory and policy research in China from 1978 to 2001.

Mr. Nguyen, Van Tu Peter（阮雲道先生）, age 71, is a senior counsel and was called to the Bar in England by the Honourable Society of the Middle Temple in 1970. He was an assistant crown counsel and crown counsel in the Legal Department of Hong Kong during the period from August 1970 to November 1974 and after leaving Government service was in private practice as a Barrister in Hong Kong for approximately twenty years. Mr. Nguyen was appointed as Director of Public Prosecutions in the Legal Department of Hong Kong during the period from July 1994 to October 1997 and he was the first Chinese to hold such position. Mr. Nguyen was appointed as a Queen's Counsel in 1995 and was a Judge of the Court of First Instance of the High Court, Hong Kong from February 1998 to April 2009. Mr. Nguyen has obtained the approval from the relevant department of the Government of Hong Kong Special Administrative Region of the People's Republic of China for his appointment as an independent non-executive Director. Currently, Mr. Nguyen is an independent non-executive director of IPE Group Limited (a company listed on the main board of the Stock Exchange with the stock code: 929), Goldlion Holdings Limited (a company listed on the main board of the Stock Exchange with the stock code: 533), Integrated Waste Solutions Group Holdings Ltd (a company listed on the main board of the Stock Exchange with the stock code: 923), and Greenheart Group Limited (a company listed on the main board of the stock exchange with the stock code: 94).

SENIOR MANAGEMENT

Ms. Wong Hung Flavia Yuen Yee（黃洪琬貽女士）, aged 48, is the Chief Investment Officer of the Company. Ms. Hung is responsible for assessing investment and merger and acquisition opportunities, managing corporate finance activities and investors' relationship of the Group. Ms. Hung has over 25 years of corporate finance experience relating to initial public offerings, mergers and acquisitions, takeovers and privatisations, debt restructuring, financial advisory and equity financing. Prior to joining the Company, Ms. Hung was an executive director of a public company whose shares are listed on the Main Board of the Stock Exchange, and before that, Ms. Hung also held senior management positions at a number of investment banks and brokerage houses in Hong Kong. Ms. Hung holds a Bachelor's degree in Business Administration from California State University, Los Angeles.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are in two business segments, (i) manufacturing and sales of functional healthcare products; and (ii) manufacturing and trading of OEM consumer electronic components.

RESULTS AND DIVIDENDS

The results of the Group for the year and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 37 to 85.

The Directors did not recommend the payment of any dividend in respect of the year ended 30 June 2015 (2014: nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 86. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands (being the jurisdiction in which the Company was incorporated), which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively. Details of the distributable reserves of the Company are set out in note 24 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to major customers and suppliers, respectively, during the year is as follows:

	Percentage of the Group's total %
The largest customer	7
Five largest customers in aggregate	19
The largest supplier	18
Five largest suppliers in aggregate	53

At no time during the year have the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's major largest customers or suppliers referred to above.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules as at the latest practicable date prior to the issue of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year were:

Executive directors:

Mr. Yong Kee Poh
Mr. Lee Man To

Non-executive directors:

Mr. Chan Kin Sang

Independent non-executive directors:

Mr. Chan Ngai Sang, Kenny
Mr. Nguyen Van Tu Peter
Mr. Liu Wei Zhong

Pursuant to Article 108, Mr. Lee Man To and Mr. Chan Kin Sang shall retire at the conclusion of the AGM and, being eligible, offer for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Yong Kee Poh has entered into a service contract as a chairman and an executive Director with the Company for an initial term of one year commencing from 11 April 2013, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other.

Mr. Lee Man To has entered into a service contract as an executive Director with the Company for an initial term of three year commencing from 18 February 2009, which will continue thereafter until terminated by either party giving not less than three month's notice in writing to the other.

Mr. Chan Ngai Sang, Kenny was appointed as independent non-executive Directors for a term of one year expiring on 5 February 2015. He has renewed a service agreement with the Company for a period commencing from 6 February 2015 to 5 February 2016.

Mr. Chan Kin Sang was re-designated as non-executive Director for an initial a term of one year expiring on 31 March 2016.

Mr. Nguyen Van Tu Peter was appointed as an independent non-executive Director for an initial a term of one year expiring on 29 February 2016.

Mr. Liu Wei Zhong was appointed as an independent non-executive Director for an initial a term of one year expiring on 17 July 2016.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in note 28 to the financial statements and Mr. Yong Kee Poh being a director of 揭東康保磁科技有限公司, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

揭東康佰健康家居用品有限公司, a wholly-owned subsidiary of the Company had entered into a new cooperation agreement with 揭東康保磁科技有限公司, a company incorporated in the PRC with limited liability and is indirectly wholly-owned by Mr. Wang Linjia, who is a substantial shareholder and is beneficially interested in approximately 27.42% of the issued share capital of the Company on 28 September 2012.

As stated in the circular of the Company dated 26 October 2012, the transactions contemplated under a new cooperation agreement entered into between 揭東康佰健康家居用品有限公司 and 揭東康保磁科技有限公司 will constitute non-exempt continuing connected transactions on the part of the Company and therefore would be subject to the reporting, announcement and the independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules. Independent shareholders' approval for the above transactions was obtained on 13 November 2012. On 13 November 2012, a special general meeting was held and the independent shareholders had approved the new cooperation agreement. As Mr. Wang Linjia, Mr. Yong Kee Poh and their respective associates had a material interest in the transaction contemplated under a new cooperation agreement, they abstained from voting on the resolutions passed in the special general meeting held on 13 November 2012 pursuant to the GEM Listing Rules. All the resolution were validly passed.

The annual cap amounts for the new cooperation agreement for each of the three financial years ended 30 June 2014 are as follows:

Agreement	**Nature of transaction**	**Annual Cap for the financial years ending 30 June**		
		2013	**2014**	**2015**
		RMB'000	RMB'000	RMB'000
A new cooperation agreement	The Transaction between 揭東康佰健康家居用品有限公司 and 揭東康保磁科技有限公司 is being reduced. The Company has no intention to seek a shareholder approval for applying another 3 year annual cap at this moment.	28,000	34,000	50,000

The continuing connected transactions as set out above which took place during the year have been reviewed by the independent non-executive Directors who have confirmed that:

(1) The transactions were entered into in the ordinary and usual course of business of the Company;

(2) The transactions were conducted on terms of arm's length transactions to the Company; and

(3) The transactions were entered into in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has reviewed the continuing connected transactions and in the letter sent to the Company confirmed that the continuing connected transactions:

(1) have received the approval of the Board;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the annual cap approved by the Stock Exchange.

As far as the transactions set out in note 28 to the financial statements under the heading of "Related Party Transactions" are concerned, the transactions relating to the purchase of gyromagnetic massage chairs and other gyromagnetic household items as set out in note (a)(i) were continuing connected transactions which had been approved by the independent shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report. The Company has maintained a sufficient public float in compliance with Rule 18.08B of the GEM Listing Rules.

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

As at 30 June 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 30 June 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%
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 30 June 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	5.50%

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.

CORPORATE GOVERNANCE REPORT

For the year ended 30 June 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transaction by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry to all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Financial Year.

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 year ended 30 June 2015.

BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decision objectively in the interests of the Company. The Board has the full support from the chief executive director of the Company and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the chief executive director and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code.

As at the date of this report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board and the committees of the Company are given below and their respective responsibilities are discussed in the CG Report.

Board of Directors	**Board Member**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Yong Kee Poh	✓			
Mr. Lee Man To	✓			
Non-executive Director				
Mr. Chan Kin Sang	✓	✓	✓	✓
Independent Non-executive Directors				
Mr. Chan Ngai Sang, Kenny	✓	✓	✓	✓
Mr. Nguyen Van Tu Peter	✓	✓	✓	✓
Mr. Liu Wei Zhong	✓	✓	✓	✓

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors and Non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Details of backgrounds and qualification of the Directors are set out in the "DIRECTORS, SENIOR MANAGEMENT AND STAFF" of this report.

The Board members have no financial, business, family or other material or relevant relationships with each other.

The Board meets regularly to discuss the Company's affairs and operations. During the Financial Year, the Board held 4 regular Board meetings (within the meaning of the CG Code) at approximately quarterly interval and 6 Board meetings which were convened when board-level decisions on particular matters were required. The Directors attended those meetings in person, by phone or through other electronic means of communication. The attendance record of each member of the Board during the Financial Year is set out below:

Name of Directors	**Attended/ Eligible to attend**
Executive Directors	
Mr. Yong Kee Poh	6/6
Mr. Lee Man To	6/6
Non-executive Director	
Mr. Chan Kin Sang	6/6
Independent Non-executive Directors	
Mr. Chan Ngai Sang, Kenny	6/6
Mr. Nguyen Van Tu Peter	6/6
Mr. Liu Wei Zhong	6/6

During the regular meetings of the Board, the Directors discussed and formulated the overall strategies of the Group, reviewed and monitored the business and financial performances and discuss the quarterly, half-yearly and annual results, as well as discussed and decided on other significant matters.

The attendance record of the general meeting of the Directors during the Financial Year is set out below:

Name of Directors	Attended/ Eligible to attend
Executive Directors	
Mr. Yong Kee Poh (appointed on 11 April 2012)	1/1
Mr. Lee Man To	1/1
Non-executive Director	
Mr. Chan Kin Sang	1/1
Independent Non-executive Directors	
Mr. Chan Ngai Sang, Kenny	1/1
Mr. Nguyen Van Tu Peter	1/1
Mr. Liu Wei Zhong (appointed on 18 July 2012)	1/1

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 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. 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 of the Company held on 14 November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had at least three independent non-executive Directors at all times during the Financial Year. Except the following explanation, each of the independent non-executive Director has confirmed his annual confirmation on independence as required by Rule 5.09 of the GEM Listing Rules. The Company considers all such Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Articles, (i) all Directors will be subject to retirement by rotation once every three years and the new Directors appointed by the Board to fill a causal vacancy during the year shall be subject to re-election by the shareholders of the Company at the next following general meeting after appointment; and (ii) one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to one-third but not less than one-third), shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting and that any new Director appointed by the Board during the year shall hold office until the next following general meeting after appointment, and he or she shall be eligible for re-election at that meeting.

The Board recommended the re-appointment of the retiring Directors standing for re-election at the forthcoming annual general meeting of the Company. Details of the information of the retiring Directors standing for re-election are set out in the circular accompany the notice of the annual general meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors of the Company. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to the code provision A.6.5 of the CG Code with effect from 1 April 2012 and until the financial year ended 30 June 2015, all relevant Directors had participated in continuous professional development in the following manner:

Name of Director	Reading materials relevant to Directors' duties and responsibilities
Executive Directors	
Mr. Yong Kee Poh	✓
Mr. Lee Man To	✓
Non-executive Director	
Mr. Chan Kin Sang	✓
Independent Non-executive Directors	
Mr. Chan Ngai Sang, Kenny	✓
Mr. Nguyen Van Tu Peter	✓
Mr. Liu Wei Zhong	✓

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with revised written terms of reference adopted on 26 March 2012 in compliance with the GEM Listing Rules. In accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

Currently, the Audit Committee has four members comprising three independent non-executive Directors and one non-executive Director; and namely, Mr. Chan Ngai Sang, Kenny (the chairman of the Audit Committee), Mr. Nguyen Van Tu Peter, Mr. Liu Wei Zhong and Mr. Chan Kin Sang.

The principle duties of the Audit Committee include:

(a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, consider the external auditors' proposed audit fees, approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the Audit commences;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on where action or improvement is needed;

(d) to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report, quarterly reports, and to review significant financial reporting judgments contained in them, focusing particularly on:

 (i) any changes in accounting policies and practices adopted by the Group;

 (ii) major judgmental areas;

 (iii) significant adjustments resulting from the audit;

 (iv) the going concern assumption and any qualifications;

 (v) compliance with accounting standards;

 (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;

 (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;

 (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosure gives a true and fair view of the Group's financial conditions; and

 (ix) the cashflow position of the Group;

(e) to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to discuss problems and reservations arising from the interim limited review and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

(g) to review and supervise the financial reporting process, review the financial information of the Group, oversee the Group's financial controls, internal control procedures and risk management systems;

(h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(i) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(j) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

(k) to (where an internal audit function exists) review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) to conduct exit interviews with any Director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;

(m) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

(n) to consider the Board's recommendation of the appointment of any person to be an Audit Committee member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional Audit Committee member, company secretary, auditors and accounting staff or the Board's recommendation for the dismissal of any of them;

(o) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(p) to review the Group's financial and accounting policies and practices;

(q) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(r) to report to the Board on the matters in these terms of reference;

(s) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;

(t) to act as the key representative body for overseeing the Company's relations with the external auditor; and

(u) to consider other matters, as defined or assigned by the Board from time to time.

During the Financial Year under review, the Audit Committee held four meetings to consider and approve the following:

(i) to review of the quarterly, half-year and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(ii) to discuss the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management;

(iii) to review the accounting principles and practices adopted by the Group and other financial reporting matters; and

(iv) to discuss the whistleblowing policy throughout the Group.

The individual attendance record of each member of the Audit Committee is as follows:

Name of Directors	Attended/ Eligible to attend
Mr. Chan Ngai Sang, Kenny	4/4
Mr. Nguyen Van Tu Peter	4/4
Mr. Liu Wei Zhong	4/4
Mr. Chan Kin Sang	4/4

The Audit Committee has reviewed the Group's audited results for the Financial Year.

There was no disagreement between the Board and the Audit Committee on the selection, appointment of the external auditors during the Financial Year.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 1 July 2005 with revised written terms of reference adopted on 26 March 2012 which deal clearly with its authority and duties, in accordance with the requirement of the CG Code. In accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

Currently, the Remuneration Committee has four members comprising three independent non-executive Directors and one non-executive Director; and namely, Mr. Chan Ngai Sang, Kenny (the chairman of the Remuneration Committee), Mr. Nguyen Van Tu Peter, Mr. Liu Wei Zhong and Mr. Chan Kin Sang.

The role and function of the Remuneration Committee includes:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors and Senior Management (as defined below) remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives from time to time;

(c) to review and approve compensation payable to Executive Directors and Senior Management (as defined below) for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(d) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(e) to do any such things to enable the Remuneration Committee to discharge its powers and functions conferred on it by the Board;

(f) to have the delegated responsibility from the Board either to determine the remuneration packages of individual Executive Directors and Senior Management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; or to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management; and make recommendations to the Board on the remuneration of Non-executive Directors, and also review and make recommendations on the Company's share option scheme and other compensation-related issues. The Remuneration Committee should consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group;

(g) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(h) to determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;

(i) to consider the annual performance bonus for Executive Directors, Senior Management and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board;

(j) to engage external professional advisers to advise the Remuneration Committee on issues as the Remuneration Committee considers necessary;

(k) to consult the chairman and/or chief executive about their remuneration proposals for other Executive Directors and have access to independent professional advice if considered necessary; and

(l) to report to the Board the findings and recommendations of the Remuneration Committee at the next meeting of the Board following each Committee Meeting.

During the Financial Year under review, the Remuneration Committee held one physical meeting. The individual attendance record of each member of the Remuneration Committee is as follows:

Name of Director	Attended/ Eligible to attend
Mr. Chan Ngai Sang, Kenny	1/1
Mr. Nguyen Van Tu Peter	1/1
Mr. Liu Wei Zhong (appointed on 18 July 2012)	1/1
Mr. Chan Kin Sang	1/1

The summary of work performed by the Remuneration Committee included:

(i) to review the current remuneration policies and appraisal system;

(ii) to consider and approve the grant of share options to Directors and senior management;

(iii) to recommend to the Board the Directors' fee for the Financial Year; and

(iv) to consider and approve the remuneration of the Directors and senior management.

The Remuneration Committee shall meet at least once a year.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") in March 2012 with written terms of reference adopted on 26 March 2012 which deal clearly with its authority and duties, in accordance with the requirement of the CG Code. In accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

Currently the Nomination Committee has four members comprising the three independent non-executive Directors and one non-executive Director; and namely, Mr. Nguyen Van Tu Peter (the chairman of the Nomination Committee), Mr. Chan Ngai Sang, Kenny, Mr. Liu Wei Zhong (appointed on 18 July 2012) and Mr. Chan Kin Sang.

The role and function of the Nomination Committee includes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and consider and advise the Board as to any changes that may be required to achieve a balanced and appropriate qualified board and the independence of any present or proposed independent non-executive Directors;

(b) to develop plans for orderly succession for appointments to the Board and other senior positions, and will search for, consider and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive;

(c) to re-appointment of any independent non-executive Director at the conclusion of his or her specified term of office;

(d) any matters relating to the continuation in office as a Director or any Director at any time;

(e) to prepare suitable job descriptions and letter of appointment in relation to the Board and, if appropriate, chairmanship and membership of board committees;

(f) to make a statement in the Company's annual report and accounts detailing its activities and the process it has used to make any recommendations in respect of appointments to the Board;

(g) to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(h) to assess the independence of INED; and

(i) to report to the Directors its activities as the Directors may require from time to time.

During the Financial Year under review, the Nomination Committee did not hold any physical meeting.

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board will therefore be responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements etc.

During the financial year ended 30 June 2015, the Board has reviewed the Company's policies and practices on corporate governance and established the Nomination Committee in March 2012.

COMMUNICATION WITH SHAREHOLDERS

The Company established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Company communicates with the shareholders (the "Shareholders") and the potential investors (the "Investors") of the Company mainly in the following ways:

(i) the holding of annual general meetings and extraordinary general meetings, if any, which may be convened for specific purpose and provide opportunities for the Shareholders and Investors to communicate directly with the Board;

(ii) the publication of quarterly, half-yearly and annual reports, announcements and/or circulars as required under the GEM Listing Rules and/or press releases of the Company providing updated information of the Group; and

(iii) the latest information of the Group will be available on the websites of the Stock Exchange and the Company.

The notice of annual general meetings and any extraordinary general meetings at which the passing a special resolution is to be considered shall be called by not less than 21 clear days' notice prior to the date of meetings. All other extraordinary general meetings maybe called by not less than 14 clear days' notice prior to the date of meetings.

Procedures for Shareholders to convene an Extraordinary General Meeting

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

(i) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition;

(ii) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Flat M-N, 24/F, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, N.T., Hong Kong, or Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary;

(iii) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered Shareholders;

(iv) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and

(v) If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the head office and principal place of business of the Company in Hong Kong at Flat M-N, 24/F, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, N.T., Hong Kong, or Hong Kong branch share registrar by post or by fax to (852) 8202 0633 for the attention of the Board and/or the Company Secretary.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements. The auditors' responsibilities are set out in the "INDEPENDENT AUDITOR'S REPORT" of this annual report.

COMPANY SECRETARY

The company secretary is an employee of the Company and is appointed by the Board. He supports the chairman, Board and board committees by ensuring good information flow and reports to the Board and assists the Board in functioning effectively and efficiently. The company secretary also advices the Board on governance matters and facilitates the induction and professional development of directors. All directors of the Company may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and board committee.

Mr. Lee Man To has been the company secretary of the Company since June 2008. He is also the executive director, the authorised representative and the financial controller of the Company. The biographical detail of Mr. Lee is set out in the section of Directors, Senior Management and Staff on page 10 of this report. During the year, Mr. Lee undertook not less than 20 hours of relevant professional training.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal control of the Group.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the executive of and discharge of their duties or in relation thereto, the Company has arrange insurance cover for this purpose.

REMUNERATION OF THE AUDITOR

For the year ended 30 June 2015, the Audit Committee of the Company had reviewed the performance of BDO Limited as the external auditor of the Company and proposed to re-appoint BDO Limited as the external auditor. For the year ended 30 June 2015, the Company agreed auditing fees of HK$700,000 (equivalent to RMB554,470) payable to BDO Limited.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Updated and key information of the Group is also available on the Company's website. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

During the Financial Year, the terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee were revised in accordance to the amendments of the GEM Listing Rules with effect from 1 January 2012 and 1 April 2012, respectively. The revised terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF COMBEST HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Combest Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 37 to 85, which comprise the consolidated and company statements of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2015 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate no. P05412

Hong Kong, 24 September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue/Turnover	6	**94,809**	103,302
Cost of sales		**(76,772)**	(51,473)
Gross profit		**18,037**	51,829
Other income and gains	6	**62**	673
Selling and distribution costs		**(20,303)**	(10,993)
Administrative expenses		**(23,292)**	(22,399)
Other operating expenses		**(5)**	(445)
Impairment of intangible assets	14	**(34,860)**	–
Impairment of goodwill	15	**(52,162)**	–
(Loss)/Profit before income tax	8	**(112,523)**	18,665
Income tax credit/(expense)	9	**3,289**	(5,422)
(Loss)/Profit for the year		**(109,234)**	13,243
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
– Exchange (loss)/gain on translation of financial statements of foreign operations		**(817)**	41
Total comprehensive income for the year		**(110,051)**	13,284
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(109,631)**	13,008
Non-controlling interests		**397**	235
		(109,234)	13,243
Total comprehensive income attributable to:			
Owners of the Company		**(110,447)**	13,095
Non-controlling interests		**396**	189
		(110,051)	13,284
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company	12		
– Basic (RMB cent(s))		**(3.42)**	0.41
– Diluted (RMB cent(s))		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**2,165**	2,319
Intangible assets	14	**110,560**	152,993
Goodwill	15	**–**	52,162
		112,725	207,474
Current assets			
Inventories	17	**45,334**	49,425
Trade receivables	18	**3,900**	789
Prepayments, deposits and other receivables		**51,203**	38,975
Cash and cash equivalents	20	**26,296**	60,113
		126,733	149,302
Current liabilities			
Trade payables	21	**6,477**	4,469
Other payables, deposits and accruals		**24,849**	23,865
Provision for product warranty	22	**373**	239
Tax payables		**4,343**	4,282
		36,042	32,855
Net current assets		**90,691**	116,447
Total assets less current liabilities		**203,416**	323,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Provision for product warranty	22	**297**	143
Deferred tax liabilities	29	**27,640**	38,248
		27,937	38,391
Net assets		**175,479**	285,530
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**30,860**	30,860
Reserves	24	**140,982**	251,429
		171,842	282,289
Non-controlling interests		**3,637**	3,241
Total equity		**175,479**	285,530

On behalf of the Board

YONG KEE POH
Director

LEE MAN TO
Director

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	16	**1**	1
Current assets			
Other receivables		**1,364**	1,364
Due from subsidiaries	16	**155,140**	160,210
Due from a related party	19	**1,184**	882
		157,688	162,456
Current liabilities			
Due to a subsidiary	16	**90**	90
Other payables and accruals		**2,082**	2,064
		2,172	2,154
Net current assets		**155,516**	160,302
Net assets		**155,517**	160,303
EQUITY			
Share capital	23	**30,860**	30,860
Reserves	24	**124,657**	129,443
Total equity		**155,517**	160,303

On behalf of the Board

YONG KEE POH
Director

LEE MAN TO
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(112,523)**	18,665
Adjustments for:			
Amortisation of intangible assets		**7,573**	7,573
Depreciation		**594**	1,318
Interest income		**(42)**	(33)
Property, plant and equipment written off		**13**	443
Gain on disposal of a subsidiary		**(17)**	–
Addition/(Reversal of) provision for product warranty		**539**	(634)
Impairment of intangible assets		**34,860**	–
Impairment of goodwill		**52,162**	–
Operating (loss)/profit before working capital changes		**(16,841)**	27,332
Decrease in inventories		**4,091**	3,624
(Increase)/Decrease in trade receivables		**(3,111)**	2,806
(Increase)/Decrease in prepayments, deposits and other receivables		**(12,229)**	1,645
Increase/(Decrease) in trade payables		**2,008**	(2,465)
Increase/(Decrease) in other payables, deposits and accruals		**1,002**	(6)
Decrease in provision for product warranty		**(251)**	(71)
Decrease in amount due from a related company		**–**	891
Cash (used in)/generated from operations		**(25,331)**	33,756
Bank interest received		**42**	33
Income taxes paid		**(7,258)**	(8,632)
Net cash (used in)/generated from operating activities		**(32,547)**	25,157
Cash flows from investing activities			
Purchases of property, plant and equipment		**(453)**	(55)
Net cash outflow from disposal of a subsidiary	27	**–**	–
Net cash used in investing activities		**(453)**	(55)
Net (decrease)/increase in cash and cash equivalents		**(33,000)**	25,102
Cash and cash equivalents at the beginning of year		**60,113**	34,970
Effect of foreign exchange rate changes, net		**(817)**	41
Cash and cash equivalents at the end of year		**26,296**	60,113

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	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 2014	30,860	419,537	8,268	4,741	(181,117)	282,289	3,241	285,530
(Loss)/Profit for the year	–	–	–	–	(109,631)	(109,631)	397	(109,234)
Other comprehensive income								
Item that may be reclassified subsequently to profit or loss:								
– Exchange loss on translation of financial statements of foreign operations	–	–	–	(816)	–	(816)	(1)	(817)
Total comprehensive income for the year	–	–	–	(816)	(109,631)	(110,447)	396	(110,051)
Balance at 30 June 2015	30,860	419,537	8,268	3,925	(290,748)	171,842	3,637	175,479

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	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 2013	30,860	419,537	8,268	4,654	(194,125)	269,194	3,052	272,246
Profit for the year	–	–	–	–	13,008	13,008	235	13,243
Other comprehensive income								
Item that may be reclassified subsequently to profit or loss:								
– Exchange gain/(loss) on translation of financial statements of foreign operations	–	–	–	87	–	87	(46)	41
Total comprehensive income for the year	–	–	–	87	13,008	13,095	189	13,284
Balance at 30 June 2014	30,860	419,537	8,268	4,741	(181,117)	282,289	3,241	285,530

* *These reserve accounts comprise the consolidated reserves of approximately RMB140,982,000 (2014: RMB251,429,000) in the consolidated statement of financial position.*

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 "Stock Exchange"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Flat M-N, 24/F, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

2. ADOPTION OF NEW/REVISED HKFRSS

2.1 Adoption of new/revised HKFRSs – effective 1 July 2014

In the current year, the Group has applied for the first time the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

Except as explained below, the adoption of these new/revised HKRFSs has no material impact on the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding application guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

2. ADOPTION OF NEW/REVISED HKFRSS (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] *Effective for annual periods beginning on or after 1 January 2016*

[2] *Effective for annual periods beginning on or after 1 January 2017*

[3] *Effective for annual periods beginning on or after 1 January 2018*

Information on new and amended HKFRSs that are expected to have impact on the Group is explained as follows. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

2. ADOPTION OF NEW/REVISED HKFRSS (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments (Continued)

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Same as the main changes described above, the Group is in the process of making an assessment of the potential impact of those new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements on pages 37 to 85 have been prepared in accordance with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretation issued by the HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3.3 Functional and presentation currency

Since the Company conducts its primary business operations through its subsidiaries established in the People's Republic of China (the "PRC"), the Company adopts Renminbi ("RMB") as the presentation currency of the Group. The functional currency of the Company is Hong Kong dollars ("HK$") as most of the underlying transactions of the Company are denominated in HK$.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interest that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends, whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange fluctuation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary have been treated as assets and liabilities of the foreign operation and translated into RMB at closing rates. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is calculated on the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold improvements	Over the lease terms or estimated useful life of 5 years whichever is shorter
Computer equipment	20%
Plant and machinery	10%-33%
Furniture, fixtures and office equipment	10%-33%
Motor vehicles	10%-25%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal of an item of property, plant and equipment recognised in the profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

4.5 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired (see note 4.7).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Intangible assets (other than goodwill)

Brand names

Brand names for functional healthcare products with indefinite useful lives were acquired and initially recognised at cost. After initial recognition, brand names with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Franchise networks

Franchise networks for functional healthcare products, with useful lives ranged from 2 to 10 years, were acquired and initially recognised at cost. After initial recognition, franchise networks are carried at cost less any subsequent accumulated amortisation and accumulated impairment losses.

Intangible assets are tested for impairment as described below in note 4.7.

4.7 Impairment of non-financial assets

The Group's goodwill, intangible assets, property, plant and equipment and the Company's investments in subsidiaries are subject for impairment testing.

Goodwill and intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment loss recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Impairment of non-financial assets (Continued)

An impairment loss on goodwill is not reversed in subsequent periods whilst an impairment loss on other assets is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment loss recognised in an interim period in respect of goodwill is not reversed in a subsequent period.

4.8 Financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. The Group's financial assets mainly comprise loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gain and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Financial assets (Continued)

Impairment of financial assets

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment includes observable date that come to the attention of the Group about one or more of the followings loss events:

– significant financial difficulty of the debtors;

– a breach of contract, such as default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty;

– it becoming probable that the debtors will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is revised by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost had the impairment not been recognised at the reversal date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and any applicable selling expenses.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand. For the cash flows presentation, cash and cash equivalents form an integral part of the Group's cash management.

4.11 Financial liabilities

The Group's financial liabilities include trade payables, other payables, deposits and accruals.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade payables, other payables, deposits and accruals

These balances are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

4.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership to the Group are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Leases (Continued)

Operating leases – as lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

4.13 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4.14 Share capital

Ordinary shares are classified as equity. Share capital is determined by using the nominal value if shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Revenue recognition

Revenue comprises the fair value for the sale of goods, net of rebates and discounts. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

From the sale of goods

Revenue, from the sale of consumer electronic products, and components, and satellite communications products, and system solutions, and functional healthcare products, is recognised upon the significant risks and rewards of ownership have passed to the customer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income

Revenue is recognised on a time-proportion basis, taking into account the principal outstanding, using the effective interest rate applicable.

4.16 Employee benefits

(i) Retirement benefits scheme

Pursuant to the relevant regulations of the government in the People's Republic of China (the "PRC"), the subsidiaries operating in the PRC have participated in local municipal government retirement benefits schemes (the "Schemes"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the profit or loss as incurred. There are no provisions under the Schemes whereby forfeited contributions may be used to reduce future contributions.

The Group has participated in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for its employees in Hong Kong who are eligible to participate in the MPF Scheme, in accordance with the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employee's basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Employee benefits (Continued)

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences are not recognised until the time of leave.

4.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) the Group has the legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either; (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and services lines.

Gain on disposal of a subsidiary, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but corporate assets. Corporate assets are not directly attributable to the business activities of any operating segment.

Segment liabilities include all liabilities but tax payables, deferred tax liabilities and corporate liabilities. Corporate liabilities are not directly attributable to the business activities of any operating segment.

4.19 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates.

(ii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassesses the impairment of receivables at the reporting date.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses the estimations at the reporting date.

(iv) Estimated impairment of goodwill and intangible assets with an indefinite useful life

The Group test annually whether goodwill and intangible assets with an indefinite useful life have suffered any impairment in accordance with the accounting policy stated in note 4.7. It requires an estimation of the value in use of the cash-generating units to which the goodwill and intangible assets with an indefinite useful life is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for income taxes and timing of payment of related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(vi) Provision for product warranty

Being an industry practice, the Group provides two to three years product warranty to its customers depending on product type, under which faulty products are repaired or replaced. The amount of the provision for the warranty requires judgement because it requires management to estimate defective rate of products sold. As the Group continues to develop new technologies and upgrade its product quality, it is possible that the past defective rate of products is not a good indicator of future claims by customers in respect of past sales. Any increase or decrease in the actual claims will affect profit or loss in future years.

6. 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 during the year.

An analysis of the Group's revenue and other income are as follows:

	2015 **RMB'000**	2014 RMB'000
Revenue		
Sale of goods	**94,809**	103,302
Other income		
Bank interest income	**42**	33
Exchange gains, net	**3**	6
Reversal of provision for product warranty *(note 22)*	**–**	634
Gain on disposal of a subsidiary *(note 27)*	**17**	–
	62	673
	94,871	103,975

7. SEGMENT INFORMATION

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

(a) Functional healthcare products includes 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 products includes RS connectors and transmitters for consumer electronic products.

There were no inter-segment sales and transfers during the year (2014: Nil).

	Functional healthcare products		OEM consumer electronic products		Total	
	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	**76,398**	97,006	**18,411**	6,296	**94,809**	103,302
Reportable segment (loss)/profit	**(108,748)**	23,017	**1,068**	573	**(107,680)**	23,590
Depreciation	**582**	1,299	**12**	19	**594**	1,318
Amortisation of intangible assets	**7,573**	7,573	**–**	–	**7,573**	7,573
Property, plant and equipment written off	**13**	443	**–**	–	**13**	443
Addition/(Reversal) of provision for product warranty	**539**	(634)	**–**	–	**539**	(634)
Impairment of intangible assets	**34,860**	–	**–**	–	**34,860**	–
Impairment of goodwill	**52,162**	–	**–**	–	**52,162**	–
Reportable segment assets	**206,448**	290,492	**6,695**	6,171	**213,143**	296,663
Additions to non-current segment assets during the year	**411**	55	**42**	–	**453**	55
Reportable segment liabilities	**27,962**	20,695	**1,952**	5,957	**29,914**	26,652

7. 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:

	2015	2014
	RMB'000	RMB'000
Reportable segment revenue	**94,809**	103,302
Reportable segment (loss)/profit	**(107,680)**	23,590
Unallocated expenses	**(4,843)**	(4,925)
(Loss)/Profit before income tax	**(112,523)**	18,665

	2015	2014
	RMB'000	RMB'000
Reportable segment assets	**213,143**	296,663
Other corporate assets	**26,315**	60,113
Group assets	**239,458**	356,776
Reportable segment liabilities	**29,914**	26,652
Tax payables	**4,343**	4,282
Deferred tax liabilities	**27,640**	38,248
Other corporate liabilities	**2,082**	2,064
Group liabilities	**63,979**	71,246

7. SEGMENT INFORMATION (Continued)

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Principal markets				
The PRC (country of domicile)	**74,978**	97,184	**112,725**	207,474
Hong Kong	**16,396**	4,667	**–**	–
Taiwan	**2,424**	127	**–**	–
Japan	**1,011**	–	**–**	–
Europe	**–**	1,324	**–**	–
	94,809	103,302	**112,725**	207,474

The Group's revenue by geographical location is determined based on locations of customers. The Group's specified non-current assets by geographical locations are determined based on physical location of the assets or location of operation in case of goodwill.

8. (LOSS)/PROFIT BEFORE INCOME TAX

	2015	2014
	RMB'000	RMB'000
(Loss)/Profit before income tax is arrived at after charging:		
Cost of inventories sold	**76,772**	51,473
Auditor's remuneration	**656**	485
Amortisation of intangible assets	**7,573**	7,573
Depreciation	**594**	1,318
Operating lease charges in respect of land and buildings	**1,717**	1,423
Provision for product warranty *(note 22)*	**539**	–
Property, plant and equipment written off	**13**	443
Staff costs (excluding directors' remuneration *(note 26(a))*		
– Salaries and wages	**18,104**	15,486
– Pension scheme contribution	**1,543**	1,794
	19,647	17,280

9. INCOME TAX (CREDIT)/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.

	2015 RMB'000	2014 RMB'000
Current tax – PRC	**7,319**	7,315
Deferred tax credit *(note 29)*	**(10,608)**	(1,893)
Income tax (credit)/expense	**(3,289)**	5,422

A reconciliation of the tax expense applicable to (loss)/profit before income tax using the statutory rates for the tax jurisdictions in which the Company and the majority its subsidiaries are domiciled are as follows:

	2015 RMB'000	2014 RMB'000
(Loss)/Profit before income tax	**(112,523)**	18,665
Tax on (loss)/profit before income tax, calculated at the rates applicable in the tax jurisdictions concerned	**(27,772)**	5,089
Tax effect of tax loss not recognised	**799**	779
Tax effect of non-deductible expenses	**22,019**	351
Tax effect of non-taxable income	**(5)**	(26)
Others	**1,670**	(771)
Income tax (credit)/expense	**(3,289)**	5,422

The PRC income tax is calculated based on the statutory income tax rate as determined in accordance with the relevant PRC income tax rules and regulations for the year.

10. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated (loss)/profit attributable to owners of the Company for the year ended 30 June 2015 included a loss of approximately RMB4,839,000 (2014: RMB4,694,000) has been dealt with in the financial statements of the Company *(note 24)*.

11. DIVIDENDS

No dividends were paid or declared by the Company during the years presented in these financial statements.

12. (LOSS)/EARNINGS PER SHARE

Basic

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

	2015	2014
	RMB'000	RMB'000
(Loss)/Profit for the year attributable to the owners of the Company	**(109,631)**	13,008

	No. of Shares	No. of Shares
	'000	'000
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**3,201,500**	3,201,500

Diluted

No diluted (loss)/earnings per share are presented for the years ended 30 June 2015 and 2014 as the Company had no potential ordinary shares outstanding at the end of the respective year.

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 July 2013						
Cost	2,041	13,896	674	55	688	17,354
Accumulated depreciation and impairment	(1,245)	(11,419)	(406)	(39)	(220)	(13,329)
Net carrying value	796	2,477	268	16	468	4,025
Year ended 30 June 2014						
Opening net carrying value	796	2,477	268	16	468	4,025
Additions	–	45	10	–	–	55
Write-off	(385)	–	(58)	–	–	(443)
Depreciation	(411)	(681)	(119)	(8)	(99)	(1,318)
Closing net carrying value	–	1,841	101	8	369	2,319
At 30 June 2014 and 1 July 2014						
Cost	–	13,941	462	55	688	15,146
Accumulated depreciation and impairment	–	(12,100)	(361)	(47)	(319)	(12,827)
Net carrying value	–	1,841	101	8	369	2,319
Year ended 30 June 2015						
Opening net carrying value	–	1,841	101	8	369	2,319
Additions	–	128	12	–	313	453
Write-off	–	–	–	–	(13)	(13)
Depreciation	–	(437)	(47)	(3)	(107)	(594)
Closing net carrying value	–	1,532	66	5	562	2,165
At 30 June 2015						
Cost	–	14,069	474	55	953	15,551
Accumulated depreciation and impairment	–	(12,537)	(408)	(50)	(391)	(13,386)
Net carrying value	–	1,532	66	5	562	2,165

As at 30 June 2015 and 2014, all property, plant and equipment held by the Group are located in the PRC.

Property, plant and equipment amounting to RMB1,453,000 (2014: RMB2,234,000) are related to the Group's functional healthcare products business and they were assessed individually for impairment and certain of these assets amounting to RMB13,000 (2014: RMB443,000) were impaired and written off. The net carrying amount of property, plant and equipment related to functional healthcare products business (after the write-off) amounting to RMB1,440,000 (2014: RMB1,791,000) are combined with other assets under the cash generating unit ("CGU") of functional healthcare products business and are assessed for goodwill impairment testing at that CGU level *(note 15)*.

14. INTANGIBLE ASSETS – GROUP

	Brand names	Franchise networks	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2013	121,140	39,426	160,566
Amortisation	–	(7,573)	(7,573)
At 30 June 2014 and 1 July 2014	121,140	31,853	152,993
Amortisation	–	(7,573)	(7,573)
Impairment loss	(27,609)	(7,251)	(34,860)
At 30 June 2015	**93,531**	**17,029**	**110,560**

In the opinion of the directors, brand names are considered to have an indefinite life as they have been in the market for many years and the nature of the industry in which the Group operates is that the brand obsolescence is not common if supported by appropriate level of marketing.

The intangible assets of brand names and franchise networks are combined with other assets under the CGU of functional healthcare products business and are assessed for impairment at that CGU level. Impairment loss of approximately RMB34,860,000 was allocated to write down the value of the Group's intangible assets *(note 15)*, of which RMB27,609,000 and RMB7,251,000 were allocated to write down the carrying value of the brand names and franchise networks respectively pro rata on the basis of their carrying amounts.

15. GOODWILL – GROUP

	2015	2014
	RMB'000	RMB'000
At beginning of year	**52,162**	52,162
Impairment loss	**(52,162)**	–
At end of year	**–**	52,162

The recoverable amount of the CGU of functional healthcare products business has been determined based on a value in use calculation using cash flow projection based on the financial budgets covering a five-year period approved by the senior management. The valuation of the CGU is made by reference to the valuation report issued by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer. Key estimates and assumptions used for determining the recoverable amount of the CGU are as follows:

Growth rate during the five-year period	average of 6% (2014: average of 12%)
Gross margin	average of 40% (2014: average of 50%)
Pre-tax discount rate	18% (2014: 22%)
Growth rate to extrapolate cash flow projections	3% (2014: 3%)

15. GOODWILL – GROUP (Continued)

Estimates and assumptions are determined by the management based on the past performance of the segment and management's expectation for the market development.

With reference to the assessment, the directors are of the view that the recoverable amount of the CGU of functional healthcare products business is estimated to be RMB112,000,000 and therefore an impairment loss of RMB87,022,000 in respect of the CGU of functional healthcare products business was identified for the year ended 30 June 2015. The impairment loss is allocated to write down the carrying amounts of goodwill and intangible assets by RMB52,162,000 and RMB34,860,000 respectively. The impairment loss is primarily due to change in customers' preference on certain products.

16. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2015 **RMB'000**	2014 RMB'000
Investments in subsidiaries		
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries		
Cost	**410,097**	415,071
Less: Provision for impairment	**(254,957)**	(254,861)
	155,140	160,210
Amount due to a subsidiary	**90**	90

Amounts due from/(to) subsidiaries are interest-free, unsecured and repayable on demand.

At the date of this report, particulars of principal subsidiaries are as follows:

Name	**Place and date of incorporation and operation**	**Particulars of issued capital/ registered capital**	**Percentage of equity interest attributable to the Company** Directly	Indirectly	**Principal activities**
Diamond Globe Investments Ltd.	2 January 2009, British Virgin Islands ("BVI")	100 ordinary shares of US$1 each	100	–	Investment holdings
揭東康佰健康家居用品有限公司 ("Jiedong Combest")	29 June 2006, PRC	Registered capital of US$3,380,600	–	100	Trading and manufacturing of healthcare products

16. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place and date of incorporation and operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
揭陽康佰企業管理有限公司 ("Jieyang Combest")	1 March 2010, PRC	Registered capital of RMB5,000,000	–	100	Trading of functional healthcare products
上海康佰企業管理有限公司 ("Shanghai Combest")	23 April 2009, PRC	RMB500,000	–	100	Trading of functional healthcare products
Well Wisdom Limited	12 January 2010, Hong Kong	10,000 ordinary shares of HK$1 each	–	100	Investment holdings
Well Sources Enterprises Limited	12 March 2009, BVI	50,000 ordinary shares of US$1 each	–	55	Trading of OEM consumer electronic products
揭東金望電子有限公司	16 September 2009, PRC	Registered capital of HK$10,000,000	–	55	Trading and manufacturing of OEM consumer electronic products

The above table lists the Group's subsidiaries which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The financial statements of the above subsidiaries are audited by BDO Limited for statutory purpose and/or for the purpose of the group consolidation.

17. INVENTORIES – GROUP

	2015 RMB'000	2014 RMB'000
Raw materials	**2,926**	4,835
Work in progress	**19,024**	12,517
Finished goods	**23,384**	32,073
	45,334	49,425

18. TRADE RECEIVABLES – GROUP

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

	2015	2014
	RMB'000	RMB'000
0-30 days	**1,935**	190
31-90 days	**1,955**	583
91-360 days	**1**	–
Over 360 days	**9**	16
Balance at 30 June	**3,900**	789

The Group allows a credit period from 30 to 90 days to its customers for the years ended 30 June 2015 and 2014.

Impairment of trade receivables is established when there is objective evidence that the Group is not able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade receivables are impaired.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	RMB'000	RMB'000
Neither past due nor impaired	**3,864**	703
1-90 days past due	**26**	70
91-360 days past due	**1**	–
Over 360 days past due	**9**	16
Total	**3,900**	789

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

The Group's management considers that trade receivables that were past due but not impaired for each of the reporting dates under review are of good credit quality. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

19. DUE FROM A RELATED PARTY – COMPANY

Details of amount due from a related party are as follows:

Name of borrower	揭東康保磁科技有限公司 ("揭東康保磁")
Person connected with the borrower	Mr. Wang Linjia and Yong Kee Poh
Amount outstanding at	RMB'000
– 30 June 2014	882
– 30 June 2015	**1,184**
Maximum amount outstanding during the year	1,184

揭東康保磁 is a company indirectly wholly-owned by Mr. Wang, a substantial shareholder of the Company, and Mr. Yong Kee Poh, a common director of the Company and 揭東康保磁, since 11 April 2012. The amount is unsecured, interest free and repayable on demand.

20. CASH AND CASH EQUIVALENTS – GROUP

Cash and cash equivalents of the Group include the following:

	2015	2014
	RMB'000	RMB'000
Cash and bank balances	**26,296**	60,113

The cash and bank balances of the Group denominated in RMB amounted to approximately RMB25,344,000 (2014: RMB59,099,000). RMB is not freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

21. TRADE PAYABLES – GROUP

Ageing analysis of the Group's trade payables, based on the invoice dates, is as follows:

	2015	2014
	RMB'000	RMB'000
0-30 days	**3,134**	2,982
31-90 days	**2,327**	349
91-360 days	**358**	435
Over 360 days	**658**	703
	6,477	4,469

The Group was granted by its suppliers with a credit period ranging from 30 to 90 days for the years ended 30 June 2015 and 2014.

22. PROVISION FOR PRODUCT WARRANTY – GROUP

	2015	2014
	RMB'000	RMB'000
At beginning of the year	**382**	1,087
Addition/(Reversal) during the year	**539**	(634)
Utilised during the year	**(251)**	(71)
At end of the year	**670**	382
Analysed for reporting purposes as:		
Current liabilities	**373**	239
Non-current liabilities	**297**	143
	670	382

The Group provides two to three years product warranties to its customers depending on the product types, under which faulty products are repaired or replaced. The estimate of the provision for the product warranty is based on sales volumes and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and revised by reference to the current defective rate of products sold.

23. SHARE CAPITAL – GROUP AND COMPANY

	2015		2014	
	Number of shares '000	**RMB'000**	Number of shares '000	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

24. RESERVES

Group

In accordance with the relevant laws and regulations of the PRC and the articles of association of the respective PRC subsidiaries within the Group, each of the PRC subsidiaries is required to transfer 10% of their profits after tax prepared in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of their registered capital. Such reserve may be used to reduce any losses incurred or to be capitalised as paid-up capital.

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity on pages 42 to 43 of the financial statements.

24. RESERVES (Continued)

Company

	Share Premium** RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2013	419,537	(36,737)	(250,636)	132,164
Loss for the year	–	–	(4,694)	(4,694)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
– Exchange differences	–	1,973	–	1,973
Total comprehensive income for the year	–	1,973	(4,694)	(2,721)
At 30 June 2014 and 1 July 2014	419,537	(34,764)	(255,330)	129,443
Loss for the year	–	–	(4,839)	(4,839)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
– Exchange differences	–	53	–	53
Total comprehensive income for the year	–	53	(4,839)	(4,786)
At 30 June 2015	**419,537**	**(34,711)**	**(260,169)**	**124,657**

** *The share premium account of the Company arises on shares issued at a premium. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.*

25. OPERATING LEASE COMMITMENTS

As lessee

The Group leases its office and factory premises under operating leases arrangements. The leases run for an initial period of three years, with an option to renew the lease six months before the expiry date. None of the leases included contingent rentals.

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2015 RMB'000	2014 RMB'000
Within one year	691	1,129
In the second to fifth years, inclusive	146	420
	837	1,549

At the reporting date, the Company did not have any lease commitments (2014: Nil).

26. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Remuneration of the directors is as follows:

	2015				2014			
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to pension scheme RMB'000	Total RMB'000	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to pension scheme RMB'000	Total RMB'000
Executive directors:								
– Mr. Lee Man To	–	488	14	502	–	484	12	496
– Mr. Yong Kee Poh	–	1,320	–	1,320	–	1,488	–	1,488
	–	1,808	14	1,822	–	1,972	12	1,984
Independent non-executive directors:								
– Mr. Chan Ngai Sang, Kenny	115	–	–	115	114	–	–	114
– Mr. Liu Wei Zhong	–	–	–	–	–	–	–	–
– Mr. Nguyen Van Tu, Peter	120	–	–	120	119	–	–	119
	235	–	–	235	233	–	–	233
Non-executive directors:								
– Mr. Chan Kin Sang	115	–	–	115	114	–	–	114
	350	1,808	14	2,172	347	1,972	12	2,331

26. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

There was no emolument paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 30 June 2015 and 2014.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 June 2015 and 2014.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2014: two) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals, other than directors, during the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, bonuses, allowances and benefits in kind	**1,184**	1,172

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2015	2014
Nil – HK$1,000,000 (equivalent to nil – RMB799,200)	**2**	2
HK$1,000,001 – HK$1,500,000 (equivalent to RMB799,201 – RMB1,198,800)	**1**	1
	3	3

There was no emolument paid by the Group to any of these five highest paid individuals as an inducement to join or upon joining the Group as compensation for loss of office during the years ended 30 June 2015 and 2014.

27. GAIN ON DISPOSAL OF A SUBSIDIARY

On 29 June 2015, the Group disposed of its entire interest in Combest (China) Group Limited and its subsidiary, 珠海橫琴新區康佰健康家居用品有限公司, (collectively referred as to "Combest (China) Group") to a substantial shareholder, Mr. Wang Linjia ("Mr. Wang"), at a total cash consideration of HK$1,300,000 (equivalent to approximately RMB1,040,520). Combest (China) Group was inactive during the year. The net assets of Combest (China) Group at the date of disposal were as follows:

	RMB'000
Total consideration	1,041
Net assets disposed of comprise:	
Cash and cash equivalents	1,041
Prepayments, deposits and other receivables	1
Other payables, deposits and accruals	(18)
	1,024
Gain on disposal *(note 6)*	17

An analysis of the net cash flows arising on disposal of Combest (China) Group was as follows:

	RMB'000
Cash consideration receivable	1,041
Cash and cash equivalents disposed of	(1,041)
Net cash flows	–

28. RELATED PARTY TRANSACTIONS

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

	Notes	**2015** **RMB'000**	2014 RMB'000
Related parties			
揭東康保磁, a company in which Mr. Wang indirectly wholly-owned and Mr. Yong Kee Poh is a common director			
– Purchase of raw materials	(i)	**4,416**	8,743
Mr. Wang, a substantial shareholder			
– Gain on disposal of a subsidiary	(ii)	**17**	–

Notes:

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

(ii) The Group disposed of its entire interest in Combest (China) Group to Mr. Wang, a substantial shareholder, on 29 June 2015. Details of the transaction was set out in note 27.

(b) Compensation of key management personnel

	2015 **RMB'000**	2014 RMB'000
Total remuneration of directors and other members of key management		
– short-term employee benefits	**3,122**	3,270

29. DEFERRED TAX LIABILITIES – GROUP

Movement on the deferred tax liabilities are as follows:

	Revaluation of intangible assets 2015 RMB'000	2014 RMB'000
At the beginning of the year	**38,248**	40,141
Credited to profit or loss during the year arising from		
– Amortisation of intangible assets	**(1,893)**	(1,893)
– Impairment of intangible assets	**(8,715)**	–
	(10,608)	(1,893)
At the end of the year	**27,640**	38,248

The Group has tax losses of approximately RMB12,562,000 as at 30 June 2015 (2014: RMB12,998,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is considered not probable that future taxable profits will be available from these group companies against which the tax losses can be utilised.

The Group has deferred tax liabilities of approximately RMB1,541,000 as at 30 June 2015 (2014: RMB5,581,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's principal financial instruments comprise trade receivables, other receivables, amount due from a related company, cash and cash equivalents, trade payables, other payables and accruals. The most significant financial risks to which the Group is exposed are described below.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(i) Interest rate risk

The Group does not have material exposure to interest rate risk. A reasonably possible change in interest rate in the next twelve months is assessed; which could have immaterial change in the Group's profit after tax and accumulated losses. Changes in interest rates have no material impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

The directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

(ii) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group/Company primarily operates and invests in the PRC with most of the transactions denominated and settled in RMB. No foreign currency risk has been identified for the monetary assets and liabilities in the functional healthcare bedroom business as they were largely denominated in a currency same as the functional currency of the PRC entities to which these transactions relate.

(iii) Credit risk

The management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness.

As at the reporting dates, all cash and cash equivalents were deposited in major banks in Hong Kong and the PRC without significant credit risk.

None of the Group's financial assets are secured by collateral or other credit enhancements.

(iv) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

As at the respective reporting date, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summaries below:

Group

	As at 30 June 2015		
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 3 months or on demand RMB'000**
Trade payables	**6,477**	**6,477**	**6,477**
Other payables and accruals	**20,145**	**20,145**	**20,145**
	26,622	**26,622**	**26,622**

	As at 30 June 2014		
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 3 months or on demand RMB'000
Trade payables	4,469	4,469	4,469
Other payables and accruals	22,691	22,691	22,691
	27,160	27,160	27,160

30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Liquidity risk (Continued)

Company

	As at 30 June 2015		
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 3 months or on demand RMB'000**
Other payables and accruals	**2,082**	**2,082**	**2,082**
Due to a subsidiary	**90**	**90**	**90**
	2,172	**2,172**	**2,172**

	As at 30 June 2014		
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 3 months or on demand RMB'000
Other payables and accruals	2,064	2,064	2,064
Due to a subsidiary	90	90	90
	2,154	2,154	2,154

(vi) Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the reporting dates are categorised as follows. See notes 4.8 and 4.11 for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets

	Group	
	2015 RMB'000	2014 RMB'000
Loans and receivables:		
– Trade receivables	**3,900**	789
– Other receivables	**48,809**	36,455
Cash and cash equivalents	**26,296**	60,113
	79,005	97,357

30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(vi) Summary of financial assets and liabilities by category (Continued)

Financial assets (Continued)

	Company 2015 RMB'000	Company 2014 RMB'000
Loans and receivables:		
– Other receivables	**1,364**	1,364
– Due from subsidiaries	**155,140**	160,210
– Due from a related party	**1,184**	882
	157,688	162,456

Financial liabilities

	Group 2015 RMB'000	Group 2014 RMB'000
Financial liabilities measured at amortised cost:		
– Trade payables	**6,477**	4,469
– Other payables and accruals	**20,145**	22,691
	26,622	27,160

	Company 2015 RMB'000	Company 2014 RMB'000
Financial liabilities measured at amortised cost:		
– Other payables and accruals	**2,082**	2,064
– Due to a subsidiary	**90**	90
	2,172	2,154

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) to support the Group's stability and growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The management regards total equity as capital. The amounts of capital as at 30 June 2015 and 2014 amounted to approximately RMB175,479,000 and RMB285,530,000 respectively which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2015 were approved and authorised for issue by the board of directors on 24 September 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**94,809**	103,302	110,469	113,575	338,754
(Loss)/Profit from operation	**(112,523)**	18,665	24,391	(29,508)	80,502
Finance costs	**–**	–	–	–	–
(Loss)/Profit before taxation	**(112,523)**	18,665	24,391	(29,508)	80,502
Income tax credit/(expenses)	**3,289**	(5,422)	(4,979)	881	(10,819)
(Loss)/Profit for the year	**(109,234)**	13,243	19,412	(28,627)	69,683
Attributable to:					
– Owners of the Company	**(109,631)**	13,008	19,143	(29,264)	69,550
– Non-controlling interests	**397**	235	269	637	133
	(109,234)	13,243	19,412	(28,627)	69,683
Assets and liabilities and non-controlling interest					
Total assets	**239,458**	356,776	349,878	343,272	380,376
Total liabilities	**(63,979)**	(71,246)	(77,632)	(92,068)	(101,029)
Non-controlling interests	**(3,637)**	(3,241)	(3,052)	(2,658)	(1,958)
	171,842	282,289	269,194	248,546	277,389