



COMBEST HOLDINGS LIMITED
康佰控股有限公司*

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

Interim Report 2016/17

* For identification purposes only

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

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

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

HIGHLIGHTS

The financial highlights of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2016 (the “Period”) are presented as follows:

| | Continuing operations | | Discontinued operations | | Total | |
|--|------------------------|------------------------|-------------------------|------------------------|------------------------|------------------------|
| | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> |
| Revenue | 27,161 | – | 15,259 | 40,804 | 42,420 | 40,804 |
| Profit/(Loss) for the period attributable to owners of the Company | 59,344 | (2,868) | (6,751) | (6,563) | 52,593 | (9,431) |
| Earnings/(Loss) per share – basic and diluted | 1.82 cent | (0.09) cents | (0.21) cent | (0.2) cents | 1.61 cent | (0.29) cent |

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 six months ended 31 December 2016 (“corresponding periods in 2015”) as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Unaudited | | | |
|---|-------|--------------------|---------|------------------|---------|
| | | Three months ended | | Six months ended | |
| | | 31 December | | 31 December | |
| | | 2016 | 2015 | 2016 | 2015 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Continuing operations: | | | | | |
| Revenue | 3 | 5,751 | - | 27,161 | - |
| Other income and gains | 3 | 37,692 | - | 37,692 | - |
| Administrative expenses | | (2,737) | (1,847) | (3,840) | (2,868) |
| Finance costs | | (544) | - | (928) | - |
| Profit /(Loss) before income tax | 5 | 40,162 | (1,847) | 60,085 | (2,868) |
| Income tax credit/(expense) | 6 | 2,758 | - | (741) | - |
| Profit /(Loss) after income tax from continuing operations | | 42,920 | (1,847) | 59,344 | (2,868) |
| Discontinued operations: | | | | | |
| Loss for the period from discontinued operations | 8 | (2,551) | (3,049) | (6,892) | (6,569) |
| Profit/(loss) for the period | | 40,369 | (4,896) | 52,452 | (9,437) |

| | | Unaudited | | | |
|-------|--|-----------------------------------|----------------|---------------------------------|----------------|
| | | Three months ended 31 December | | Six months ended 31 December | |
| | | 2016 | 2015 | 2016 | 2015 |
| Notes | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | Other comprehensive income for the period: | | | | |
| | Item that may be reclassified subsequently to profit or loss: | | | | |
| | Exchange (loss)/gain on translation of financial statements of foreign operations | (3,026) | 287 | (2,467) | 336 |
| | Total comprehensive income for the period | 37,343 | (4,609) | 49,985 | (9,101) |
| | Profit/(Loss) for the period attributable to: | | | | |
| | Owners of the Company | 40,422 | (4,906) | 52,593 | (9,431) |
| | Non-controlling interests | (53) | 10 | (141) | (6) |
| | | 40,369 | (4,896) | 52,452 | (9,437) |
| | Total comprehensive income attributable to: | | | | |
| | Owners of the Company | 37,397 | (4,619) | 50,126 | (9,094) |
| | Non-controlling interests | (54) | 10 | (141) | (7) |
| | | 37,343 | (4,609) | 49,985 | (9,101) |
| | Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period | | | | |
| | – Basic and Diluted | | | | |
| | (<i>RMB cent(s)</i>) | 1.22 cent | (0.15) cent | 1.61 cent | (0.29) cent |

9

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December 2016 | 30 June 2016 |
|---|--------------|-----------------------------|-----------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (audited) |
| ASSETS AND LIABILITIES | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 67 | 2,328 |
| Intangible assets | 11 | 1,035 | 19,762 |
| Goodwill | 12 | 54,022 | 53,981 |
| | | 55,124 | 76,071 |
| CURRENT ASSETS | | | |
| Inventories | 13 | – | 55,201 |
| Trade receivables | 14 | – | 2,878 |
| Loan receivable | 15 | 46,576 | 183,477 |
| Prepayments, deposits and other receivables | | 430,021 | 36,881 |
| Cash and cash equivalents | | 255,358 | 18,365 |
| | | 731,955 | 296,802 |
| CURRENT LIABILITIES | | | |
| Trade payables | 16 | – | 10,966 |
| Other payables, deposits and accruals | | 1,696 | 31,964 |
| Interest-bearing borrowings | | 543,509 | 155,095 |
| Promissory notes | | 57,379 | 57,345 |
| Provision for product warranty | | – | 368 |
| Tax payables | | 3,409 | 8,900 |
| | | 605,993 | 264,638 |

| | 31 December | 30 June |
|--|--------------------|----------------|
| | 2016 | 2016 |
| <i>Notes</i> | RMB'000 | RMB'000 |
| | (Unaudited) | (audited) |
| NET CURRENT ASSETS | 125,962 | 32,164 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 181,086 | 108,235 |
| NON-CURRENT LIABILITIES | | |
| Provision for product warranty | – | 189 |
| Deferred tax liabilities | – | 4,683 |
| | – | 4,872 |
| NET ASSETS | 181,086 | 103,363 |
| EQUITY | | |
| Equity attributable to owners of the Company | | |
| Share capital | 36,593 | 30,860 |
| Reserves | 144,493 | 69,304 |
| | 181,086 | 100,164 |
| Non-controlling interests | – | 3,199 |
| TOTAL EQUITY | 181,086 | 103,363 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited | |
|--|---|------------------------|
| | For the six months ended 31 December | |
| | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> |
| Net cash outflow from operating activities | (266,625) | (20,752) |
| Net cash inflow/(outflow) from investing activities | 57,461 | (42) |
| Net cash inflow from financing activities | 443,683 | – |
| Net increase/(decrease) in cash and cash equivalents | 234,519 | (20,794) |
| Cash and cash equivalents at beginning of the period | 18,365 | 26,296 |
| | 252,884 | 5,502 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 2,474 | 336 |
| Cash and cash equivalents at end of the period | 255,358 | 5,838 |
| Analysis of the balances of cash and cash equivalents: | | |
| Cash and bank balances | 255,358 | 5,838 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

| | Unaudited | | | | | | | | |
|---|--|----------------|---------------------|-------------------------------|---------------------|----------------|----------|---------------------------|--------------|
| | Equity attributable to owners of the Company | | | | | | | Non-controlling interests | Total equity |
| | Share capital | Share premium* | Statutory reserves* | Exchange fluctuation reserve* | Accumulated losses* | Total | | | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Balance at 1 July 2016 | 30,860 | 419,537 | 8,268 | 4,011 | (362,512) | 100,164 | 3,199 | 103,363 | |
| Placing of new shares | 5,733 | 51,596 | - | - | - | 57,329 | - | 57,329 | |
| Disposal of subsidiaries | - | - | (8,268) | (26,533) | 8,268 | (26,533) | (3,058) | (29,591) | |
| Transactions with owners | 5,733 | 51,596 | (8,268) | (26,533) | 8,268 | 30,796 | (3,058) | 27,738 | |
| Profit/(Loss) for the period | - | - | - | - | 52,593 | 52,593 | (141) | 52,452 | |
| Other comprehensive income | | | | | | | | | |
| Item that may be reclassified subsequently to profit and loss: | | | | | | | | | |
| Exchange difference on translation of financial statements of foreign operation | - | - | - | (2,467) | - | (2,467) | - | (2,467) | |
| Total comprehensive income for the period | - | - | - | (2,467) | 52,593 | 50,126 | (141) | 49,985 | |
| Balance at 31 December 2016 | 36,593 | 471,133 | - | (24,989) | (301,651) | 181,086 | - | 181,086 | |
| Balance at 1 July 2015 | 30,860 | 419,537 | 8,268 | 3,925 | (290,748) | 171,842 | 3,637 | 175,479 | |
| Loss for the period | - | - | - | - | (9,431) | (9,431) | (6) | (9,437) | |
| Other comprehensive income | | | | | | | | | |
| Item that may be reclassified subsequently to profit and loss: | | | | | | | | | |
| Exchange difference on translation of financial statements of foreign operation | - | - | - | 337 | - | 337 | (1) | 336 | |
| Total comprehensive income for the period | - | - | - | 337 | (9,431) | (9,094) | (7) | (9,101) | |
| Balance at 31 December 2015 | 30,860 | 419,537 | 8,268 | 4,262 | (300,179) | 162,748 | 3,630 | 166,378 | |

* These reserve accounts comprise the consolidated reserves of approximately RMB144,493,000 (30 June 2016: RMB69,304,000) in the condensed consolidated statement of financial position.

Notes:

1. General information

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

2. Basis of presentation

The unaudited condensed consolidated results incorporate those of the Company and its subsidiaries for the six months ended 31 December 2016.

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 2016.

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

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

The results of the Company are presented in Renminbi (“RMB”), which is different from the functional currency of the Company, Hong Kong dollars (“HK\$”), as the Directors consider that RMB is the most appropriate presentation currency in view of the most of the underlying transactions of the Group are denominated in RMB.

3. Revenue, other income and gains

Revenue, represents the net invoiced value of goods sold and services rendered, after allowances for return and trade discounts, where applicable and loan interest income. An analysis of the Group's revenue and other income for the six months ended 31 December 2016 and 2015 is as follows:

| | Unaudited | | | | | |
|----------------------------------|--------------------------------------|----------------|-------------------------|----------------|----------------|----------------|
| | For the six months ended 31 December | | | | | |
| | Continuing operations | | Discontinued operations | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | | | | | | |
| Sales of goods | - | - | 15,259 | 40,804 | 15,259 | 40,804 |
| Loan interest income | 11,742 | - | - | - | 11,742 | - |
| Advisory services income | 15,419 | - | - | - | 15,419 | - |
| | <u>27,161</u> | <u>-</u> | <u>15,259</u> | <u>40,804</u> | <u>42,420</u> | <u>40,804</u> |
| Total | | | | | | |
| Other income | | | | | | |
| Bank interest income | - | - | 77 | 36 | 77 | 36 |
| Gain on disposal of subsidiaries | 37,692 | - | - | - | 37,692 | - |
| | <u>37,692</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,692</u> | <u>-</u> |

4. Segment information

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

- (a) Money lending represents provision of credit; and
- (b) Advisory services includes provision of consultancy services, and company secretarial services.

4. Segment information (Continued)

| | Unaudited six months ended 31 December | | | | | |
|--|--|-----------|--------------------|-----------|--------------------|-----------|
| | Money lending | | Advisory Service | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | | | | | | |
| – From external customers | | | | | | |
| Reportable segment revenue | 11,742 | – | 15,419 | – | 27,161 | – |
| Reportable segment profit (continuing operations) | 11,724 | – | 14,996 | – | 26,720 | – |
| | 31 December | 30 June | 31 December | 30 June | 31 December | 30 June |
| | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Reportable segment assets | 283,237 | 183,477 | 493,337 | 53,982 | 776,574 | 237,459 |
| Reportable segment liabilities | 155,968 | 154,876 | 390,075 | 222 | 546,043 | 155,098 |

4. Segment information (Continued)

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

| | Unaudited six months ended | |
|---|-----------------------------------|----------------|
| | 31 December | |
| | 2016 | 2015 |
| | RMB'000 | <i>RMB'000</i> |
| Reportable segment revenue (Continuing operation) | 27,161 | – |
| Discontinued operation | | |
| – Sales of goods: | | |
| Functional healthcare products and OEM consumer electronic components | 15,259 | 40,804 |
| | 42,420 | 40,804 |
| Reportable segment profit/(loss) | 26,720 | (6,858) |
| Unallocated income | 37,692 | 36 |
| Unallocated expenses | (4,327) | (2,880) |
| Profit/(Loss) before income tax | 60,085 | (9,702) |

4. Segment information (Continued)

| | 31 December 2016 RMB'000 (Unaudited) | 30 June 2016 RMB'000 (Audited) |
|---------------------------------------|---|---|
| Reportable segment assets | 776,574 | 354,486 |
| Other corporate assets | 10,505 | 18,387 |
| Group assets | 787,079 | 372,873 |
| Reportable segment liabilities | 546,043 | 197,117 |
| Tax payables | - | 8,900 |
| Deferred tax liabilities | - | 4,683 |
| Promissory notes | 57,379 | 57,345 |
| Other corporate liabilities | 2,571 | 1,465 |
| Group liabilities | 605,993 | 269,510 |

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

| | Revenue from external customers | | | | Non-current assets | |
|-------------------------------|---|---|---|---|---|---|
| | Continuing operation | | Discontinued operation | | | |
| | 31 December 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Unaudited) | 30 June 2016 RMB'000 (Audited) |
| Principal markets | | | | | | |
| The PRC (Country of domicile) | - | - | 11,055 | 34,288 | - | 22,090 |
| Hong Kong | 27,161 | - | 1,729 | 3,290 | 55,124 | 53,981 |
| Taiwan | - | - | 2,475 | - | - | - |
| Europe | - | - | - | 3,226 | - | - |
| | 27,161 | - | 15,259 | 40,804 | 55,124 | 76,071 |

4. Segment information (Continued)

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

5. Profit/(Loss) before income tax

The Group's profit/(loss) before income tax is arrived at after charging:

| | Unaudited | | | | | |
|---|------------------------------|---------|-------------------------|---------|---------|--------|
| | Six months ended 31 December | | | | | |
| | Continuing operations | | Discontinued operations | | 2016 | 2015 |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Cost of inventories sold/ services provided | - | - | 14,621 | 26,102 | 14,621 | 26,102 |
| Depreciation | 50 | - | 267 | 1,127 | 317 | 1,127 |
| Amortisation of intangible assets | - | - | - | 2,752 | - | 2,752 |
| Staff costs (including directors' remuneration and retirement scheme contribution) | 818 | 1,900 | 3,558 | 7,913 | 4,376 | 9,813 |
| Interest income | - | - | 77 | - | 77 | 36 |
| Gain on disposal of subsidiaries | 37,692 | - | - | - | 37,692 | - |

6. Income tax (credit)/expense

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

An analysis of the Group's income tax (credit)/expense for the six months ended 31 December 2016 and 2015 is as follows:

| | Unaudited | | | | | |
|-----------------------------------|------------------------------|----------|------------------------|--------------|------------|--------------|
| | Six months ended 31 December | | | | | |
| | Continuing operation | | Discontinued operation | | | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Hong Kong | 741 | - | - | - | 741 | - |
| PRC income tax | - | - | - | 423 | - | 423 |
| Deferred tax | - | - | - | (688) | - | (688) |
| Total income tax (credit)/expense | <u>741</u> | <u>-</u> | <u>-</u> | <u>(265)</u> | <u>741</u> | <u>(265)</u> |

7. Interim dividends

The Board did not recommend the payment of an interim dividend for the six months ended 31 December 2016 (corresponding period in 2015: Nil).

8. 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 (equivalent to RMB86,088,000).

The Group re-presented the results of discontinued operations for the corresponding period in 2016 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 | |
|---|---|----------------|
| | Six months ended 31 December | |
| | 2016 | 2015 |
| | RMB'000 | <i>RMB'000</i> |
| Revenue | 15,259 | 40,804 |
| Cost of sales | (14,621) | (26,102) |
| Gross profit | 638 | 14,702 |
| Other income and gains | 77 | 36 |
| Selling and distribution costs | (5,433) | (10,621) |
| Administrative expenses | (2,174) | (10,951) |
| Loss before income tax | (6,892) | (6,834) |
| Income tax credit | - | 265 |
| Loss for the period from discontinued operations | (6,892) | (6,569) |
| Operating cash flows | (28,646) | (20,752) |
| Investing cash flows | - | (42) |
| Financing cash flows | - | - |
| Net decrease in cash flows | (28,646) | (20,794) |

9. Earnings/(Loss) per share

Basic

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company is based on the profit/(loss) for the three months and six months ended 31 December 2016 of approximately RMB40,422,000 and RMB52,593,000, respectively (loss for the three months and six months ended 31 December 2015: RMB4,906,000 and RMB9,431,000, respectively) and the weighted average of the 3,312,804,348 ordinary shares and 3,257,152,174 ordinary shares in issue during the three months and six months ended 31 December 2016 (three months and six months ended 31 December 2015: the weighted average of the 3,201,500,000 ordinary shares and 3,201,500,000 ordinary shares respectively).

From continuing operations

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

| | Unaudited | | | |
|---|-----------------------------------|----------------|---------------------------------|----------------|
| | Three months ended 31 December | | Six months ended 31 December | |
| | 2016 | 2015 | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit/(Loss) for the period attributable to owners of the Company | 42,920 | (1,847) | 59,344 | (2,868) |
| Less: Loss for the period from discontinued operations attributable to owners of the Company | <u>(2,498)</u> | <u>(3,059)</u> | <u>(6,751)</u> | <u>(6,563)</u> |
| Profit/(Loss) for the period for the purpose of basic earnings per share from continuing operations attributable to owners of the Company | <u>40,422</u> | <u>(4,906)</u> | <u>52,593</u> | <u>(9,431)</u> |

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

9. Earnings/(Loss) per share (Continued)

Basic (Continued)

From discontinued operations

Basic loss per share from the discontinued operations was RMB0.08 and RMB0.21 cents per share for the three months and six months ended 31 December 2016 (loss per share of RMB0.10 and RMB0.20 cents per share for the three months and six months ended 31 December 2015), which was calculated based on the loss from the discontinued operations of RMB2,498,000 and RMB6,751,000 for the three months and six months ended 31 December 2016 (loss of RMB3,059,000 and RMB6,563,000 for the three months and six months ended 31 December 2015). The denominators used are the same as those detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

Diluted

No diluted earnings per share are presented for the three months and six months ended 31 December 2016 and 2015 as there is no dilutive ordinary share.

10. Property, plant and equipment

During the six months ended 31 December 2016, the Group has approximately RMB67,000 plant and machinery on hand (as at 30 June 2016: RMB2,328,000).

11. Intangible assets

| | Total <i>RMB'000</i> |
|---|--------------------------------|
| Balance at 1 July 2016 | 19,762 |
| Purchase of net assets (<i>note 17</i>) | 1,035 |
| Disposal of subsidiaries (<i>note 18</i>) | (19,762) |
| At 31 December 2016 | 1,035 |

12. Goodwill

| | 31 December 2016 RMB'000 (Unaudited) | 30 June 2016 RMB'000 (Audited) |
|-----------------------------|---|---|
| Opening | 53,981 | – |
| Acquisition of subsidiaries | – | 53,981 |
| Net exchange difference | 41 | – |
| | <hr/> | <hr/> |
| Closing net carrying amount | 54,022 | 53,981 |
| | <hr/> | <hr/> |

13. Inventories

| | 31 December 2016 RMB'000 (Unaudited) | 30 June 2016 RMB'000 (Audited) |
|------------------|---|---|
| Raw materials | – | 13,017 |
| Work in progress | – | 25,904 |
| Finished goods | – | 16,280 |
| | <hr/> | <hr/> |
| | – | 55,201 |
| | <hr/> | <hr/> |

14. Trade receivables

The credit period is generally for a period of one to three months, extending up to three to six months for certain major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

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

| | 31 December 2016 RMB'000 (Unaudited) | 30 June 2016 RMB'000 (Audited) |
|--------------------------|---|---|
| Within one month | – | 598 |
| One to three months | – | 1,609 |
| Three months to one year | – | 662 |
| Over one year | – | 9 |
| | <hr/> | <hr/> |
| | – | 2,878 |
| | <hr/> <hr/> | <hr/> <hr/> |

15. Loan receivable

| | 31 December 2016 RMB'000 (Unaudited) | 30 June 2016 RMB'000 (Audited) |
|--------------------------------|---|---|
| Fixed-rate loan receivable | | |
| – On demand or within one year | 46,576 | 183,477 |
| | <hr/> <hr/> | <hr/> <hr/> |

During the period ended 31 December 2016, the range of interest rate on the Group's loan receivable is 12% to 24% per annum.

16. Trade payables

An aging analysis of the trade payables, based on invoice dates, is as follows:

| | 31 December 2016 RMB'000 (Unaudited) | 30 June 2016 RMB'000 (Audited) |
|--------------------------|---|---|
| Within one month | - | 1,175 |
| One to three months | - | 2,888 |
| Three months to one year | - | 5,967 |
| Over one year | - | 936 |
| | <hr/> | <hr/> |
| | - | 10,966 |
| | <hr/> <hr/> | <hr/> <hr/> |

17. Assets acquisition

On 8 August 2016, the Group acquired 100% equity interest in Create World Enterprises Development Limited ("Create World"), a company engaged in holding a motor vehicle and vehicle registration mark, and Create World is the registered and beneficial owner of motor vehicle and vehicle registration mark. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the Directors are of the opinion that the acquisition of Create World was a purchase of net assets which did not constitute a business combination for accounting purpose.

17. Assets acquisition (Continued)

| | Acquiree's carrying amount <i>RMB\$'000</i> | Fair value <i>RMB\$'000</i> |
|--|--|--------------------------------|
| Property, plant and equipment | 127 | 127 |
| Intangible asset | 1,035 | 1,035 |
| Net assets | 1,162 | 1,162 |
| Net assets acquired | | 1,162 |
| Satisfied by: | | |
| Cash consideration | | 1,162 |
| Net cash outflow arising on acquisition: | | |
| Purchase consideration settled in cash | | 1,162 |

18. Disposal of subsidiaries

On 28 October 2016, the Group has disposed entire interest in Diamond Globe Investments Limited ("DGI") and its subsidiaries Well Sources Enterprises Ltd., Jie Dong Goldmond Electronics Ltd., Well Wisdom Ltd., Jiedong Combest Healthy Lifestyle Products Co. Ltd., Zhuhai Hengqin Combest Enterprise Management Ltd., Jieyang Combest Enterprises Management Co., Ltd., Shanghai Combest Enterprises Management Co. Ltd., Beijing Combest Corporate Management Co. Ltd., Beijing Century Investment Advisory Co., Ltd., Combest China Group Ltd., Many Well Holdings Ltd., Perfect Crown Enterprises Ltd. (collectively the "DGI Group"), to its substantial shareholder, Mr. Wang Linjia ("Mr. Wang") for a cash consideration of HK\$100,000,000 (equivalent to RMB86,088,000). The principal activities of these subsidiaries are the manufacture, trading and sale of functional healthcare products and OEM consumer electronics components.

18. Disposal of subsidiaries (Continued)

| | 2016 <i>RMB'000</i> |
|---|------------------------|
| Net asset disposed of: | |
| Property, plant and equipment | 2,115 |
| Intangible assets | 19,762 |
| Cash at banks and in hand | 27,465 |
| Trade receivables | 2,201 |
| Inventories | 50,535 |
| Prepayments, deposits and other receivables | 13,584 |
| Trade payables | (7,512) |
| Other payables, deposits and accruals | (22,349) |
| Provision of warranty-connect portion | (368) |
| Tax payable | (2,574) |
| Provision of warranty | (189) |
| Deferred tax liabilities | (4,683) |
| Non-controlling interests | (3,058) |
| | <hr/> |
| | 74,929 |
| Release of exchange fluctuation reserve upon disposal | (26,533) |
| Gain on disposal of subsidiaries | 37,692 |
| | <hr/> |
| | 86,088 |
| | <hr/> |
| Satisfied by: | |
| Cash | 86,088 |
| | <hr/> |

An analysis of the net cash inflow arising from disposal of subsidiaries is as follows:

| | 2016 <i>RMB'000</i> |
|---|------------------------|
| Cash consideration | 86,088 |
| Cash and cash equivalents disposed of | (27,465) |
| | <hr/> |
| Net inflow of cash and cash equivalents | 58,623 |
| | <hr/> |

19. Share capital

| | 2016 | | 2015 | |
|----------------------------------|-----------------------|----------------|-----------------------|---------|
| | Number of shares '000 | RMB'000 | Number of shares '000 | RMB'000 |
| <i>Authorised:</i> | | | | |
| Ordinary shares of HK\$0.01 each | <u>20,000,000</u> | <u>210,000</u> | 20,000,000 | 210,000 |
| <i>Issued and fully paid:</i> | | | | |
| Ordinary shares of HK\$0.01 each | <u>3,841,500</u> | <u>36,593</u> | 3,201,500 | 30,860 |

On 16 December 2016, the Company placed 640,000,000 placing shares at a price of HK0.1 per placing shares to not less than 6 Placeses under the General Mandate.

20. Related party transactions

(a) Compensation of key management personnel

| | Unaudited | |
|---|--|-----------------|
| | Six months ended 31 December 2016 RMB'000 | 2015 RMB'000 |
| Total remuneration of directors and other members of key management during the period | | |
| – short-term employee benefits | <u>569</u> | <u>1,836</u> |

FINANCIAL REVIEW

For the six months ended 31 December 2016, the Group recorded a revenue of continuing operations RMB27,161,000.

The unaudited profit attributable to owners of the Company for the six months ended 31 December 2016 amounted to RMB52,593,000, as compared to a loss of RMB9,431,000 for the previous corresponding period. The profit derived from the segment of money lending and the segment of advisory services approximately RMB11,724,000 and RMB14,996,000 respectively.

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. As at 31 December 2016, the cash and bank balances of the Group amounted to approximately RMB255,358,000 (30 June 2016: RMB18,365,000) and the net current assets of the Group amounted to approximately RMB125,962,000 (30 June 2016: RMB32,164,000).

With such resources, the Company has adequate financial resources for its operations.

Charges on the Group's asset

As at 31 December 2016, the shares of one of the subsidiary, Giant Goal Limited, was pledged to Grand Castle Limited as a collateral of promissory notes issued in respect of the disclosable transaction published on 4 January 2016 and the shares of one of the subsidiary, Huge Rich Finance Limited was pledged to the lender as a collateral in order to obtain a loan facility for expanding the money lending business (30 June 2016: Same).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of other borrowings and long term debts over total assets. As at 31 December 2016, the gearing ratio as a percentage of other borrowings over total assets was 76.3% (30 June 2016: 57.0%).

Treasury policies and capital structure

Any surplus funds derived from operating activities will be placed in savings accounts and short term time deposits with original maturity of less than three months which secures the Group's liquidity position in meeting its daily operating needs.

Exposure to exchange rate risks

For the six months ended 31 December 2016, the Group's business were transacted in HK\$, US dollar and RMB. The Board considers that the Group did not have significant exposure to foreign exchange fluctuation as the management monitors the related foreign currency closely and will consider hedging significant foreign currency exposure, if necessary.

Contingent liabilities

As at 31 December 2016, the Group and the Company did not have any significant contingent liabilities (30 June 2016: Nil).

Details of future plans for material investment or capital assets

The Group does not have any plan for material investment or capital assets.

Employee and remuneration policies

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 REVIEW AND OUTLOOK

We are currently principally engaged in two business segments, namely (i) money lending represents, provision of credits; and (ii) advisory services includes provision of consultancy services and company secretarial services.

Money Lending

Money lending represents, provision of credit, business will continue to be one of the major business segments of the Group and contribute stable interest income to the Group. The Group will further develop this business segment, diversify the customer portfolio and seek new opportunities to cooperate with its business partners.

Advisory Services

The Group has successfully identified a group of corporate clients and has been delivering on-going advisory services includes provision of consultancy services and company secretarial services. With the mission to be one of the prestigious consultancy firms in the industry, the Group 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 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 gross profit and will generate positive cash flow from operations.

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

Reference is made to the announcements of the Company dated 1 December 2016. The Company has placed 640,000,000 new placing shares at a price of HK\$0.1 per placing shares to not less than 6 places under the general mandate. The net proceeds will be used for Group's business development and/or working capital and general corporate purposes.

On 6 January 2017, the Company has re-paid HK\$70,000,000 and HKD\$180,000,000 with accrued interests respectively to settle the promissory notes and the loans under a loan facility created from the acquisition of subsidiaries related to money lending and consultancy service business on 6 January 2016.

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

As at 31 December 2016, except for the disclosed above, 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 December 2016, the persons, other than a director or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and who were, directly or indirectly, interested in 10% or more of the shares were as follows:

| Name | Number and class of securities | Capacity | Approximate percentage to the issued share capital of the Company |
|---|--------------------------------|--|---|
| Dream Star International Limited ("Dream Star") (Note 1) | 474,285,714 ordinary shares | Beneficial owner | 12.35% |
| Famous Kindway Limited ("Famous Kindway") (Note 1) | 299,770,000 ordinary shares | Beneficial owner | 7.80% |
| Kiyuhon Limited ("Kiyuhon") (Note 1) | 103,630,000 774,055,714 | Beneficial owner Interest of controlled corporation | 2.70% 20.15% |
| Mr. Wang Linjia ("Mr. Wang") (Note 1) | 877,685,714 ordinary shares | Interest of controlled corporation | 22.85% |

Notes:

- The 474,285,714, 299,770,000 and 103,630,000 shares are registered in the name of Dream Star, Famous Kindway and Kiyuhon which are wholly owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the shares in which Dream Star, Famous Kindway and Kiyuhon are interested pursuant to the SFO.

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

As at 31 December 2016, the Company has not been notified of any other person (other than a director or the chief executive of the Company) having an interest or short position in the shares or the underlying shares of Company representing 5% or more of the issued share capital of the Company.

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 six months ended 31 December 2016.

CORPORATE GOVERNANCE

For the six months ended 31 December 2016, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practice of the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of the Stock Exchange, save as the following deviation.

Chairman and Chief Executive Officer

The Company has not yet adopted A.2.1. Under the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separated and would not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The Company does not presently have any officer with the title CEO. At present, Mr. 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 six months ended 31 December 2016.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the six months ended 31 December 2016.

COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2016.

AUDIT COMMITTEE

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

By Order of the Board
Combest Holdings Limited
Liu Tin Lap
Chairman

Hong Kong, 13 February 2017

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. Chan Ngai Sang, Kenny, Mr. Peter Van Tu Nguyen and Dr. Cheng Chak Ho as independent non-executive Directors.