



COMBEST HOLDINGS LIMITED

康佰控股有限公司\*

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

Third Quarterly Report

**2017/18**



\* For identification purposes only



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.*

## HIGHLIGHTS

The financial highlights of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 31 March 2018 (the “Period”) are presented as follows:

	Continuing operations		Discontinued operations		Total	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
Revenue	<b>60,242</b>	35,703	-	17,459	<b>(60,242)</b>	53,162
(Loss)/Profit for the period attributable to owners of the Company	<b>(9,472)</b>	28,404	-	41,023	<b>(9,472)</b>	69,427
(Loss)/Earnings per share – basic and diluted	<b>(0.25) cents</b>	0.82 cents	<b>N/A</b>	1.19 cents	<b>(0.25) cents</b>	2.01 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 and nine months ended 31 March 2018 (“corresponding periods in 2017”) as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited			
		Three months ended 31 March		Nine months ended 31 March	
		2018	2017	2018	2017
Notes		<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<b>Continuing operations:</b>					
	3	<b>9,545</b>	4,109	<b>60,242</b>	35,703
Revenue					
Staff costs		(1,595)	(1,167)	(2,836)	(2,287)
Other operating expenses		(1,044)	(1,270)	(3,914)	(2,829)
Finance costs		(7,420)	(4,164)	(35,134)	(5,244)
<b>(Loss)/Profit before income tax</b>		<b>(514)</b>	(2,492)	<b>18,358</b>	25,343
Income tax (expense)/credit	5	(871)	3,923	(6,659)	3,061
<b>(Loss)/Profit after income tax from continuing operations</b>		<b>(1,385)</b>	1,431	<b>11,699</b>	28,404
<b>Discontinued operations:</b>					
Profit for the period from discontinued operations	7	-	-	-	41,023
<b>(Loss)/Profit for the period</b>		<b>(1,385)</b>	1,431	<b>11,699</b>	69,427
<b>Other comprehensive income for the period:</b>					
Item that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		16	149	171	(3,537)
Release of exchange reserve upon disposal of subsidiaries		-	-	-	(30,569)
<b>Total comprehensive income for the period</b>		<b>(1,369)</b>	1,580	<b>11,870</b>	35,321

		Unaudited			
		Three months ended 31 March		Nine months ended 31 March	
Notes		2018 HK\$'000	2017 HK\$'000 (Restated)	2018 HK\$'000	2017 HK\$'000 (Restated)
<b>(Loss)/Profit for the period attributable to:</b>					
Owners of the Company					
	(Loss)/Profit for the period from continuing operations	(4,450)	1,431	(9,472)	28,404
	Profit for the period from discontinued operations	-	-	-	41,023
		<u>(4,450)</u>	<u>1,431</u>	<u>(9,472)</u>	<u>69,427</u>
Non-controlling interests					
	Profit for the period from continuing operations	3,065	-	21,171	-
	Profit for the period from discontinued operations	-	-	-	-
		<u>(1,385)</u>	<u>1,431</u>	<u>11,699</u>	<u>69,427</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company					
		(4,442)	1,580	(9,399)	35,512
Non-controlling interests					
		<u>3,073</u>	<u>-</u>	<u>21,269</u>	<u>(191)</u>
		<u>(1,369)</u>	<u>1,580</u>	<u>11,870</u>	<u>35,321</u>
<b>(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company during the period</b>					
8					
From continuing and discontinued operations					
	- Basic (HK) cents	(0.12)	0.04	(0.25)	2.01
	- Diluted (HK) cents	<u>(0.12)</u>	<u>0.04</u>	<u>(0.25)</u>	<u>2.01</u>
From continuing operations					
	- Basic (HK) cents	(0.12)	0.04	(0.25)	0.82
	- Diluted (HK) cents	<u>(0.12)</u>	<u>0.04</u>	<u>(0.25)</u>	<u>0.82</u>



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 GEM of the Stock Exchange of Hong Kong Limited (the “SEHK”).

## 2. Basis of presentation

The unaudited condensed consolidated results incorporate those of the Company and its subsidiaries for the nine months ended 31 March 2018.

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 SEHK (the “GEM Listing Rules”).

The principal accounting policies and methods of computation used in the preparation of this set of report are consistent with those used in the annual financial statements for the year ended 30 June 2017.

The Group has adopted a number of new and revised standards, amendments and interpretations which are effective for the Group’s accounting periods beginning on or after 1 July 2017. The adoption of these new and revised standards, amendments and interpretations does not have significant impact on the accounting policies of the Group.

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

## 2. Basis of presentation (Continued)

The unaudited condensed consolidated result have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK\$265,366,000 as at 31 March 2018. The net current liabilities is mainly due to incur a great amount of the interest-bearing borrowings (approximately HK\$346,629,000) which will be expired in December 2018. In the opinion of the Directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future after taking into the following consideration: (i) the Company will seek further sources of fund to finance the Group's working capital; and (ii) the revenue generate from the operations of the Group including but not limited to the stable fees income generated by the fund management services segment. 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 unaudited condensed consolidated result.

The presentation currency of the Company in prior years was Renminbi ("RMB"). The Directors of the Company considered that (i) along with the disposal of Diamond Globe Investments Ltd., and its subsidiaries (the "Diamond Globe Group") and acquisition of Ultra Rich Global Limited and its subsidiaries (the "Ultra Group"), most of the Group's transactions are denominated and settled in Hong Kong Dollars ("HK\$"); and (ii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of the RMB against the HK\$, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group, enabling the shareholders of the Company to have a more accurate picture of the Group's financial performance. The change in presentation currency of the Company has been applied retrospectively in accordance with HKAS 8 "Accounting Policies, Change in Accounting Estimates, and Errors" and the comparative figures as at 1 July 2016 and 31 March 2017 have been retranslated to HK\$ and restated accordingly.

Upon the change, 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 from continuing operations represents (i) the loan interest income from money lending business; (ii) advisory services income earned from the provision of consultancy services and company secretarial services; and (iii) management fee income from fund management business.

An analysis of the Group's revenue for the nine months ended 31 March 2018 and 2017 is as follows:

	<b>Unaudited</b>	
	<b>For the nine months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Continuing operations</b>		
<b>Revenue</b>		
Loan interest income	<b>2,605</b>	14,458
Advisory services income	<b>1,904</b>	21,245
Management fee income	<b>55,733</b>	—
Total	<b>60,242</b>	35,703
<b>Discontinued operations</b>		
Sales of goods	—	17,459



#### 4. Segment information

The executive Directors have identified the Group's five business lines as reportable segments:

- (a) Money lending represents provision of credit;
- (b) Advisory service includes provision of consultancy services and company secretarial services;
- (c) Fund management business represent the investment management service to investment funds and managed accounts;
- (d) Functional healthcare products includes mattresses, magnetic chairs, pillows, blankets, food supplements, air ionizer products, other bedroom accessories and a range of functional healthcare clothes and accessories; and
- (e) OEM consumer electronics products include RS connectors and transmitters for consumer electronics products.

There were no inter-segment sales and transfers during the Period (2016: 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 nine months ended 31 March 2018 is as follows:

	Unaudited											
	Continuing operations						Discontinued operations				Total	
	Money lending		Advisory services		Fund management		Functional healthcare products		OEM consumer electronic products			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
<b>Revenue</b>												
– From external customers												
Reportable segment revenue	<b>2,605</b>	14,458	<b>1,904</b>	21,245	<b>55,733</b>	–	–	14,992	–	2,467	<b>60,242</b>	53,162
<b>Reportable segment profit/(loss) before tax</b>	<b>2,461</b>	11,543	<b>34</b>	18,598	<b>49,654</b>	–	–	(7,404)	–	(457)	<b>52,149</b>	22,280
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	205	–	7	–	212
Interest expenses on interest-bearing borrowings	<b>1,453</b>	932	–	–	<b>6,448</b>	–	–	–	–	–	<b>7,901</b>	932

#### 4. Segment information (Continued)

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

	<b>Unaudited nine months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Reportable segment revenue (Continuing operation)	<b>60,242</b>	35,703
Discontinued operation		
– Sales of goods:		
Functional healthcare products and OEM consumer electronic components	–	17,459
	<b>60,242</b>	53,162
Reportable segment profit	<b>52,149</b>	22,280
Unallocated expenses ( <i>note</i> )	<b>(33,791)</b>	(4,798)
Segment loss before income tax from discontinued operations	–	7,861
Profit before income tax from continuing operations	<b>18,358</b>	25,343

*Note:* Unallocated expenses mainly include unallocated interest expenses.

## 5. Income tax expense/(credit)

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

An analysis of the Group's income tax expense for the nine months ended 31 March 2018 and 2017 is as follows:

	Unaudited					
	Continuing operation		Nine months ended 31 March			
			Discontinued operation			
	2018	2017	2018	2017	2018	2017
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
			(Restated)		(Restated)	
Hong Kong	211	(3,061)	-	-	211	(3,061)
Macau	6,448	-	-	-	6,448	-
PRC income tax	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
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Total income tax expense/ (credit)	<b>6,659</b>	<b>(3,061)</b>	<b>-</b>	<b>-</b>	<b>6,659</b>	<b>(3,061)</b>
	=====	=====	=====	=====	=====	=====

## 6. Interim dividends

The Board did not recommend the payment of an interim dividend for the nine months ended 31 March 2018 (corresponding period in 2017: Nil).

## 7. Discontinued operations

On 28 October 2016, the Group has disposed the entire issued shares capital of Diamond Globe Investments Ltd which composes of functional healthcare products and OEM consumer electronic components to its substantial shareholders for a cash consideration of HK\$100,000,000.

The Group re-presented the results of discontinued operations for the corresponding period in 2017 in accordance with HKFRS 5. An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated financial statement are as follows:

	Unaudited Nine months ended 31 March 2017 <i>HK\$'000</i> (Restated)
<b>Revenue</b>	17,459
Cost of sales	(16,730)
<b>Gross profit</b>	729
Other income and gains	88
Selling costs	(6,202)
Administrative expenses	(2,476)
<b>Loss before income tax</b>	(7,861)
Income tax expense	-
	(7,861)
Gain arising from the disposal of subsidiaries	48,884
<b>Profit for the period from discontinued operations</b>	41,023
Net cash inflow from operating activities	9,665
Net cash outflow from investing activities	-
Net cash outflow from financing activities	-
<b>Net cash inflow from discontinued operations</b>	9,665

## 8. (Loss)/Earnings per share

### Basic

#### From continuing and discontinued operations

The calculation of basic (loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the (loss) for the three months and nine months ended 31 March 2018 of approximately HK\$4,450,000 and HK\$9,472,000, respectively (profit for the three months and nine months ended 31 March 2017: HK\$1,431,000 and HK\$69,427,000, respectively) and the weighted average of the 3,841,500,000 ordinary shares and 3,841,500,000 ordinary shares in issue during the three months and nine months ended 31 March 2018 (three months and nine months ended 31 March 2017: the weighted average of the 3,841,500,000 ordinary shares and 3,449,091,241 ordinary shares respectively).

#### From continuing operations

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

	Unaudited			
	Three months ended 31 March		Nine months ended 31 March	
	2018	2017	2018	2017
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
(Loss)/Profit for the period attributable to owners of the Company	(4,450)	1,431	(9,472)	69,427
Less: Profit for the period from discontinued operations attributable to owners of the Company	-	-	-	(41,023)
(Loss)/Profit for the period for the purpose of basic (loss)/earnings per share from continuing operations attributable to owners of the Company	<u>(4,450)</u>	<u>1,431</u>	<u>(9,472)</u>	<u>28,404</u>

The denominators used are the same as those detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

## 8. (Loss)/Earnings per share (Continued)

### ***Basic (Continued)***

#### *From discontinued operations*

Basic earnings per share from the discontinued operations was nil for the three months and nine months ended 31 March 2018 (earnings per share of nil and HK\$1.19 cents per share for the three months and nine months ended 31 March 2017), which was calculated based on the profit from the discontinued operations of nil for the three months and nine months ended 31 March 2018 (profit of nil and HK\$41,023,000 for the three months and nine months ended 31 March 2017). The denominators used are the same as those detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

### ***Diluted***

The diluted (loss)/earnings per share are presented for the three and nine months ended 31 March 2018 and 2017 were the same as the basic (loss)/earnings per share as there are no dilutive ordinary share during the period.

## 9. Share Capital and reserves

For the nine months ended 31 March 2018

	Unaudited							
	Equity attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 July 2017 (Audited)	38,415	514,346	-	28	(354,704)	198,085	4,185	202,270
(Loss)/Profit for the period	-	-	-	-	(9,472)	(9,472)	21,171	11,699
Other comprehensive income Item that may be reclassified subsequently to profit and loss: Exchange difference on translation of financial statements of foreign operation	-	-	-	73	-	73	98	171
Total comprehensive income for the period	-	-	-	73	(9,472)	(9,399)	21,269	11,870
Dividend paid to non-controlling interests	-	-	-	-	-	-	(5,880)	(5,880)
Share premium reduction	-	(514,346)	-	-	514,346	-	-	-
Transaction with owners	-	(514,346)	-	-	514,346	-	-	-
Balance at 31 March 2018 (Unaudited)	38,415	-	-	101	150,170	188,686	19,574	208,260
Balance at 1 July 2016, as restated	32,015	458,371	9,482	33,914	(417,281)	116,501	3,626	120,127
Profit for the year, as restated	-	-	-	-	69,427	69,427	-	69,427
Other comprehensive income, as restated Item that may be reclassified subsequently to profit or loss: Exchange loss on translation of financial statements of foreign operations	-	-	-	(3,346)	-	(3,346)	(191)	(3,537)
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(30,569)	-	(30,569)	-	(30,569)
Total comprehensive income for the year, as restated	-	-	-	(33,915)	69,427	(33,915)	(191)	(34,106)
Issue of shares upon share placing, net of share placing expenses	6,400	55,975	-	-	-	62,375	-	62,375
Disposal of subsidiaries	-	-	(9,482)	-	9,482	-	(3,435)	(3,435)
Transactions with owners, as restated	6,400	55,975	(9,482)	-	9,482	62,375	(3,435)	58,940
Balance at 31 March 2017, as restated	38,415	514,346	-	(1)	(338,372)	214,388	-	214,388



## BUSINESS AND FINANCIAL REVIEW

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:

### Continuing operations

During the Period, the Group recorded a revenue of approximately HK\$60,242,000 (2017: HK\$35,703,000) representing a increase of 68.7% as compared to that in previous corresponding period. The newly acquired Fund Management Service Segment contributed approximately HK\$55,733,000 and the Money Lending Segment and the Advisory Services Segment contributed approximately HK\$2,605,000 and HK\$1,904,000 respectively (2017: HK\$14,458,000 and HK\$21,245,000). The turnover of the Money Lending Segment and the Advisory Services Segment are decreased because of the decreased interest income and consultancy fee income.

The staff costs for the Period were approximately HK\$2,836,000 (2017: HK\$2,287,000), representing an increase of approximately 24%.

The other operating expenses for the Period are approximately HK\$3,914,000 (2017: HK\$2,829,000), representing an increase of approximately 38.4%. The increase is due to the increase in other operating expenses incurred from the newly acquired Fund Management Service Segment.

The Group recorded approximately HK\$35,134,000 finance costs for the nine month ended 31 March 2018 (2017: HK\$5,244,000). The increase in finance costs was mainly due to the increase in cost of borrowings of the Group as the Group required such borrowings to finance the acquisition of the Fund Management Services Segment in April 2017 and for expansion of Money Lending Segment.



## Discontinued Operations

The Group recorded a profit of approximately HK\$41,023,000 for the nine months ended 31 March 2017.

## Profit for the Period

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax from continuing operations of approximately HK\$18,358,000 for the nine months ended 31 March 2018 (2017: HK\$25,343,000).

In line with the increase in taxable profit, income tax expenses from continuing operations increased to approximately HK\$6,659,000 for the nine months ended 31 March 2018 (2017: income tax credit approximately HK\$3,061,000).

As a result, the Group had recorded a profit after tax from continuing operations of approximately HK\$11,699,000 for the nine months ended 31 March 2018 (2017: HK\$28,404,000).

## Exposure to exchange rate risks

For the period ended 31 March 2018, the Group's principal business from the continuing operations was transacted in HK\$, and in order to minimise the impact of fluctuations of exchange rate of RMB against HK\$ the Board had changed the functional currency and presentation currency of the Company from RMB to HK\$ this year.

## Employee information

For the period ended 31 March 2018, there are around 10 staff and the staff cost, excluding directors' remuneration, amounted to 1,765,000 (2017: HK\$1,294,000) from the continuing operations. The employee remuneration was commensurate with individual performance and experience and subject to the periodic review of the senior management of the Company.


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

## BUSINESS UPDATES AND OUTLOOK

### 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 ended 31 March 2018, there were 3 borrowers and the total loan portfolio of approximately HK\$34 million, 66.7% of the loan portfolio were loans to corporate customers. The borrowers included both private and public companies and with industries covering manufacturing, money lending and property project development.

The interest income decreased by approximately 82% from approximately HK\$14.5 million from the period ended 31 March 2017 to approximately HK\$2.6 million for the period ended 31 March 2018. As at 31 March 2018, the outstanding loan receivable balance amounted to approximately HK\$5 million due from an individual.



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.

Under the current low interest rate environment, the Group is optimistic that this segment will generate positive cash flow from its operations. To cope with the keen competition with about 2,000 money lenders license in the market as at 31 March 2018 (according to the list of existing money lenders license), the Company will continue to cooperate with new and more business partners diversify clients' portfolio and explore new business opportunities.

### **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. We are confident in our business diversification and expansion and the growth of interest income and its yield that will create sound financial results and performance for our shareholders and stakeholders in years to come.



## 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 ended 31 March 2018, this segment recorded revenue of approximately HK\$1.9 million (2017: HK\$21.2 million) from 5 corporate clients. The decrease in revenue was due to decrease in large scale projects identified by the Group, therefore the consultancy fees income has decreased accordingly.

Despite an uncertain start of 2016, the global economy has been recovering steadily leading by the economic rebound of the United States. Under the PRC’s “One Belt One Road” strategy, we expect more cross-border business activities to arise. The Board believes that it will booster the demands for our provision of consultancy services and company secretarial services in Hong Kong, which is a bridge connecting the PRC and the world with well-established stock exchange and financial infrastructure. As the Group has the required resources and expertise in this aspect, the Board is confident that its provision of consultancy services and company secretarial services business can take advantage of this situation and receive a stable grow in the coming years.

## 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. The funds managed by the Investment Manager have been honored with various awards in 2015, including “Best Fund in Asia” at the Alternative Investment Awards, “Leading Fund Manager of the Year” at the ACQ Global Awards, and “Best Asia Pacific Focused Long/Short Equity Fund” at the Corporate LiveWire Global Fund Awards.

Major funds managed by the Investment Manager include (i) TAR Private Equity Fund L.P.; (ii) TAR Capital Fund SPC and (iii) 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 Private Equity Fund L.P.***

TAR Private Equity Fund L.P. is an exempted limited partnership established in accordance with the Exempted Limited Partnership Law, 2014 of the Cayman Islands.

The purpose of TAR Private Equity Fund L.P. 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 general partner that operate in or derive significant business opportunities from the financial services, natural resources and/or property investments sectors with parameters as set out in the relevant limited partnership agreement. The investment can be in form of equity investments and/or debt instruments.

**(ii) *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.




### ***(iii) 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 three 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 31 March 2018, these funds mainly invested in property and debt instruments. The Investment Manager derives income from fund management fees, consultancy fee, administration fee and/or performance fee. For the period ended 31 March 2018, this segment recorded fees income of approximately HK\$55.7 million. This segment was newly acquired in April 2017 and no comparison figures can be provided. As at the period ended 31 March 2018, the total asset under management (the "AUM") was approximately HK\$1,775,000,000. During the period ended 31 March 2018, upon the close of TAR Private Equity Fund L.P. with AUM amounting HK\$975,000,000 in December 2017, the Investment Manager received a performance bonus amounting approximately US\$2,873,000 (equivalent to approximately HK\$22,409,400) and; TAR Opportunities Fund SPC – TAR High Value Fund SP IV with AUM amounting HK\$450,000,000 opened in September 2017.

## Conclusion

The Board believes that the money lending industry will provide the Group an opportunity to obtain a higher return under the current low interest rate environment and will generate satisfactory revenue for the Group. The Group is optimistic that the money lending and advisory services business will have positive profit and will generate positive cash flow from operations.

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.

## **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 31 March 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 31 March 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:

<b>Name</b>	<b>Number and class of securities</b>	<b>Capacity</b>	<b>Approximate percentage to the issued share capital of the Company</b>
Dream Star International Limited ("Dream Star") (Note 1)	877,685,714 ordinary shares	Beneficial owner	22.85%
Kiyuhon Limited ("Kiyuhon") (Note 1)	877,685,714	Interest of controlled corporation	22.85%
Mr. Wang Linjia ("Mr. Wang") (Note 1)	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 31 March 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 nine months ended 31 March 2018.

## **CORPORATE GOVERNANCE**

For the nine months ended 31 March 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 nine months ended 31 March 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 nine months ended 31 March 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 nine months ended 31 March 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 which 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. 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 May 2018

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