



COMBEST HOLDINGS LIMITED
康佰控股有限公司*

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

First Quarterly Report
2017/18



* For identification purposes only



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

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

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

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

HIGHLIGHTS

The financial highlights of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 September 2017 (the “Period”) are presented as follows:

	Unaudited					
	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Revenue	14,007	25,652	–	13,835	14,007	39,487
(Loss)/profit for the period attributable to owners of the Company	(6,933)	19,782	–	(5,208)	(6,933)	14,574
(Loss)/earnings per share – basic and diluted	(0.18) cents	0.62 cents	N/A	(0.16) cents	(0.18) cents	0.46 cents

RESULTS

The Board of Directors (the "Board") wishes to announce the unaudited results of the Group for the Period, together with the unaudited comparative figures for the three months ended 30 September 2016 ("Corresponding period in 2016") as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited	
		Three months ended 30 September	
		2017	2016
		HK\$'000	<i>HK\$'000</i>
			(Restated)
Continuing operations:			
Revenue	3	14,007	25,652
Staff costs		(546)	(485)
Other operating expenses		(1,207)	(732)
Finance cost		(13,680)	(460)
(Loss)/profit before income tax		(1,426)	23,975
Income tax expenses	5	(1,287)	(4,193)
(Loss)/profit for the period from continuing operations		(2,713)	19,782
Discontinued operations:			
Loss for the period from discontinued operations		—	(5,314)
(Loss)/profit for the period		(2,713)	14,468

	Unaudited	
	Three months ended	
	30 September	
	2017	2016
<i>Notes</i>	HK\$'000	<i>HK\$'000</i> (Restated)
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of foreign operations	<u>39</u>	<u>(770)</u>
Total comprehensive income for the period	<u>(2,674)</u>	<u>13,698</u>
(Loss)/profit for the period attributable to:		
Owners of the Company		
(Loss)/profit for the period from continuing operations	(6,933)	19,782
Loss for the period from discontinued operations	<u>–</u>	<u>(5,208)</u>
	<u>(6,933)</u>	<u>14,574</u>
Non-controlling interests		
Profit for the period from continuing operations	4,220	–
Loss for the period from discontinued operations	<u>–</u>	<u>(106)</u>
	<u>4,220</u>	<u>(106)</u>
	<u>(2,713)</u>	<u>14,468</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 the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “SEHK”).

2. Basis of presentation

The unaudited condensed consolidated results incorporate those of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 September 2017.

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

The principal accounting policies and methods of computation used in the preparation of this 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 consolidated financial statements.



2. Basis of presentation (Continued)

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 30 September 2016 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.

3. Revenue (Continued)

An analysis of the Group's revenue for the three months ended 30 September 2017 and 2016 is as follows:

	Unaudited	
	Three months ended 30 September	
	2017	2016
	HK\$'000	<i>HK\$'000</i> (Restated)
Continuing operations Revenue		
Loan interest income	1,048	9,116
Advisory services income	1,134	16,536
Management fee income	11,825	–
	14,007	25,652
Discontinued operations		
Sale of goods	–	13,835
Total	14,007	39,487

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 three months ended 30 September 2017 is as follows:

	Unaudited											
	Continuing operations						Discontinued operations					
	Money lending		Advisory services		Fund management		Functional healthcare products		OEM consumer electronic products		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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)		(Restated)		(Restated)		(Restated)		(Restated)	
Revenue												
– From external customers												
Reportable segment revenue	1,048	9,116	1,134	16,536	11,825	–	–	12,076	–	1,759	14,007	39,487
Reportable segment profit/(loss) before tax	836	9,114	1,115	16,296	9,787	–	–	(5,284)	–	(235)	11,738	19,891
Depreciation of property, plant and equipment	–	–	–	30	–	–	–	235	–	5	–	270
Interest expenses on interest-bearing borrowings	746	460	–	–	1,370	–	–	–	–	–	2,116	460

4. Segment information (Continued)

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

	Unaudited	
	For the three months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
		(Restated)
Reportable segment revenue	14,007	39,487
Reportable segment profit	11,738	19,891
Unallocated expenses (<i>note</i>)	(13,164)	(1,230)
Segment loss before income tax from discontinued operations	–	5,314
(Loss)/profit before income tax from continuing operations	(1,426)	23,975

Note:

Unallocated expenses mainly included unallocated interest expenses.

5. Income tax expenses

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation interpretations and practices in respect thereof. An analysis of the Group's income tax expenses for the three months ended 30 September 2017 and 2016 is as follows:

	Unaudited					
	Three months ended 30 September					
	Continuing operations		Discontinued operations			
	2017	2016	2017	2016	2017	2016
<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)		(Restated)	
Hong Kong	112	4,193	-	-	112	4,193
Macau	1,175	-	-	-	1,175	-
Total income tax expenses	1,287	4,193	-	-	1,287	4,193

6. Dividends

The Board did not recommend the payment of a dividend for the three months ended 30 September 2017 and 2016.

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.

7. Discontinued operations (Continued)

The Group re-presented the results of discontinued operations for the corresponding period in 2016 in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. An analysis of the results of the discontinued operations included in the condensed consolidated financial statement are as follows:

	Unaudited	
	Three months ended 30 September	
	2017	2016
	HK\$'000	<i>HK\$'000</i> (Restated)
Revenue	–	13,835
Cost of sales	–	(13,000)
Gross profit	–	835
Other income and gains	–	91
Selling and distribution costs	–	(4,790)
Administrative expenses	–	(1,450)
Loss before income tax	–	(5,314)
Income tax expenses	–	–
Loss for the period from discontinued operations	–	(5,314)

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 ended 30 September 2017 of approximately HK\$6,933,000 (profit for the three months ended 30 September 2016: HK\$14,574,000) and the weighted average of the 3,841,500,000 ordinary shares in issue during the three months ended 30 September 2017 (three months ended 30 September 2016: the weighted average of the 3,201,500,000 ordinary shares).

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	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
		(Restated)
(Loss)/profit for the period attributable to owners of the Company	(6,933)	14,574
Less: Loss for the period from discontinued operations attributable to owners of the Company	—	5,208
(Loss)/profit for the period for the purpose of basic (loss)/earnings per share from continuing operations attributable to owners of the Company	(6,933)	19,782

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 loss per share from the discontinued operations was Nil per share for the three months ended 30 September 2017 (loss per share of HK0.16 cent per share for the three months ended 30 September 2016), which was calculated based on the loss from the discontinued operations of Nil for the three months ended 30 September 2017 (loss of HK\$5,208,000 for the three months ended 30 September 2016). 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)/earning per share are presented for the three months ended 30 September 2017 and 2016 was the same as the basic (loss)/earning per share as there is no dilutive ordinary share during the period.

9. Share capital and reserves

	Equity attributable to owners of the Company							
	Share capital	Share premium	Statutory reserves	Exchange reserve	(Accumulated losses)/ retained profit	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	–	–	–	–	(6,933)	(6,933)	4,220	(2,713)
Other comprehensive income								
Item that may be reclassified subsequently to profit and loss:								
Exchange gain on translation of financial statements of foreign operations	–	–	–	6	–	6	33	39
share premium reduction	–	(514,346)	–	–	514,346	–	–	–
Total comprehensive income for the period	–	(514,346)	–	6	507,413	(6,927)	4,253	(2,674)
Balance at 30 September 2017 (Unaudited)	38,415	–	–	34	152,709	191,158	8,438	199,596
Balance at 1 July 2016 as restated (Audited)	32,015	458,371	9,482	33,914	(417,281)	116,501	3,626	120,127
Profit/(loss) for the period	–	–	–	–	14,574	14,574	(106)	14,468
Other comprehensive income								
Item that may be reclassified subsequently to profit and loss:								
Exchange gain on translation of financial statements of foreign operations	–	–	–	(774)	–	(774)	4	(770)
Total comprehensive income for the period	–	–	–	(774)	14,574	13,800	(102)	13,698
Balance at 30 September 2016 (Unaudited)	32,015	458,371	9,482	33,140	(402,707)	130,301	3,524	133,825

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\$14,007,000 (2016: HK\$25,652,000) representing a decrease of 45.4% as compared to that in previous corresponding period. The newly acquired Fund Management Service Segment contributed approximately HK\$11,825,000 and the Money Lending Segment and the Advisory Services Segment contributed approximately HK\$1,048,000 and HK\$1,134,000 respectively (2016: HK\$9,116,000 and HK\$16,536,000). 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\$546,000 (2016: HK\$485,000), representing an increase of approximately 12.6%.

The other operating expenses for the Period are approximately HK\$1,207,000 (2016: HK\$732,000), representing an increase of approximately 64.9%. 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\$13,680,000 finance costs for the three month ended 30 September 2017 (2016: HK\$460,000). 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 loss of approximately HK\$5,314,000 for the three months ended 30 September 2016.

(Loss)/profit for the Period

As a cumulative effect of the foregoing factors, the Group recorded a loss before income tax from continuing operations of approximately HK\$1,426,000 for the three months ended 30 September 2017 (2016: profit of approximately HK\$23,975,000).

In line with the decrease in taxable profit, income tax expenses from continuing operations decreased to approximately HK\$1,287,000 for the three month ended 30 September 2017 (2016: approximately HK\$4,193,000).

As a result, the Group had recorded a loss after tax from continuing operations of approximately HK\$2,713,000 for the three months ended 30 September 2017 (2016: profit of approximately HK\$14,468,000).

BUSINESS OUTLOOK

Money Lending Segment

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. During the period ended 30 September 2017, this segment recorded revenue of approximately HK\$1,048,000 (2016: HK\$9,116,000). Such decrease was due to the decrease of interest income received. During the period ended 30 September 2017, the loan book amounted to approximately HK\$34,000,000 on average (2016: HK\$212,000,000). Loan customers are either corporate or individual with interest rate of 18% per annum on average. The Group will further develop this business segment, diversify the customer portfolio and seek new opportunities to cooperate with its business partners.

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 constituted a significant influence on our Group's money lending business during the period.

Advisory Services Segment

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. During the period ended 30 September 2017, this segment recorded revenue of approximately HK\$1,134,000 (2016: HK\$16,536,000). The decrease in revenue was due to decrease in large scale projects identified by the Group, therefore the consultancy fees income has decreased accordingly.

Fund Management Services Segment

The Group has provided an investment management services to investment funds and managed accounts. Major funds include (i) TAR Private Equity Fund L.P.; (ii) TAR Capital Fund SPC and (iii) TAR Opportunities Fund SPC. This segment recorded a turnover of approximately HK\$11,825,000 for the period ended 30 September 2017. This segment was newly acquired in April 2017 and no comparison figures can be provided. As at 30 September 2017, the total asset under management (the "AUM") was approximately HK\$2,750,000,000 while the AUM as at 30 June 2017 was approximately HK\$2,300,000,000.



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 and many investors shop around the different multi-asset solutions to meet their needs. The Company are planning to offer more diversified investments products in the future and give more different products in the market in order to attract more potential investors.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

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

As at 30 September 2017, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by Directors of the Company.

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

A. Substantial shareholders

So far as is known to the Directors, as at 30 September 2017, the persons, other than a director or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and who were, directly or indirectly, interested in 10% or more of the shares were as follows:

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

Notes:

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

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

As at 30 September 2017, the Company has not been notified of any other person (other than a director or the chief executive of the Company) having an interest or short position in the shares or the underlying shares of Company representing 5% or more of the issued share capital of the Company.

BOARD PRACTICES AND PROCEDURES


The Company has complied with Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules for the three months ended 30 September 2017.

CORPORATE GOVERNANCE

For the three months ended 30 September 2017, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practice of the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of the Stock Exchange, save as the following deviation.

Chairman and Chief Executive Officer

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



The Company does not presently have any officer with the title CEO. At present, Mr. Liu Tin Lap, being the Chairman and Executive Director of the Company, is responsible for the strategic planning, formulation of overall corporate development policy and running the business of the Group as well as the duties of Chairman. The Board considers that, due to the nature and extent of the Group's operations, Mr. Liu is the most appropriate chief executive because he is experienced in management as well as mergers and acquisitions and other key corporate matters and will be able to help the sustainable development of the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make the necessary amendments.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct for Securities Transactions by directors of the Company ("Code of Conduct") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all the directors have confirmed that they have complied with such Code of Conduct regarding securities transaction by the directors throughout the three months ended 30 September 2017.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the three months ended 30 September 2017.

COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2017.

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
LEE MAN TO
Executive Director

Hong Kong, 14 November 2017

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

As at the date of this report, the Board is composed of Mr. Liu Tin Lap and Mr. Lee Man To as the executive directors of the Company, and Mr. Chan Ngai Sang, Kenny, Mr. Nguyen Van Tu Peter and Dr. Cheng Chak Ho as an independent non-executive directors.