



COMBEST HOLDINGS LIMITED
康佰控股有限公司*

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

First Quarterly Report 2016/17

* For identification purposes only

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

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

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

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This report, for which the directors (the “Directors”) of Combest Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

HIGHLIGHTS

The financial highlights of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 September 2016 (the “Period”) are presented as follows:

	Total	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	32,957	19,335
Profit/(Loss) for the period attributable to owners of the Company	12,171	(4,525)
	<i>RMB cents</i>	<i>RMB cents</i>
Earnings/(Loss) per share		
– basic	0.38	(0.14)
– diluted	N/A	N/A

RESULTS

The Board of Directors (the “Board”) wishes to announce the unaudited results of the Group for the Period, together with the unaudited comparative figures for the three months ended 30 September 2015 (“Corresponding period in 2015”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited	
		2016	2015
		Three months ended 30 September RMB'000	RMB'000
Revenue	3	32,957	19,335
Cost of sales		(10,851)	(13,181)
Gross profit		22,106	6,154
Other income and gains	3	76	24
Selling and distribution costs		(3,998)	(4,926)
Administrative expenses		(2,218)	(6,070)
Finance costs		(384)	–
Profit/(Loss) before income tax		15,582	(4,818)
Income tax (expense)/credit	5	(3,499)	277
Profit/(Loss) for the period		12,083	(4,541)
Other comprehensive income for the period:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange gain on translation of financial statements of foreign operations		559	49
Total comprehensive income for the period		12,642	(4,492)

	Notes	Unaudited	
		Three months ended 30 September	
		2016 RMB'000	2015 RMB'000
Profit/(Loss) for the period attributable to:			
Owners of the Company		12,171	(4,525)
Non-controlling interests		(88)	(16)
		12,083	(4,541)
Total comprehensive income attributable to:			
Owners of the Company		12,729	(4,475)
Non-controlling interests		(87)	(17)
		12,642	(4,492)
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period	7		
– Basic		0.38	(0.14)
– Diluted		N/A	N/A

Notes:

1. General information

Combest Holdings Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 28 August 2001 and its shares are listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “SEHK”).

2. Basis of presentation

The unaudited condensed consolidated results incorporate those of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 September 2016.

The unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the SEHK (the “GEM Listing Rules”).

The principal accounting policies and methods of computation used in the preparation of this set of report are consistent with those used in the annual financial statements for the year ended 30 June 2016.

The Group has adopted a number of new and revised standards, amendments and interpretations which are effective for the Group’s accounting periods beginning on or after 1 July 2016. The adoption of these new and revised standards, amendments and interpretations does not have significant impact on the accounting policies of the Group.

All significant inter-company transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

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\$.

3. Revenue and other income

Revenue represents the net invoiced value of goods sold and services rendered, after allowances for return and trade discounts, where applicable.

An analysis of the Group's revenue and other income for the three months ended 30 September 2016 and 2015 is as follows:

	Unaudited	
	Three months ended	
	30 September	
	2016	2015
	RMB'000	RMB'000
Revenue		
Sale of goods	11,547	19,335
Loan interest income	7,609	–
Advisory services income	13,801	–
Total	32,957	19,335
Other income and gains		
Bank interest income	76	24

4. Segment information

The executive directors have identified the Group's four business lines as reportable segments:

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

4. Segment information (Continued)

- (c) money lending represents provision of credit; and
- (d) advisory services includes provision of consultancy services, sourcing of financial support and company secretarial services.

An analysis of the Group's revenue and results by principal activities, in respect of the Group's operations for the three months ended 30 September 2016 is as follows:

	Unaudited									
	Functional healthcare products		OEM consumer electronic products		Money lending		Advisory services		Total	
	For the three months ended 30 September									
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue										
– From external customers										
Reportable segment revenue	10,079	12,887	1,468	6,448	7,609	–	13,801	–	32,957	19,335
Reportable segment (loss)/profit	(4,410)	(3,777)	(196)	(9)	7,607	–	13,601	–	16,602	(3,786)
Depreciation of property, plant and equipment	196	196	4	4	–	–	25	–	225	200
Amortisation of intangible assets	–	1,376	–	–	–	–	–	–	–	1,376
Interest expenses on interest-bearing borrowings	–	–	–	–	384	–	–	–	384	–

4. Segment information (Continued)

The total represented for the Group's operation segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Unaudited	
	For the three months ended	
	30 September	
	2016	2015
	RMB'000	RMB'000
Reportable segment revenue	32,957	19,335
Reportable segment profit/(loss)	16,602	(3,786)
Unallocated expenses	(1,020)	(1,032)
Profit/(Loss) before income tax	15,582	(4,818)

5. Income tax expense/(credit)

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation interpretations and practices in respect thereof. An analysis of the Group's income tax expense/(credit) for the three months ended 30 September 2016 and 2015 is as follows:

	Unaudited	
	For the three months ended	
	30 September	
	2016	2015
	RMB'000	RMB'000
Current tax		
Hong Kong	3,499	–
the PRC	–	66
Deferred tax credit	–	(343)
Income tax expenses/(credit)	3,499	(277)

6. Interim dividends

The Board did not recommend the payment of an interim dividend for the three months ended 30 September 2016 and 2015.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to owners of the Company of approximately RMB12,171,000 (Corresponding period in 2015: loss for the period attributable to owners of the Company of RMB4,525,000) and the weighted average of the 3,201,500,000 ordinary shares in issue during the period (Corresponding period in 2015: the weighted average of 3,201,500,000).

No diluted earnings/(loss) per share were presented for the three months ended 30 September 2016 and 2015 as the Company had no potential ordinary shares outstanding at the end of the reporting periods.

8. Share capital and reserves

	Equity attributable to owners of the Company (Unaudited)							
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 July 2016	30,860	419,537	8,268	4,011	(362,512)	100,164	3,199	103,363
Profit/(Loss) for the period	-	-	-	-	12,171	12,171	(88)	12,083
Other comprehensive income Item that may be reclassified subsequently to profit and loss: Exchange gain on translation of financial statements of foreign operations	-	-	-	558	-	558	1	559
Total comprehensive income for the period	-	-	-	558	12,171	12,729	(87)	12,642
Balance at 30 September 2016	30,860	419,537	8,268	4,569	(350,341)	112,893	3,112	116,005
Balance at 1 July 2015	30,860	419,537	8,268	3,925	(290,748)	171,842	3,637	175,479
Loss for the period	-	-	-	-	(4,525)	(4,525)	(16)	(4,541)
Other comprehensive income Item that may be reclassified subsequently to profit and loss: Exchange gain on translation of financial statements of foreign operations	-	-	-	50	-	50	(1)	49
Total comprehensive income for the period	-	-	-	50	(4,525)	(4,475)	(17)	(4,492)
Balance at 30 September 2015	30,860	419,537	8,268	3,975	(295,273)	167,367	3,620	170,987

FINANCIAL REVIEW

For the quarter ended 30 September 2016, the Group's revenue was approximately RMB32,957,000 which represented an increase of approximately 70.5% compared to the previous corresponding period. The Group's profit margin increased to approximately 67.1% for the three months ended 30 September 2016 as compared to approximately 31.8% for the previous corresponding period. The increase is due to, amongst other things, the contribution of new business acquired last year.

Profit/(Loss) attributable to owners of the Company

The unaudited profit attributable to owners of the Company for the three months ended 30 September 2016 amounting to RMB12,171,000, as compared to the loss of RMB4,525,000 for the previous corresponding period.

BUSINESS REVIEW

We are currently principally engaged in four business segments, namely (i) manufacturing and sales of functional healthcare products, and (ii) manufacturing and trading of OEM consumer electronic products and components, (iii) money lending; and (iv) advisory services including provision of consultancy services, sourcing of financial support and company secretarial services.

BUSINESS OUTLOOK

Reference is made to the announcements of the Company dated 20 September 2016 and the circular dated 6 October 2016 in relation to the Disposal. The Company, as vendor, and Mr. Wang Linjia, the substantial shareholder entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to dispose of and Mr. Wang Linjia, the substantial shareholder has conditionally agreed to acquire all Shares of Diamond Globe Investments Ltd., the wholly-owned subsidiary of the Company, and its subsidiaries and the Sale Loan due from the DGI Group to the Company at completion of the Disposal at the Consideration of HK\$100,000,000.

On 25 October 2016, the extraordinary general meeting was held and the resolution of approval the transaction in relation to the announcements of the Company dated 20 September 2016 and the circular dated 6 October 2016 was passed. The transaction was completed on 28 October 2016.

For the functional healthcare products business, the difficult business environment encountered in the last financial year due to the continuing slowdown of the domestic economy, the Company made a loss for the year ended 30 June 2016. As the Group's financial result was not good. Impairment was made on intangible assets and property, plant and equipment which created a huge loss this year.

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

As at 30 September 2016, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standards of dealings by Directors of the Company.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

A. Substantial shareholders

So far as is known to the Directors, as at 30 September 2016, 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%
Ms. Qiu Su Gan ("Ms. Qiu") (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 Ms. Qiu. Accordingly, Ms. Qiu is deemed to be interested in all the shares in which each of Shing Lee and Diamond Highway is interested pursuant to the SFO.

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

As at 30 September 2016, 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%

Name	Number and class of securities <i>(Note 1)</i>	Capacity	Approximately percentage to the issued share capital of the Company
Mr. Huang Quan ("Mr. Huang") <i>(Note 4)</i>	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") <i>(Note 2)</i>	168,000,000 ordinary shares	Beneficial owner	5.25%
Mr. Qian Shiyu ("Mr. Qian") <i>(Note 2)</i>	168,700,000 ordinary shares	Interest of controlled corporation	5.27%

Notes:

1. It represents the interests in the shares or the underlying shares of the Company.
2. The 174,000,000 shares are registered in the name of Brow Crown, which is wholly owned by Mr. Qian. Accordingly, Mr. Qian is deemed to be interested in all the shares in which Brow Crown is interested pursuant to the SFO.
3. The 164,500,000 shares are registered in the name of Cytech Investment. Cytech Investment is a wholly-owned subsidiary of Benep, which is in turn a wholly-owned subsidiary of Chinasing, a company whose shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited. Accordingly, each of Chinasing and Benep is deemed to be interested in all the shares in which Cytech Investment is interested pursuant to the SFO.
4. The issued share capital of Chinasing is owned as to approximately 57.77% by Pioneer. The issued share capitals of Pioneer are wholly-owned by Mr. Huang. Accordingly, each of Pioneer and Mr. Huang is deemed to be interested in all the shares in which Chinasing is interested pursuant to the SFO.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules for the three months ended 30 September 2016.

CORPORATE GOVERNANCE

For the three months ended 30 September 2016, 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. Qian Shi Yu, 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. Qian is the most appropriate chief executive because he is experienced in management as well as mergers and acquisitions and other key corporate matters and will be able to help the sustainable development of the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make the necessary amendments.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct for Securities Transactions by directors of the Company (“Code of Conduct”) on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all the directors have confirmed that they have complied with such Code of Conduct regarding securities transaction by the directors throughout the three months ended 30 September 2016.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the three months ended 30 September 2016.

COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 September 2016.

AUDIT COMMITTEE

As required by Rules 5.28 of the GEM Listing Rules, the Company has established an audit committee which comprises four members, three independent non-executive directors, Mr. Chan Ngai Sang, Kenny, Mr. Nguyen Van Tu Peter and Mr. Liu Tin Lap and one non-executive Director, Mr. Chan Kin Sang, Mr. Chan Ngai Sang, Kenny was appointed as the Chairman of the audit committee. The audit committee meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems. This report has been reviewed and approved by the audit committee of the Company which was of the opinion that the preparation of such results complied with applicable accounting standards and the requirements and that adequate disclosures have been made.

By order of the Board
Combest Holdings Limited
LEE MAN TO
Executive Director

Hong Kong, 14 November 2016

As at the date of this report, the Board is composed of Mr. Qian Shi Yu and Mr. Lee Man To as the executive directors of the Company, Mr. Chan Kin Sang as non-executive Director, and Mr. Chan Ngai Sang, Kenny, Mr. Nguyen Van Tu Peter and Mr. Liu Tin Lap as independent non-executive directors.