



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 2018/19

* For identification purposes only

CHARACTERISTICS OF 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 report misleading.

HIGHLIGHTS

The financial highlights of the Company and its subsidiaries (collectively, the "Group") for the three months ended 30 September 2018 (the "Period") are presented as follows:

	Unaudited	
	2018	2017
	HK\$'000	HK\$'000
Revenue	9,907	14,007
Loss for the period attributable to owners of the Company	(3,377)	(6,933)
Loss per share – basic and diluted	(0.09) cents	(0.18) cents

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 2017 ("Corresponding period in 2017") as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited	
		Three months ended 30 September 2018 HK\$'000	2017 HK\$'000
Revenue	3	9,907	14,007
Staff costs		(589)	(546)
Other operating expenses		(984)	(1,207)
Finance cost		(7,674)	(13,680)
Profit/(loss) before income tax		660	(1,426)
Income tax expenses	5	(940)	(1,287)
Loss for the period		(280)	(2,713)
Other comprehensive income for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		30	39
Total comprehensive income for the period		(250)	(2,674)

	Unaudited	
	Three months ended	
	30 September	
	2018	2017
<i>Notes</i>	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:		
Owners of the Company	(3,377)	(6,933)
Non-controlling interests	3,097	4,220
	(280)	(2,713)
Total comprehensive income attributable to:		
Owners of the Company	(3,360)	(6,927)
Non-controlling interests	3,110	4,253
	(250)	(2,674)
Loss per share for loss attributable to owners of the Company during the period		
7		
– Basic (HK) cents	(0.09)	(0.18)
– Diluted (HK) cents	(0.09)	(0.18)

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 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.

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 2018.

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 Stock Exchange (the “GEM Listing Rules”).

The principal accounting policies and methods of computation used in the preparation of this report are consistent with those used in the annual financial statements for the year ended 30 June 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements.

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

The functional currency and the presentation currency of the Company is HK\$, the currency of the primary economic environment in which the principal subsidiaries of the Company operates.

3. Revenue

Revenue represents (i) the loan interest income from money lending business; (ii) advisory services income from the provision of consultancy services and company secretarial services; and (iii) management fee and performance fee income from fund management business.

An analysis of the Group's revenue for the three months ended 30 September 2018 and 2017 is as follows:

	Unaudited	
	Three months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Loan interest income	227	1,048
Advisory services income	700	1,134
Management fee income	8,980	11,825
Total	9,907	14,007

4. Segment information

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

- (a) Money lending represents provision of credit;
- (b) Advisory service includes provision of consultancy services and company secretarial services; and
- (c) Fund management business represent the investment management service to investment funds and managed accounts.

There were no inter-segment sales and transfers during the Period (2017: Nil).

4. Segment information (Continued)

An analysis of the Group's revenue and results by principal activities, in respect of the Group's operations for the three months ended 30 September 2018 and 2017 is as follows:

	Unaudited							
	Money lending		Advisory services		Fund management		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
– From external customers								
Reportable segment revenue	227	1,048	700	1,134	8,980	11,825	9,907	14,007
Reportable segment profit before tax	212	836	449	1,115	7,182	9,787	7,843	11,738
Interest expenses on interest-bearing borrowings	–	746	–	–	1,254	1,370	1,254	2,116

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	
	2018	2017
	HK\$'000	HK\$'000
Reportable segment revenue	9,907	14,007
Reportable segment profit	7,843	11,738
Unallocated expenses (note)	(7,183)	(13,164)
Profit/(Loss) before income tax	660	(1,426)

Note:

Unallocated expenses mainly included unallocated interest expenses.

5. Income tax expenses

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 expenses for the three months ended 30 September 2018 and 2017 is as follows:

	Unaudited	
	Three months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	78	112
Macau	862	1,175
Total income tax expenses	940	1,287

6. Dividends

The Board did not recommend the payment of a dividend for the three months ended 30 September 2018 and 2017.

7. Loss per share

Basic

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the three months ended 30 September 2018 of approximately HK\$3,377,000 (loss for the three months ended 30 September 2017: HK\$6,933,000) and the weighted average of the 3,841,500,000 ordinary shares in issue during the three months ended 30 September 2018 (three months ended 30 September 2017: the weighted average of the 3,841,500,000 ordinary shares).

Diluted

The diluted loss per share are presented for the three months ended 30 September 2018 and 2017 was the same as the basic loss per share as there is no dilutive ordinary share during the period.

8. Share capital and reserves

	Equity attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained profit/ Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 July 2018 (Audited)	38,415	-	-	119	96,402	134,936	22,912	157,848
(Loss)/profit for the period Other comprehensive income	-	-	-	-	(3,377)	(3,377)	3,097	(280)
Item that may be reclassified subsequently to profit and loss:								
Exchange gain on translation of financial statements of foreign operations	-	-	-	17	-	17	13	30
Total comprehensive income for the period	-	-	-	17	(3,377)	(3,360)	3,110	(250)
Balance at 30 September 2018 (Unaudited)	38,415	-	-	136	93,025	131,576	26,022	157,598
Balance at 1 July 2017 (Audited)	38,415	514,346	-	28	(354,704)	198,085	4,185	202,270
(Loss)/profit for the period Other comprehensive income	-	-	-	-	(6,933)	(6,933)	4,220	(2,713)
Item that may be reclassified subsequently to profit and loss:								
Exchange gain on translation of financial statements of foreign operations	-	-	-	6	-	6	33	39
Share premium reduction	-	(514,346)	-	-	514,346	-	-	-
Total comprehensive income for the period	-	(514,346)	-	6	507,413	(6,927)	4,253	(2,674)
Balance at 30 September 2017 (Unaudited)	38,415	-	-	34	152,709	191,158	8,438	199,596

MANAGEMENT DISCUSSION AND ANALYSIS

The following sections provide a detailed review and analysis of the results and segmental performance of the Group for the three months ended 30 September 2018.

BUSINESS AND FINANCIAL REVIEW AND OUTLOOK

We are principally engaged in three business segments, namely (i) money lending represent provision of credits (the “Money Lending Segment”); (ii) advisory services include provision of consultancy services and company secretarial services (the “Advisory Services Segment”); and (iii) investment management services to investment funds and managed accounts (the “Fund Management Services Segment”). The current status of our business segments is shown as follows:

During the Period, the Group recorded a revenue of approximately HK\$9,907,000 (2017: HK\$14,007,000) representing a decrease of 29.3% as compared to that in previous year. The Fund Management Services Segment contributed approximately HK\$8,980,000 (2017: HK\$11,825,000), the Money Lending Segment and the Advisory Services Segment contributed approximately HK\$227,000 and HK\$700,000 respectively (2017: HK\$1,048,000 and HK\$1,134,000). More than 90% (2017: 80%) turnover is sourced from the Fund Management Service Segment. The turnover of the Money Lending Segment and the Advisory Services Segment are decreased because of the decreased interest income and consultancy fee income.

Money Lending Segment

The Money Lending Segment is operated under Gold Smart Finance Limited (the "Gold Smart") and it holds a Money Lenders License under the Money Lenders Ordinance. It is principally engaged in provision of credit in Hong Kong. With 4 experienced staff and management serving this industry for not less than 6 years, this segment has been serving loan customers who are either corporate or individual with interest rate of 18% per annum on average and term of loans ranged from 2 months to 16 months in general. During the Period, through the business network of the staff and management, Gold Smart identified 1 borrower with the total loan portfolio of approximately HK\$5 million, which is loans to individual customers. While during the period ended 30 September 2017, there were 3 borrowers and the total loan portfolio amounted to approximately HK\$34 million, more than 70% of the total loan portfolio were loans to corporate customers. The borrowers included both private and public companies and with industries covering manufacturing, money lending, property project development and hotel entertainment management.

The interest income decreased by approximately 78.3% from approximately HK\$1,048,000 for the period ended 30 September 2017 to approximately HK\$227,000 for the Period. As at 30 September 2018, the outstanding loan receivable balance amounted to approximately HK\$5 million due from an individual customer. As at 30 September 2017, the outstanding loan receivable balance amounted to approximately HK\$34.9 million due from a corporate and individual customer.

To strictly control the potential credit and default risks in our loans and interest receivables, the segment continued to apply a tight credit policy when granting loans to our customers and to rebalance and adjust our loan portfolio by providing more loan products to our high net worth customers with sound quality and credit history. As a result, the segment has so far not recorded any impairment on its loans and interest receivables.

The money lending market in Hong Kong remains highly competitive, as evidenced by the continuous increase in the number of money lenders licensees with over 2,000 licensees in Hong Kong as at 30 September 2018 (according to the list of existing money lenders license). Further, after the imposition of additional licensing conditions in late 2016, those small to medium-sized finance companies which previously and significantly relied on financial intermediaries for business referral, have turned to offering much lower interest rates and to adopting aggressive marketing strategies to attract customers, affecting the overall yields of the money lending industry. We believe the above would continue and we shall continue to face more competition in capturing new business opportunity to expand our loan portfolio.

Compliance with Money Lenders Ordinance

Our Group is required to and has, at all time, strictly complied with all relevant laws and regulations. In the opinion of our Directors, in addition to the Listing Rules, Money Lending Ordinance (“MLO”) constituted a significant influence on our Group’s money lending business during the year.

The MLO is the principal statute which governs the money lending business in Hong Kong. Our money lending business has been conducted through the subsidiaries of our Company, Gold Smart. Since the first granting of money lenders licence to Gold Smart, we have never received any objection from and have never been investigated by the Registrar of Money Lenders nor the Commissioner of Police regarding the renewal of the money lenders licence. During the year, the money lenders licence of Gold Smart Finance Limited. was successfully renewed on 20 November 2017, and subsequent to 20 November 2018.

To the best of our knowledge, our Group has complied with the MLO in all material aspects, and that our Directors did not aware of any matter that might come to their attention that our money lenders licence would be suspended, terminated or would not be renewed in foreseeable future.

Since 1 December 2016, to combat the problem of illegal and unreasonable fees charged to borrowers by fraudsters who claim themselves as financial intermediaries for money lending, the Hong Kong Government has imposed additional licensing conditions on money lenders to (i) facilitate effective enforcement of the statutory ban on separate fee charging by money lenders and their connected parties; (ii) ensure better protection of privacy of the intending borrowers; (iii) enhance transparency and disclosure; and (iv) promote the importance of prudent borrowing.

Unlike other market players in money lending industry, we do not place substantial reliance on financial intermediaries to refer loan business to our Group. Further, to the best of our knowledge, our Group has complied with these additional licensing conditions in all material aspects, and that our Directors were not aware of any matter that might come to their attention that our money lenders licence would be suspended, terminated or would not be renewed in the foreseeable future because of these additional licensing conditions.

We have also assessed and are of the view that these new additional licensing conditions in connection with financial intermediaries have created minimal impact on our money lending business. Even when financial intermediaries were to be appointed, we would carefully and cautiously select these financial intermediaries and we would strictly follow those requirements under the new additional licensing conditions so that we could provide reliable and legal loan products to our customers. Our Group will continue to co-operate with the government and other authorities in order to fight against such illegal financial intermediaries and to uphold the reputation of financial institutions and money lenders.

Last but not least, to finance our money lending business, we shall continue to source different financial resources to maintain our cost of funding and net interest margin at a justifiable level.

Advisory Services Segment

The Advisory Services Segment was operated under Jianghe Capital Limited (the “Jianghe”), which has a group of corporate clients and has been delivering on-going advisory services includes provision of consultancy services and company secretarial services with 4 experienced staff and management serving the industry for more than 10 years and their well-established business networks and reputation. With the mission to be one of the prestigious consultancy firms in the industry, this segment strives to help its clients to achieve strategic goals and enhance corporate efficiency, performance and value and to improve its prevailing performance and position. Jianghe mainly provides company secretarial advisory services, provision of management and strategic consultancy advisory services, provision of agency services for business transactions and provision of accounting and taxation advisory services.

During the Period, through the business network of the staff and management, Jianghe identified 3 clients, while during the period ended 30 September 2017, there were 5 clients, which included individual, both private and public companies with industries covering manufacturing, money lending, property project development and hotel entertainment management. The management of Jianghe has business relationship history with its existing clients ranged from 1 to 4 years. The fees income from provision of advisory services was approximately HK\$700,000 for the Period and approximately HK\$1,134,000 for the period ended 30 September 2017. The decrease in revenue was due to decrease in large scale projects identified by the Group, therefore the consultancy fees income has decreased accordingly.

During the Period, the world economy continued its growth momentum, with that of the major developed economies relatively strong. Among them, the economic growth of the United States (“US”) was the strongest. However, the performance of the provision of corporate secretarial, consultancy and business valuation services segment clearly did not benefit from the overall global economic growth. The risks associated with the emerging markets’ currency crises, the rising protectionism and trade tension between China and US may add potential uncertainties to the performance of the Advisory Services segment and the disappointing performance for the period ended 30 September 2018 may carry over to the foreseeable future.

Fund Management Services Segment

The Fund Management Service Segment is conducted by TAR Fund Management (Cayman) Limited (the “Investment Manager”). The Investment Manager and its 3 staff and management has extensive experiences on fund operation, assets management and investment analysis.

Currently major funds managed by the Investment Manager include (i) TAR Capital Fund SPC and (ii) TAR Opportunities Fund SPC. The purpose of these funds is to carry on the business of investing, holding, monitoring and realizing investments made with the principal objective of achieving a high rate of return through capital appreciation through investments identified by their directors that operate in or derive significant business opportunities from the financial services, natural resources and/or property investments sectors. The investment can be in form of equity investments and/or debt instruments including but not limited to convertible or exchangeable bonds, notes and debentures.

Further information on each of the funds managed by the Investment Manager has been set out in the announcement of the Company dated 1 April 2017.

(i) *TAR Capital Fund SPC*

TAR Capital Fund SPC is an exempted company with limited liability and registered as a segregated portfolio company in the Cayman Islands. TAR Capital Fund SPC currently establishes a segregated portfolio called TAR Growth Fund SP.

The purpose of TAR Growth Fund SP is to achieve capital appreciation over time, primarily through long and short investments in stocks, futures and options contracts on global equity and derivatives markets. TAR Growth Fund SP relies on a structured investment process that utilises proprietary stock screening tools, a specialised knowledge database, rigorous company analysis through customised financial models and strict risk management guidelines.

(ii) *TAR Opportunities Fund SPC*

TAR Opportunities Fund SPC is an exempted company incorporated with limited liability and registered as a segregated portfolio company in the Cayman Islands. TAR Opportunities Fund SPC currently establishes four segregated portfolios called TAR High Value Fund SP, TAR High Value Fund SP II, TAR High Value Fund SP III and TAR High Value Fund SP IV.

The purpose of TAR High Value Fund SP is to carry on the business of investing, holding, monitoring and realizing investments made with the principal objective of achieving a high rate of return through capital appreciation through investments identified by its directors that operate in or derive significant business opportunities from the financial services, natural resources and/or property investments sectors. The investment can be in form of equity investments and/or debt instruments including but not limited to convertible or exchangeable bonds, notes and debentures.

The purpose of TAR High Value Fund SP II, TAR High Value Fund SP III and TAR High Value Fund SP IV is to carry on the business of investing, holding, monitoring and realizing private debt investments made to entities identified by their directors, which are engaged in financial services, natural resources and/or property investment and development, with the objective of seeking fixed income returns with a reasonable degree of security. The investments may be secured or unsecured and may be in the form of loans originated by the portfolio, existing loans or interests therein purchased by the portfolio, or may also be in form of debt instruments including but not limited to bonds (including convertible or exchangeable bonds), notes and debentures.

For the period ended 30 September 2018 and the corresponding period in 2017, these funds mainly invested in debt instruments. The Investment Manager derives income from fund management fees, consultancy fee, administration fee and/or performance fee. For the period ended 30 September 2018, the fees income from this segment recorded approximately HK\$8,980,000. For the period ended 30 September 2017, this segment recorded fees income of approximately HK\$11,825,000. As at the period ended 30 September 2018 and the corresponding period in 2017, the total asset under management (the "AUM") was approximately HK\$1,840,000,000 and HK\$2,815,000,000 respectively. The decrease in AUM was the effect of the close of TAR Private Equity Fund L.P. with AUM amounting approximately HK\$975,000,000 in December 2017 in which the Company received a performance bonus amounting approximately US\$2,873,000 (equivalent to approximately HK\$22,294,000) upon the close of the fund.

The staff costs for the Period were approximately HK\$589,000 (2017: HK\$546,000), representing an increase of approximately 7.9% because of the improvement of remuneration policy during the year.

The other operating expenses for the Period were approximately HK\$984,000 (2017: HK\$1,207,000), representing a decrease of approximately 18.5%.

The Group recorded approximately HK\$7,674,000 non-capitalized finance costs for the Period (2017: HK\$13,680,000). The decrease in finance costs was mainly due to the decrease in a transaction cost for obtaining a loan facility of the Group.

Loss for the Period

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax of approximately HK\$660,000 for the Period, compared to loss approximately HK\$1,426,000 in previous corresponding period. It is mainly due to decrease in turnover of the money lending business and the advisory business.

Income tax expenses decreased to approximately HK\$940,000 for the period ended 30 September 2018 from approximately HK\$1,287,000 in previous corresponding period.

As a result, the Group had recorded a loss after tax of approximately HK\$280,000 for the Period (2017: HK\$2,713,000).

Conclusion

As a result of the non-performance of Money Lending Segment and Advisory Services Segment, as well as the expected decrease in its respective revenue growth, the Directors expect that the unfavorable market trend will continue. So the Group will closely monitor the development of market liquidity situation.

For the Fund Management Services Segment, Hong Kong is a major regional fund management centre with a large concentration of international fund managers in Asia. Hong Kong's fund management industry has developed a strong expertise of investing in Asia, in particular the Chinese Mainland. The Board believes that the market of fund management is very large. Many investors shop around different multi-asset solutions to meet their needs. The Company is planning to offer more diversified investments products in the future and give more product varieties to the market in order to attract more potential investors. Moreover, based on the track records and extensive experience of the Investment Manager mentioned above, the Board believes that the segment will be able to capture investment opportunities and potential investment returns and broaden the Group's income base.

Besides, the Group will continue to expand its business varieties to broaden our income sources and to seek potential investment opportunities which could enhance its value to the shareholders.

Exposure to exchange rate risks

For the period ended 30 September 2018, the Group's principal business was transacted in HK\$, no exposure to exchange rate risk.

Employee information

For the period ended 30 September 2018, there are around 10 staff and the staff cost, excluding directors' remuneration, amounted to HK\$285,000 (2017: HK\$285,000) from the continuing operations. The Group determines its employee salaries with reference to the prevailing market salary rate of respective locations, experience as well as performance of such employees. In order to motivate the Group's employees and retain talent, the Group has adopted the employee incentives, which include the discretionary bonus. The employee incentives are available to the Group's employees who are considered qualified for such incentives by the management members of the Group based on their performances in the year under review.

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, benefits in kind or discretionary bonuses relating to the performance of the Group. The Group also reimburse the Directors and senior management of the Company for expenses which are necessarily and reasonably incurred for providing services to the Group or discharging their duties in relation to the operations of the Group. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment elsewhere in the Group and desirability of performance-based remuneration.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

It is the Group's corporate mission to continue to explore ways to improve its financial performance, to diversify its operations into new and more profitable businesses and to broaden the sources of revenue within acceptable risk level. Hence, the Company does not rule out the possibility of investing in or changing to other profitable business as long as it is in the interest of the Company and the Shareholders as a whole. Also, as part of its routine exercise, the Company reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to the Company from time to time. Subject to the results of such reviews, the Company may make suitable investment decisions according to the then circumstance and information available which may involve the disposal of the whole or part of its existing investment portfolio and/or change of the asset allocation of its investment portfolio and/or expanding its investment portfolio with a view of realising and/or optimizing the expected return and minimising the risks. Meanwhile, the Company does not preclude the possibility that the Company may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise, as the Company has from time to time been approached by investors for potential investment projects.

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 2018, 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 September 2018, 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") <i>(Note)</i>	877,685,714 ordinary shares	Beneficial owner	22.85%
Kiyuhon Limited ("Kiyuhon") <i>(Note)</i>	877,685,714 ordinary shares	Interest of controlled corporation	22.85%
Mr. Wang Linjia ("Mr. Wang") <i>(Note)</i>	877,685,714 ordinary shares	Interest of controlled corporation	22.85%

Notes:

The 877,685,714 shares are registered in the name of Dream Star, which are wholly owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the shares in which Dream Star and Kiyuhon are 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 2018, 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.

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 2018.

CORPORATE GOVERNANCE

For the three months ended 30 September 2018, 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. Liu Tin Lap, being the Chairman and 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. Liu 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 2018.

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 2018.

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 2018.

AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, Mr. So Pak Kei, Mr. Tsui Kin Fung and Dr. Cheng Chak Ho. Mr. So Pak Kei was appointed as the Chairman of the audit committee. The Audit Committee meets with the Group's senior management and external auditor 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
Liu Tin Lap
Chairman

Hong Kong, 14 November 2018

As at the date of this report, the Board is composed of Mr. Liu Tin Lap and Mr. Lee Man To as the executive directors of the Company, and Mr. So Pak Kei, Mr. Tsui Kin Fung and Dr. Cheng Chak Ho as an independent non-executive directors.

In case of any inconsistency, the English text of this report shall prevail over the Chinese text.

In this report, save as otherwise stated, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.8 for illustration purpose only. No representation is made that any amount in US\$ or HK\$ would have been or can be converted at the above rate.