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COMBEST HOLDINGS LIMITED

康佰控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8190)

DELAY IN PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

AND

PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2020

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.

This announcement, 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 GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) 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 announcement 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.

* For identification purposes only

This announcement is made by the Company pursuant to Rules 17.10 and 17.26A of the GEM Listing Rules and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcement of the Company dated 28 August 2019 in respect of quarterly update on recent development of suspension of trading; (ii) the announcement of the Company dated 30 September 2019 in respect of delay in publication of annual results and despatch of annual report for the year ended 30 June 2019 and postponement of board meeting and continued suspension of trading; (iii) the announcement of the Company dated 15 November 2019 in respect of resumption guidance and delay in publication of the first quarterly results announcement for the three months ended 30 September 2019 and delay in despatch of the first quarterly report; (iv) the announcement of the Company dated 15 November 2019 in respect of publication of unaudited management accounts for the year ended 30 June 2019 and continued suspension of trading respectively; (v) the announcement of the Company dated 28 November 2019 in respect of quarterly update on recent development of suspension of trading and publication of unaudited management accounts for the three months ended 30 September 2019; (vi) the announcement of the Company dated 14 February 2020 in respect of quarterly update on recent development of suspension of trading and delay in publication of the interim results announcement and despatch of the interim report for the six months ended 31 December 2019 and publication of unaudited management accounts for the six months ended 31 December 2019 and (vii) the announcement of the Company dated 13 May 2020 in respect of delay in publication of the third quarterly results announcement and despatch of the third quarterly report for the nine months ended 31 March 2020 and publication of unaudited management accounts for the nine months ended 31 March 2020 (collectively, the “Announcements”). Capitalised terms used herein shall have the same meanings as those defined in the Announcements.

DELAY IN PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020 AND DELAY IN DESPATCH OF THE ANNUAL REPORT

Pursuant to Rules 18.03, 18.48A and 18.49 of the GEM Listing Rules, the Company must publish the annual results announcement (the “Annual Results Announcement”) and the annual report (the “Annual Report”) in respect of the year ended 30 June 2020 by not later than three months after the end of each financial year. As the publication of the 2019 Annual Results is still pending, the Company is unable to make the Annual Results Announcement and despatch its Annual Report to the Shareholders within the prescribed time in accordance with the GEM Listing Rules. The unaudited financial information of the annual result of the Group is set out under the heading “unaudited management accounts for the year ended 30 June 2020” of this announcement.

Further announcement(s) will be made by the Company as and when appropriate to inform the Shareholders in relation to the release and publication of the 2019 Annual Results and Annual Report, the First Quarterly Results Announcement and the First Quarterly Report and the Interim Results Announcement and the Interim Report, the third Quarterly Results Announcement and the Third Quarterly Report and, the 2020 Annual Results and Annual Report.

UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2020

In this announcement, the valuation for financial assets at fair value through profit or loss, intangible assets, recoverable amounts of the cash-generating unit of advisory services business and fund management business and expected credit losses for financial assets of the Group together with the profit and cash flow forecast of the Group for assessing going-concern of the Group have not been completed.

In order to keep the Shareholders and the public informed of the Group's business operation and financial position, the Board would like to provide the Shareholders and the public with the preliminary unaudited financial information of the Group for the year ended 30 June 2020 together with the unaudited comparative figures for the year ended 30 June 2019.

RESULTS

The board of Directors (the “Board”) wishes to announce the unaudited results of the Group for the year ended 30 June 2020 (the “Year”), together with the unaudited comparative figures for the year ended 30 June 2019 (“corresponding periods in 2019”) as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

		Unaudited	
		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	4	<u>65,257</u>	<u>39,134</u>
Fair value gain on financial asset at fair value through profit or loss		550	13,703
Other income		38	–
Staff costs	6	(2,229)	(2,334)
Other operating expenses		(7,952)	(8,507)
Finance costs		<u>(14,844)</u>	<u>(29,767)</u>
Profit before income tax	6	40,820	12,229
Income tax expense	7	<u>(7,106)</u>	<u>(3,445)</u>
Profit for the period		<u>33,714</u>	<u>8,784</u>
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		<u>(148)</u>	<u>(57)</u>
Total comprehensive income for the period		<u>33,566</u>	<u>8,727</u>

		Unaudited	
		2020	2019
	Notes	HK\$'000	HK\$'000
Profit/(Loss) for the period			
attributable to:			
Owners of the Company		5,318	(5,894)
Non-controlling interests		28,396	14,678
		<u>33,714</u>	<u>8,784</u>
Total comprehensive income			
attributable to:			
Owners of the Company		5,257	(5,921)
Non-controlling interests		28,309	14,648
		<u>33,566</u>	<u>8,727</u>
Earnings/(Loss) per share for profit/(loss) attributable to			
owners of the Company during the period			
	8		
– Basic (HK) cents		0.14	(0.15)
– Diluted (HK) cents		0.14	(0.15)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		–	–
Available-for-sale investments	9	–	–
Intangible assets		735	854
Goodwill	10	178,778	178,778
		<u>179,513</u>	<u>179,632</u>
CURRENT ASSETS			
Financial asset through profit or loss		–	–
Account receivables	11	12,848	18,890
Financial assets at fair value through profit or loss	9	–	269,676
Loan receivable	12	33,247	5,074
Prepayments, deposits and other receivables		1,651	1,581
Cash and cash equivalents		8,576	38,954
		<u>56,322</u>	<u>334,175</u>
CURRENT LIABILITIES			
Other payables, deposits and accruals		4,036	939
Interest-bearing borrowings	13	–	322,236
Tax payables		17,792	10,191
		<u>21,828</u>	<u>333,366</u>
NET CURRENT ASSETS		<u>34,494</u>	<u>809</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>214,007</u>	<u>180,441</u>
NET ASSETS		<u>214,007</u>	<u>180,441</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	38,415	38,415
Reserves		107,139	101,882
		<u>145,554</u>	<u>140,297</u>
Non-controlling interests		68,453	40,144
TOTAL EQUITY		<u>214,007</u>	<u>180,441</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	36,624	35,275
Net cash inflow from investing activities	270,226	–
Net cash outflow from financing activities	(337,080)	(52,979)
Net decrease in cash and cash equivalents	(30,230)	(17,704)
Cash and cash equivalents at beginning of the period	38,954	56,714
	8,724	39,010
Effects of exchange rate changes on the balance of cash held in foreign currencies	(148)	(56)
Cash and cash equivalents at end of the period	<u>8,576</u>	<u>38,954</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<u>8,576</u>	<u>38,954</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Unaudited						
	Equity attributable to owners of the Company						
	Share capital HK\$'000	Share premium* HK\$'000	Exchange reserve* HK\$'000	Retained earnings/ (Accumulated losses)* HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 July 2019 (Unaudited)	38,415	–	92	101,790	140,297	40,144	180,441
Profit for the period	–	–	–	5,318	5,318	28,396	33,714
Other comprehensive income							
Item that may be reclassified subsequently to profit and loss:							
Exchange gain on translation of financial statements of foreign operations	–	–	(61)	–	(61)	(87)	(148)
Total comprehensive income for the period	–	–	(61)	5,318	5,257	28,309	33,566
Balance at 30 June 2020 (Unaudited)	38,415	–	31	107,108	145,554	68,453	214,007
Balance at 1 July 2018 (Audited)	38,415	–	119	96,402	134,936	22,912	157,848
Reclassification of financial assets at fair value through Profit or loss under HKFRS 9 (note 3(b))	–	–	–	11,282	11,282	2,584	13,866
At 1 July 2018 (Restated)	38,415	–	119	107,684	146,218	25,496	171,714
(Loss)/profit for the year	–	–	–	(5,894)	(5,894)	14,678	8,784
Other comprehensive income							
Item that may be reclassified subsequently to profit and loss:							
Exchange gain on translation of financial statements of foreign operations	–	–	(27)	–	(27)	(30)	(57)
Total comprehensive income for the year	–	–	(27)	(5,894)	(5,921)	14,648	8,727
Balance at 30 June 2019 (Unaudited)	38,415	–	92	101,790	140,297	40,144	180,441

* These reserve accounts comprise the consolidated reserves of approximately HK\$107,139,000 (30 June 2019: approximately HK\$102,042,000) in the condensed 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 GEM of 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 Office 01, 10/F, Qualipak Tower, No 122 Connaught Road West, Hong Kong.

2. Basis of presentation

The unaudited condensed consolidated results incorporate those of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2020.

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

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 30 June 2018 as set out in the annual report of the Company dated 18 September 2018, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 July 2018.

This announcement contains unaudited condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the audited financial statements for the year ended 30 June 2018. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2018 consolidated 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. Application of new or amended HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective and relevant to the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- Amendments to HKFRS 15, Revenue from Contracts with Customers

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3(b) below) and HKFRS 15 Revenue from Contracts with Customers (see note 3(c) below) have been summarised in below.

(a) *Impact on the condensed consolidated interim financial statements*

As explained in note 3(b) below, HKFRS 9 was generally adopted without restating comparative information. The adjustments arising from the new impairment rules and reclassifications of certain financial assets are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the opening balance on 1 July 2018.

The following tables show the adjustments and reclassifications of the Group recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments and reclassifications of the Group are explained in more detail below.

	As at 30 June 2018 HK\$'000 (as previously stated)	Effect of application of HKFRS 9 HK\$'000	As at 1 July 2018 HK\$'000
Available-for-sale investments	242,107	(242,107)	–
Finance assets at fair value through profit or loss	–	255,973	255,973
Total non-current assets	<u>242,107</u>	<u>13,866</u>	<u>255,973</u>
Reserves	<u>96,521</u>	<u>11,282</u>	<u>107,803</u>
Non-controlling interests	<u>22,912</u>	<u>2,584</u>	<u>25,496</u>
Total equity	<u>157,848</u>	<u>13,866</u>	<u>171,714</u>

3. Application of new or amended HKFRSs (Continued)

(b) *HKFRS 9 Financial Instruments – Impact of adoption*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss (“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 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised costs”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

3. Application of new or amended HKFRSs (Continued)

(b) *HKFRS 9 Financial Instruments – Impact of adoption (Continued)*

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3. Application of new or amended HKFRSs (Continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement

On 1 July 2018 (the date of initial application of HKFRS 9 (the “DIA”)), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification and re-measurement are as follows:

Financial assets		Available- for-sale investments	Financial assets at fair value through profit or loss
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Closing balance as at 30 June 2018 (as previously stated)		242,107	–
Reclassification from available-for-sale investments to financial assets at fair value through profit or loss	(i)	(242,107)	242,107
Re-measurement of the available-for-sale investments at fair value	(i)	–	13,866
Opening balance as at 1 July 2018 (restated)		<u>–</u>	<u>255,973</u>

The impact of these changes on the Group’s equity is as follows:

		Retained earnings	Non- controlling interests	Total equity
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Closing balance as at 30 June 2018 (as previously stated)		96,402	22,912	157,848
Effect of re-measurement of the available-for-sale investments at fair value	(i)	<u>11,282</u>	<u>2,584</u>	<u>13,866</u>
Opening balance as at 1 July 2018 (restated)		<u>107,684</u>	<u>25,496</u>	<u>171,714</u>

3. Application of new or amended HKFRSs (Continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 July 2018 under HKAS 39 HK\$'000	Carrying amount as at 1 July 2018 under HKFRS 9 HK\$'000
Unlisted fund investments	Available-for-sale investments, at cost	FVTPL	242,107	255,973

(i) Effect of re-measurement of the available-for-sale investments to the financial assets at fair value through profit or loss

As of 1 July 2018, unlisted fund investments were reclassified from available-for-sale investments at cost to FVTPL. These unlisted fund investments have no quoted price in an active market. In addition, the Group has designated such unlisted fund investments at the DIA as measured at FVTPL. As at 1 July 2018, the difference between the previous carrying amount and fair value of HK\$11,282,000 and HK\$2,584,000 have been included in the opening balances of retained earnings and non-controlling interests respectively.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. Application of new or amended HKFRSs (Continued)

(b) *HKFRS 9 Financial Instruments – Impact of adoption (Continued)*

(ii) *Impairment of financial assets (Continued)*

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has measured loss allowances for account receivables and loan receivable based on lifetime ECLs. For other receivables, the Group measures the loss allowance equal to 12-month ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The measurement of ECLs reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 180 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Impact of the ECLs model

The Group has assessed and concluded that impact of ECLs on account receivables, loan receivable and other receivables are insignificant as at 1 July 2018.

(iii) *Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

3. Application of new or amended HKFRSs (Continued)

(b) *HKFRS 9 Financial Instruments – Impact of adoption (Continued)*

(iv) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and non-controlling interests as at 1 July 2018. Accordingly, the information presented for 30 June 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the DIA:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(c) *HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) – Impact of adoption*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.

The Group assessed the impacts of adopting HKFRS 15 on its condensed consolidated interim financial statements and has no significant impact on the Group’s revenue recognition. Revenue for loan interest income, advisory services income and management fee income are recognised at point in time as when the services have been rendered.

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

4. Revenue

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

An analysis of the Group's revenue for the year ended 30 June 2020 and 2019 is as follows:

	Unaudited	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Loan interest income	1,847	900
Advisory services income	1,440	2,280
Management fee income	61,970	35,954
Total	65,257	39,134

5. 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;
- (c) Fund management business represents the investment management service to investment funds and managed accounts;

There were no inter-segment sales and transfers during the Year (30 June 2019: Nil).

5. Segment information (Continued)

An analysis of the Group's revenue and results by principal activities, in respect of the Group's operations for the year ended 30 June 2020 is as follows:

	Unaudited							
	Money lending		Advisory services		Fund management		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
– From external customers								
Reportable segment revenue	<u>1,847</u>	<u>900</u>	<u>1,440</u>	<u>2,280</u>	<u>61,970</u>	<u>35,954</u>	<u>65,257</u>	<u>39,134</u>
Reportable segment profit/(loss) before tax	<u>1,637</u>	<u>821</u>	<u>583</u>	<u>(309)</u>	<u>60,103</u>	<u>28,675</u>	<u>62,323</u>	<u>29,187</u>
Interest expenses on interest-bearing borrowings	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>927</u>	<u>4,981</u>	<u>927</u>	<u>4,981</u>
	30	30	30	30	30	30	30	30
	June	June	June	June	June	June	June	June
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment assets	33,273	5,112	12,950	12,716	179,353	455,855	225,576	473,683
Reportable segment liabilities	<u>(18)</u>	<u>(18)</u>	<u>(16)</u>	<u>(16)</u>	<u>(18,573)</u>	<u>(333,263)</u>	<u>(18,573)</u>	<u>(333,297)</u>

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	
	2020	2019
	HK\$'000	HK\$'000
Reportable segment revenue	<u>65,257</u>	<u>39,134</u>
Reportable segment profit	62,323	29,187
Unallocated expenses and gain (note)	<u>(21,503)</u>	<u>(16,958)</u>
Profit before income tax	<u>40,820</u>	<u>12,229</u>

Note:

Unallocated expenses mainly included interest expenses and fair value gain on financial asset at fair value through profits or loss after the adoption of HKFRS 9.

5. Segment information (Continued)

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Reportable segment assets	225,576	473,683
Other corporate assets	<u>10,259</u>	<u>40,124</u>
Group assets	<u>235,835</u>	<u>513,807</u>
Reportable segment liabilities	18,573	333,297
Tax payables	30	30
Other corporate liabilities	<u>3,225</u>	<u>39</u>
Group liabilities	<u>21,828</u>	<u>333,366</u>

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

	Revenue from external customers	
	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Principal markets		
Hong Kong (City of domicile)	2,342	3,180
Cayman Islands	<u>62,915</u>	<u>35,954</u>
	<u>65,257</u>	<u>39,134</u>

For the year ended 30 June 2020 and a year ended 30 June 2019, the Group's total non-current assets located in Hong Kong, The People's Republic of China (the "PRC") and Macau are approximately HK\$11,000,000 (June 2019: HK\$11,000,000), HK\$735,000 (June 2019: HK\$854,000) and HK\$167,778,000 (June 2019: HK\$167,778,000) respectively.

The Group's revenue by geographical location is determined based on locations of customers for money lending and advisory service business and the place of agreements entered by the Group for earning fees as investment manager. 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.

6. Profit before income tax

The Group's profit before income tax is arrived at after charging:

	Unaudited	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including Directors' remuneration and retirement scheme contribution)	2,229	2,334
Operating lease rentals in respect of lands and buildings	426	173

7. Income tax expense

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

An analysis of the Group's income tax expense for the year ended 30 June 2020 and 2019 is as follows:

	Unaudited	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	–	–
Macau	7,106	3,445
Total income tax expense	7,106	3,445

8. Earnings/(Loss) per share

Basic

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit/(loss) for the year ended 30 June 2020 of approximately HK\$5,318,000 (2019: HK\$(5,894,000)) respectively and the weighted average of the 3,841,500,000 ordinary shares in issue during the year ended 30 June 2020 (2019: the weighted average of the 3,841,500,000 ordinary shares).

Diluted

The diluted earning/(loss) per share are presented for the year ended 30 June 2020 and 2019 were the same as the basic earning/(loss) per share as there are no dilutive ordinary share during the period.

9. Available-for-sale investments/Financial assets at fair value through profit or loss

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)	1 July 2018 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Audited)
Available-for-sale investments	–	–	–	242,107
Financial assets at fair value through profit or loss	<u>–</u>	<u>269,676</u>	<u>255,973</u>	<u>–</u>

The investment objective of the unlisted funds is to invest in debt instruments of financial services vehicles.

Given that the Group has no power to govern or participate in the financial and operating policies of the investment entities so as to obtain benefits from its activities and does not intend to trade for short-term profit, the Directors of the Company designated the unlisted fund investments as available-for-sale investments as at 30 June 2018.

The unlisted fund investments were reclassified and re-measured from available-for-sale investments of HK\$255,973,000 as at 1 July 2018 to financial assets at fair value through profit or loss after the adoption of HKFRS 9 as defined in note 3.

During the Year, the Group has fully redeemed its unlisted fund investments.

As at 30 June 2019, the financial assets mentioned above amounting to HK\$269,676,000 are under the management of the Group and from which the Group earns fees from the provision of fund management service.

As at 30 June 2019, the financial assets at fair value through profit or loss are stated at fair value with reference to the statements provided by the funds.

10. Goodwill

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Opening and Closing net carrying amount	<u>178,778</u>	<u>178,778</u>

11. Account receivables

The Group allows a credit period from 30 to 90 days (30 June 2019: 30 to 90 days) to its customers from advisory service business for the year ended 30 June 2020. Management fees receivables from fund management activities are mainly due at the end of the relevant valuation period of the investment funds and managed accounts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

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

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
0-30 days	11,048	18,530
31-90 days	–	360
91-180 days	1,440	–
Over 180 days	<u>360</u>	<u>–</u>
	<u>12,848</u>	<u>18,890</u>

12. Loan receivable

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Fixed-rate loan receivable		
– On demand or within one year	<u>33,247</u>	<u>5,074</u>

During the year ended 30 June 2020, the interest rate on the Group's loan receivable is 8-18% (30 June 2019: 18%) per annum.

13. Interest-bearing borrowings

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Other loans: <i>(note)</i>		
– Unsecured and unguaranteed	<u>–</u>	<u>322,236</u>
	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
On demand or within one year	<u>–</u>	<u>322,236</u>

Note: As at 30 June 2019, other loans amounting to HK\$322,236,000, have the maturity period of 1 year and with repayment on demand clause are carried at amortised cost and classified under current liabilities. Interest rates of the Group's other loans is 8 to 9% as at 30 June 2019.

As at 30 June 2019, the other loans amounting to HK\$322,236,000, were obtained from TAR Opportunities Fund SPC-TAR High Value Fund SP IV which are under the management of the Group and from which the Group earns fees from the provision of fund management services.

14. Share capital

	30 June 2020		30 June 2019	
	Number of shares '000 (Unaudited)	HK\$'000 (Unaudited)	Number of shares '000 (Unaudited)	HK\$'000 (Unaudited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	<u>20,000,000</u>	<u>200,000</u>	<u>20,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each				
At beginning of the year and at end of the period	<u>3,841,500</u>	<u>38,415</u>	<u>3,841,500</u>	<u>38,415</u>

15. Related party transactions

(a) In addition to the related parties transactions detailed elsewhere in these unaudited condensed consolidated financial statements, the Group did not have other transactions with related parties.

(b) Compensation of key management personnel

	Unaudited	
	2020	2019
	HK\$'000	HK\$'000
Total remuneration of Directors and other members of key management during the period		
– short-term employee benefits	1,605	1,484

16. Operating lease commitments

As lessee

The Group leased offices under operating leases arrangement. The leases run for an initial periods of two year. It did not include any contingent rentals.

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

	30 June	30 June
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Within one year	210	368
In the second year	–	162
	210	530

17. Statement of financial position of the company

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	<u>170,001</u>	<u>170,001</u>
Current assets		
Other receivables	1,017	1,002
Due from subsidiaries	12,335	152,132
Cash and cash equivalents	<u>5,618</u>	<u>4,080</u>
	<u>18,970</u>	<u>157,214</u>
Current liabilities		
Due to a subsidiary	15,797	149,957
Other payables and accruals	3,109	659
Tax payable	<u>30</u>	<u>30</u>
	<u>18,936</u>	<u>150,646</u>
Net current assets	<u>34</u>	<u>6,568</u>
Net assets	<u>170,035</u>	<u>176,569</u>
EQUITY		
Share capital	38,415	38,415
Reserves	<u>131,620</u>	<u>138,154</u>
Total equity	<u><u>170,035</u></u>	<u><u>176,569</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

The following sections provide a detailed review and analysis of the results and segmental performance of the Group for the year ended 30 June 2020.

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 (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 Year, the Group recorded a revenue of approximately HK\$65,257,000 (2019: HK\$39,134,000) representing an increase of 66.75% as compared to that in previous corresponding year. The Fund Management Service Segment contributed approximately HK\$61,970,000 (2019: HK\$35,954,000) and the Money Lending Segment and the Advisory Services Segment contributed approximately HK\$1,847,000 and HK\$1,440,000 respectively (2019: HK\$900,000 and HK\$2,280,000). More than 90% (2019: more than 90%) turnover is sourced from the Fund Management Services Segment. The turnover of the Advisory Services Segment are decreased because of the decreased consultancy fee income.

Money Lending Segment

The Money Lending Segment operated is principally engaged in provision of credit in Hong Kong and holds a Money Lenders License under the Money Lenders Ordinance. With 3 experienced staff and management serving this industry for not less than 7 years, this segment has been serving loan customers who are either corporate or individual with interest rate of 8-18% per annum on average and term of loans ranged from 2 months to 16 months in general. During the Year, through the business network of the staff and management, the segment identified 2 borrower with the total loan portfolio of approximately HK\$33,247,000, which is loan to an individual customer and a private company. While during the year ended 30 June 2019, there was 1 borrower and the total loan portfolio amounted to approximately HK\$5,074,000, which is loan to individual customer.

The interest income is approximately HK\$1,847,000 (2019: HK\$900,000) for the Year. As at 30 June 2020, the outstanding loan receivable balance amounted to approximately HK\$33,247,000 due from an individual customer and a private company. As at 30 June 2019, the outstanding loan receivable balance amounted to approximately HK\$5,074,000 due from an 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 June 2020 (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.

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 has been delivering on-going advisory services including provision of consultancy services with 3 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. The segment mainly provides management and strategic consultancy advisory services, agency services for business transactions and accounting and taxation advisory services.

During the Year, through the business network of the staff and management, the segment identified 1 client, while during the year ended 30 June 2019, there were 2 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 the segment 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\$1,440,000 for the Year and approximately HK\$2,280,000 for the year ended 30 June 2019. 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 Year, 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 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 and the current coronavirus pandemic may add potential uncertainties to the performance of the Advisory Services segment and the disappointing performance for the year ended 30 June 2020 may carry over to the foreseeable future.

Fund Management Services Segment

The Fund Management Service Segment is run by its 3 staff and management who has extensive experiences on fund operation, assets management and investment analysis.

Currently major funds managed by investment manager (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 year ended 30 June 2020 and the corresponding year in 2019, 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 Year, the fees income from this segment recorded approximately HK\$61,970,000. For the year ended 30 June 2019, this segment recorded fees income of approximately HK\$35,954,000. As at the year ended 30 June 2020, the total asset under management (the “AUM”) was approximately HK\$929,000,000 (2019: HK\$1,840,000,000). The decrease in AUM during the Year was due to the partial redemption of TAR High Value Fund SP II and TAR High Value Fund SP III on their respective maturity date in which the Group received performance bonus.

The Group recorded a fair value gain on financial asset at fair value through profit or loss amounting to approximately HK\$550,000 (2019: HK\$13,703,000). During the Year, the Group has fully redeemed its unlisted fund investments.

The staff costs for the Year were approximately HK\$2,229,000 (2019: HK\$2,334,000), representing a decrease of approximately 4.5%.

The other operating expenses for the Year are approximately HK\$7,952,000 (2019: HK\$8,507,000), representing a decrease of approximately 6.5%.

The Group recorded approximately HK\$14,844,000 non-capitalized finance costs for the Year (2019: HK\$29,767,000). The decrease in finance costs was mainly due to the repayment of loans during the Year.

Profit for the Year

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax of approximately HK\$40,820,000 (2019: HK\$12,229,000) for the year ended 30 June 2020.

Income tax expenses increased to approximately HK\$7,106,000 (2019: HK\$3,445,000) for the year ended 30 June 2020.

As a result, the Group had recorded a profit after tax of approximately HK\$33,714,000 (2019: HK\$8,784,000) for the year ended 30 June 2020.

Conclusion

As a result of the non-performance of 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 its income sources and to seek potential investment opportunities which could enhance its value to the shareholders.

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow and the revolving loans obtained. As at 30 June 2020, the cash and bank balances of the Group amounting to approximately HK\$8,576,000 (30 June 2019: HK\$38,954,000) and the net current asset of the Group amounted to approximately HK\$34,494,000 (30 June 2019: HK\$809,000).

Going Concern

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Charges on the Group's Asset

As at 30 June 2020, the Group did not have any charges on its assets (2019: Nil).

Interest-bearing Borrowings

As at 30 June 2020, the Group had total borrowings of Nil (30 June 2019: HK\$322,236,000).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of other borrowings and long term debts over total assets. As at 30 June 2020, the gearing ratio as a percentage of other borrowings over total assets was not applicable (30 June 2019: 62.7%).

Treasury policies and capital structure

Any surplus funds derived from operating activities will be placed in bank accounts which secures the Group's liquidity position in meeting its daily operating needs.

Exposure to exchange rate risks

For the period ended 30 June 2020, the Group's principal business was transacted in HK\$, no exposure to exchange rate risk.

Contingent liabilities

As at 30 June 2020, the Group and the Company did not have any significant contingent liabilities (30 June 2019: Nil).

Employee information

For the year ended 30 June 2020, there were around 10 staff and the staff cost, excluding directors' remuneration, amounted to HK\$600,000 (2019: HK\$570,000). 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 reimburses 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.

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

As at 30 June 2020, 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 2020, 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 1)</i>	877,685,714 ordinary shares	Beneficial owner	22.85%
Kiyuhon Limited ("Kiyuhon") <i>(Note 1)</i>	877,685,714 ordinary shares	Interest of controlled corporation	22.85%
Mr. Wang Linjia ("Mr. Wang") <i>(Note 1)</i>	877,685,714 ordinary shares	Interest of controlled corporation	22.85%

Notes:

1. 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 June 2020, 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 5.01 of the GEM Listing Rules for the six months ended 30 June 2020.

CORPORATE GOVERNANCE

For the year ended 30 June 2020, 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 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 Corporate Governance 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, Ms. Tang Shuk Kuen 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, Ms. Tang is the most appropriate chief executive because she 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.

Delay in despatch of Annual Report and First Quarterly Report and Interim Report and Third Quarterly Report

As announced in the Company's announcement dated 30 September 2019 and 15 November 2019 and 14 February 2020 and under the heading "delay in publication of the third quarterly results announcement for the nine months ended 31 March 2020 and delay in despatch of the third quarterly report" of this announcement, the Board meeting to approve the publication of the Results Announcements will be postponed to a date to be fixed by the Board and there will be a delay in the publication of the 2019 Annual Results and Annual Report, the first quarterly results for the three months ended 30 September 2019 and its report, the interim results for the six months ended 31 December 2019 and its report, the third quarterly results for the nine months ended 31 March 2020 and its report and 2020 Annual Results and its Annual Report. The Company will publish further announcement(s) in due course to inform the shareholders of the Company on the date of the release of the Results Announcements and the Board meeting.

The Board acknowledges that the delay in publication of the Results Announcements and the annual report within three months after the end of the financial year ended 30 June both of 2019 and 2020, the first Quarterly Results Announcement and the First Quarterly Report within 45 days after the three months ended 30 September 2019, the interim results within 45 days after the six months ended 31 December 2019 and its report and the Third Quarterly Report within 45 days after the nine months ended 31 March 2020 and its report as required under Rules 18.03, 18.48A, 18.49, 18.53, 18.66, 18.78 and 18.79 of the GEM Listing Rules will constitute a non-compliance of the GEM Listing Rules.

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 year ended 30 June 2020.

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 2020.

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 year ended 30 June 2020.

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 auditors to review the effectiveness of the internal control systems.

RESUMPTION GUIDANCE

The Stock Exchange has informed the Company of the following Resumption Guidance:–

- (a) approval of resumption by the Securities and Futures Commission;
- (b) demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules;
- (c) publish all outstanding financial results required under the GEM Listing Rules and address any audit modification(s); and
- (d) inform the market of all material information for the Shareholders and investors to appraise its position.

The Company must remedy the issues causing its trading suspension and fully comply with the GEM Listing Rules to the Stock Exchange's satisfaction before trading in the Shares is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange has indicated that it might modify or supplement the Resumption Guidance if the Company's situation changes.

Under Rule 9.14A(1) of the GEM Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from dealings for a continuous period of 12 months. On 12 June 2020, the Company received a letter from the Stock Exchange stating that the GEM Listing Committee decided to cancel the Company's listing under Rule 9.14A of the GEM Listing Rules. It is indicated in the Letter that the last day of listing of the Company's shares will be 29 June 2020 and the listing of shares of the Company will be cancelled with effect from 9:00 a.m. on 30 June 2020. On 23 June 2020, the Company has lodged a written request to the Listing Review Committee for review under Chapter 4 of the GEM Listing Rules. On 29 June 2020, the Company received a letter from the Stock Exchange stating that a Listing Review Committee was set up and directions were made regarding procedures of the review process.

The Company is now taking appropriate steps to comply with the Resumption Guidance and will keep the Shareholders and potential investors informed of the progress as and when appropriate.

UPDATE ON BUSINESS OPERATIONS

As at the date of this announcement, the business of the Company and its subsidiaries has been operating as usual. The Company is of the view that the operations of the Company and its subsidiaries have not been adversely affected by the suspension of trading in the Shares.

FORMATION OF THE REVIEW COMMITTEE AND APPOINTMENT OF EXECUTIVE DIRECTOR

According to the Company's announcement dated 20 May 2020, the Company announces that a review committee (the "Review Committee"), initially comprising Mr. So Pak Kei, Mr. Tsui Kin Fung and Dr. Cheng Chak Ho, all independent non-executive Directors, has been established on 18 May 2020, for the purpose of, among other things, investigating and reporting on various matters and events leading to and/or otherwise relating to the Suspension and forming and executing a plan for resumption of dealings in the Shares (the "Resumption").

According to the Company's announcement dated 18 June 2020, the Company announced that Ms. Tang Shuk Kuen has been appointed as executive Director and a member of the Review Committee.

INSIDER INFORMATION WINDING UP PETITION

On 18 May 2020, the Securities and Futures Commission (the "Petitioner") has filed a petition to the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the "Court") for the winding up of the Company (the "Winding Up Petition") under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and section 212 of the SFO. In addition, the Petitioner also requested for disqualification orders against, among others, Mr. Liu Tin Lap and Mr. Lee Man To, both as the executive directors of the Company under section 214(2)(a) and/or section 214(2)(d) of the SFO and for an order against, among others, Mr. Liu Tin Lap and Mr. Lee Man To to pay compensation to the Company and/or one or more of its subsidiary in the amount as is assessed together with interest thereon pursuant to section 49 of the High Court Ordinance (Cap. 4), on a joint and several basis. The Winding Up Petition was heard on 12 August 2020 at 9:30 a.m..

On 21 May 2020, the Court rejected the Petitioner's application for immediate appointment of provisional liquidators over the Company. The court ordered that the Petitioner's said application be adjourned to be heard on 30 and 31 July 2020 upon undertakings made by the Company including not procuring its subsidiaries and relevant funds to dispose of, deal with, transfer, charge, encumber or diminish the value of the assets and not removing any books and records belonging to the Company, its subsidiaries and relevant funds within their possession, custody or power, whether by the Company's servants, agents or directors or otherwise howsoever.

The Company opposed the Petitioner's application for appointment of the provisional liquidators over the Company on the scheduled hearing on 30 and 31 July 2020 and the Court reserved its decision at this moment. The Company will make further announcement in respect of this matter once the decision is made by the Court.

The Company also has defended the Winding Up Petition. The Company is in the course of obtaining legal advice in this matter. The Company will make further announcement(s) to keep its shareholders and investors informed of any significant developments in relation to the Winding Up Petition as and when appropriate.

RE-DESIGNATION OF DIRECTORS

According to the Company's announcement dated 22 May 2020, the Company announced that with effect from 22 May 2020, (i) Mr. Liu Tin Lap ("Mr. Liu") has been re-designated from the chairman and executive Director to a non-executive Director and resigned from the position of compliance officer of the Company; and (ii) Mr. Lee Man To ("Mr. Lee") has been re-designated from the executive Director to a non-executive Director and resigned from the position of financial controller and qualified accountant of the Company. Both Mr. Liu and Mr. Lee would remain as staff of the Group and Mr. Lee would remain as the company secretary of the Company.

ABSENCE OF AUDITOR AND APPOINTMENT OF AUDITOR

As announced in the Company's announcement dated 6 August 2019, BDO Limited has resigned as the auditor of the Company and its subsidiaries with effect from 6 August 2019. The Company is currently looking for a new audit firm to act as the new auditor of the Company to fill in the vacancy caused by the resignation of BDO Limited and will make further announcement(s) pursuant to the GEM Listing Rules once the appointment is made. As announced in the Company's announcement dated 26 June 2020, Zenith CPA Limited has been appointed as the auditor of the Company and its subsidiaries.

RESIGNATION OF DIRECTORS AND CHANGE OF COMPANY SECRETARY

As announced in the Company's announcement dated 10 August 2020, Mr. Liu Tin Lap resigned as a non-executive Director; (ii) Mr. Lee Man To resigned as a non-executive Director, the Company Secretary and the Authorized Representative; and (iii) Ms. Tang Shuk Kuen has been appointed as the Company Secretary. Following the resignation of Mr. Lee Man To as an Authorized Representative, the Company only has Ms. Tang Shuk Kuen as the Authorized Representative and therefore failed to meet the requirement that the Company must ensure at all time, it has 2 Authorized Representatives.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the Shares on the GEM has been suspended since 9:00 a.m. on 29 May 2019 and will continue to be suspended until further notice. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By Order of the Board
Combest Holdings Limited
Tang Shuk Kuen
*Executive Director and
member of the Review Committee*

Hong Kong, 30 September 2020

As at the date of this announcement, the Board is composed of Ms. Tang Shuk Kuen as executive Director, Mr. So Pak Kei, Mr. Tsui Kin Fung and Dr. Cheng Chak Ho as independent non-executive Directors.

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

In this announcement, 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.

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least seven days from the day of its posting and the website of the Company at <http://www.irasia.com/listco/hk/combestholdings/index.htm>.