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Cocoon Holdings Limited
中國天弓控股有限公司

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)
(Stock Code: 428)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

The financial highlights of Cocoon Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 are summarised as follows:

- Revenue of the Group and gross proceeds from disposals of trading securities for the six months ended 30 June 2022 (the “Reporting Period”) was approximately HK\$6.2 million as compared to approximately HK\$8.5 million for the six months ended 30 June 2021 (the “Corresponding Period”).
- Loss attributable to owners of the Company for the six months ended 30 June 2022 was approximately HK\$33.7 million as compared to the loss of approximately HK\$3.0 million for the Corresponding Period.
- Basic loss per share of the Group was HK cents 7.81 for the six months ended 30 June 2022 as compared to the basic loss per share of HK cents 0.83 for the Corresponding Period.

The board (the “Board”) of directors (the “Directors”) of the Company presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 with comparative figures for the Corresponding Period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Gross proceeds from disposals of trading securities		<u>3,794</u>	<u>4,673</u>
Revenue	2	2,400	3,821
Other revenue	2	24	1
Other gains and losses, net	2	<u>(33,324)</u>	<u>(3,273)</u>
		(30,900)	549
Finance costs	3	(640)	(804)
Other operating expenses		<u>(2,187)</u>	<u>(2,773)</u>
Loss before tax	4	(33,727)	(3,028)
Income tax	5	<u>—</u>	<u>—</u>
Loss for the period		(33,727)	(3,028)
Other comprehensive income, net of tax:			
Item that will not be reclassified to profit or loss:			
— Fair value gain on financial assets at fair value through other comprehensive income (“FVTOCI”)		<u>—</u>	<u>—</u>
Loss and total comprehensive expense for the period attributable to owners of the Company		<u>(33,727)</u>	<u>(3,028)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share	7		
Basic		(7.81)	(0.83)
Diluted		<u>(7.81)</u>	<u>(0.83)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Note</i>	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	1	1
Right-of-use assets		344	486
Goodwill		—	—
Loan notes	10	75,245	74,800
		<u>75,590</u>	<u>75,287</u>
Current assets			
Other receivables, deposits and prepayments	9	222	282
Loan notes	10	5,084	3,437
Financial assets at fair value through profit or loss ("FVTPL")	11	25,105	61,938
Financial assets at FVTOCI	12	25,545	25,545
Due from securities brokers		9	145
Bank balances and cash		212	1,635
		<u>56,177</u>	<u>92,982</u>
Current liabilities			
Due to securities brokers		2,543	1,087
Other payables and accruals	13	2,866	2,066
Lease liabilities		289	282
Promissory notes	14	1,831	6,723
		<u>7,529</u>	<u>10,158</u>
Net current assets		<u>48,648</u>	<u>82,824</u>
Total assets less current liabilities		<u>124,238</u>	<u>158,111</u>
Non-current liabilities			
Lease liabilities		62	208
Promissory notes	14	13,500	13,500
		<u>13,562</u>	<u>13,708</u>
Net assets		<u>110,676</u>	<u>144,403</u>
Capital and reserves			
Share capital	15	43,167	43,167
Reserves		67,509	101,236
Total equity		<u>110,676</u>	<u>144,403</u>
Net asset value per share		<u>HK\$0.26</u>	<u>HK\$0.33</u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 (“Interim Financial Statements”) are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). In addition, the Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements of the Group and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021. The accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2021.

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. A number of new and amended standards are effective from 1 January 2022 but they do not have a material effect on the Group’s Interim Financial Statements.

2. REVENUE, OTHER REVENUE, OTHER GAINS AND LOSSES, NET

The Group principally invests in securities listed on recognised stock exchanges and unlisted investments, including equity securities and convertible bonds issued by corporate entities. Revenue, other revenue and other gains and losses, net recognised during the period are as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$’000	2021 (Unaudited) HK\$’000
Revenue:		
Interest income from		
— loans and receivables	2,180	3,741
Dividend income from the Group’s listed investment	220	80
	<u>2,400</u>	<u>3,821</u>
Other revenue:		
Sundry income	24	1
	<u>24</u>	<u>1</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other gains and losses, net:		
Unrealised fair value losses on financial assets at FVTPL		
— listed securities	(33,556)	(5,721)
Net realised gains on disposals of financial assets at FVTPL		
— listed securities	320	616
	<u>(33,236)</u>	<u>(5,105)</u>
Net loss on financial assets at FVTPL		
Impairment loss on		
— loan and receivables	(88)	(190)
Reversal of impairment loss on loan and receivables	—	2,022
	<u>(88)</u>	<u>1,832</u>
Total (impairment loss)/reversal of impairment loss made	<u>(88)</u>	<u>1,832</u>
	<u>(33,324)</u>	<u>(3,273)</u>

Management considered the Group has only one operating segment, being investments in securities listed on the recognised stock exchanges and unlisted investments with a potential growth and capital appreciation. Accordingly, the Group's revenue, other revenue, other gains and losses, net, loss for the period, and total assets are attributable to this segment.

3. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings	58	88
Imputed interest on promissory notes	572	712
Imputed interest on lease liabilities	10	4
	<u>640</u>	<u>804</u>
	<u>640</u>	<u>804</u>

4. LOSS BEFORE TAX

Loss before tax has been arrived at after charging the following:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Staff costs (including Directors' emoluments):		
— Salaries, allowance and benefits in kind (<i>note 2</i>)	661	742
— Contributions to defined contribution plan (<i>note 1</i>)	15	15
Depreciation		
— Property, plant and equipment	1	3
— Right-of-use assets	142	139
Management fees	201	618
Impairment loss/(reversal of impairment loss) (net)		
— loan and receivables	88	(1,832)
— deposits	—	—
— other receivables	—	—
	<u> </u>	<u> </u>

Note 1: There was no forfeited contribution under the defined contribution plan which may be used by the Group to reduce the contribution payable in the future years.

Note 2: No discretionary bonus was paid during the period.

5. INCOME TAX

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profit during the period (six months ended 30 June 2021: nil).

6. DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

7. LOSS PER SHARE

The calculation of loss per share is as follows:

	Six months ended 30 June	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Loss for the purposes of basic and diluted loss per share	<u>(33,727)</u>	<u>(3,028)</u>

	Six months ended 30 June	
	2022 (Unaudited) Number of Shares '000	2021 (Unaudited) Number of Shares '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>431,672</u>	<u>365,292</u>

	<i>HK Cents</i>	<i>HK Cents</i>
Basic loss per share	(7.81)	(0.83)
Diluted loss per share	<u>(7.81)</u>	<u>(0.83)</u>

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the period.

Diluted loss per share is the same as the basic loss per share as there is no potential dilutive share in issue during the six months ended 30 June 2022 and 2021.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022 and 2021, no items of property, plant and equipment has been acquired by the Group.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Other deposits	54	54
Prepayments	168	228
	<u>222</u>	<u>282</u>

10. LOAN NOTES

Issuer	Date	Subscription amount HK\$'000	Interest receivables HK\$'000	Impairment loss recognised during the period/year HK\$'000	Carrying amount HK\$'000	Interest income recognised during the period/year HK\$'000
Yun Kang Data Technology (Shanghai) Company Limited*	As at 30 June 2022 (unaudited)	20,000	1,913	30	20,885	595
("LN1")	As at 31 December 2021 (audited)	20,000	1,318	629	20,320	1,200
Shenzhen Huaqin Agriculture Technology Company Limited*	As at 30 June 2022 (unaudited)	27,000	3,445	57	29,077	1,138
("LN2")	As at 31 December 2021 (audited)	27,000	2,307	1,091	27,996	2,294
D5 Investment B.V. ("LN3")	As at 30 June 2022 (unaudited)	30,000	449	1	30,367	447
	As at 31 December 2021 (audited)	30,000	2	81	29,921	2
Total	30 June 2022	77,000	5,807	88	80,329	2,180
	31 December 2021	<u>77,000</u>	<u>3,627</u>	<u>1,801</u>	<u>78,237</u>	<u>3,496</u>

* For identification purpose only

- (i) On 16 November 2020, the Group had subscribed HK\$ denominated loan note (the “LN1”) of principal value of HK\$20,000,000 issued by an independent third party which is private entity established in the People’s of the Republic of China (the “PRC”), Yun Kang Data Technology (Shanghai) Company Limited*, which is principally engaged in applying deep learning and artificial intelligence to analyse the big data for application and provide clinical diagnosis, with maturity of three years from dates of issue. LN1 bears fixed interest at 6% per annum and is measured at amortised cost.
- (ii) On 30 December 2020, the Group had subscribed HK\$ denominated loan note (the “LN2”) of principal value of HK\$27,000,000 issued by an independent third party which is private entity established in the PRC, Shenzhen Huaqin Agriculture Technology Company Limited*, which is principally engaged in technological development of agricultural products and biological products, with maturity of three years from dates of issue. LN2 bears fixed interest at 8.5% per annum and is measured at amortised cost.
- (iii) On 31 December 2021, the Group had subscribed HK\$ denominated loan note (the “LN3”) of principal value of HK\$30,000,000 issued by an independent third party, D5 Investment B.V., which is a private entity incorporated in the Netherlands and principally engaged in storage service, with maturity period of two years from dates of issue. LN3 bears fixed interest at 3% per annum and is measured at amortised cost.

	At 30 June 2022 (Unaudited) HK\$’000	At 31 December 2021 (Audited) HK\$’000
Loan notes	77,000	77,000
Interest receivables	5,807	3,627
Impairment losses	(2,478)	(2,390)
	<u>80,329</u>	<u>78,237</u>
Less: current portion	(5,084)	(3,437)
Non-current portion	<u>75,245</u>	<u>74,800</u>

* For identification purpose only

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
At the beginning of the period/year	2,390	12,701
Release upon disposals	—	(12,112)
Provision made for the period/year	88	1,801
	<hr/>	<hr/>
At the end of the period/year	2,478	2,390
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The carrying amount of the loan notes approximates to its fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loan notes.

11. FINANCIAL ASSETS AT FVTPL

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
— Equity securities held for trading at market value listed in Hong Kong	11,589	16,868
— Equity securities held for trading at market value listed in the United States of America (the “US”)	13,516	45,070
	<hr/>	<hr/>
	25,105	61,938
	<hr/> <hr/>	<hr/> <hr/>

Note:

(a) **Trading securities**

At the end of the Reporting Period/year, details of the Group's major listed equity securities are as follows:

Stock name		Proportion of investee's capital owned	Book cost at the beginning of the year/ period <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Net assets attributable to the investment <i>HK\$'000</i>	Accumulated fair value gains/(losses) on investment recognised in the consolidated financial statement during the year/period <i>HK\$'000</i>
Hong Kong						
On Real International Holdings Limited	30 June 2022 (unaudited)	—	—	—	—	—
	31 December 2021 (audited)	4.52%	11,083	1,218	301	(1,001)
JD.com, Inc.	30 June 2022 (unaudited)	0.00%*	—	211	73	23
	31 December 2021 (audited)	—	—	—	—	—
Evershine Group Holdings Limited	30 June 2022 (unaudited)	—	—	—	—	—
	31 December 2021 (audited)	0.08%	66	—	(51)	(21)
Tencent Holdings Limited	30 June 2022 (unaudited)	0.00%*	7,994	6,202	1,717	(1,792)
	31 December 2021 (audited)	0.00%*	9,052	7,994	1,850	(1,400)
Alibaba Group Holding Limited	30 June 2022 (unaudited)	0.00%*	535	504	246	(32)
	31 December 2021 (audited)	0.00%*	1,040	535	276	(512)
China Mobile Limited	30 June 2022 (unaudited)	—	—	—	—	—
	31 December 2021 (audited)	0.00%*	2,017	2,246	3,314	229

Stock name		Proportion of investee's capital owned	Book cost at the beginning of the year/period HK\$'000	Market value HK\$'000	Net assets attributable to the investment HK\$'000	Accumulated fair value gains/(losses) on investment recognised in the consolidated financial statement during the year/period HK\$'000
Semiconductor Manufacturing International Corporation	30 June 2022 (unaudited)	0.01%*	4,590	4,472	17,479	(118)
	31 December 2021 (audited)	0.00%*	6,106	4,590	5,133	(1,515)
Ming Yuan Cloud Group Holdings Limited	30 June 2022 (unaudited)	0.00%*	284	201	57	(83)
	31 December 2021 (audited)	0.00%*	964	284	63	(680)
US						
Winchester Holding Group	30 June 2022 (unaudited)	1.05%	35,031	5,329	(24)	(29,702)
	31 December 2021 (audited)	1.05%	20,966	35,031	(19)	(6,028)
Readen Holding Corporation	30 June 2022 (unaudited)	8.61%	10,039	8,187	10,929	(1,852)
	31 December 2021 (audited)	8.64%	12,046	10,039	10,760	(2,008)

* *Less than 0.01%*

Unless otherwise specified, all of the above investments are directly held by the Company.

- (i) On Real International Holdings Limited, incorporated in Cayman Islands, is principally engaged in the designing, manufacturing and selling of two-way radio and baby monitors on original design manufacturing basis.
- (ii) JD.com, Inc. (NASDAQ: JD and HKEX: 9618), a company controlled through weighted voting rights and incorporated in the Cayman Islands, a leading supply chain-based technology and service provider.
- (iii) Evershine Group Holdings Limited, incorporated in Hong Kong, is principally engaged in the construction, contracting works, construction materials trade, property leasing, furniture business, cemetery business, money lending business and mobile application business.

- (iv) Tencent Holdings Limited, incorporated in Cayman Islands, is principally engaged in the provision of value-added services, financial technology and business services and online advertising services. Dividends of approximately HK\$220,000 (30 June 2021: HK\$80,000) was recognised in consolidated profit or loss during the Reporting Period.
- (v) Alibaba Group Holding Limited, incorporated in Cayman Islands, provides the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way.
- (vi) China Mobile Limited, incorporated in Hong Kong, provides full communications services in all 31 provinces, autonomous regions and directly-administered municipalities throughout the mainland of China and in Hong Kong Special Administrative Region, and boasts a world-class telecommunications operator with the world's largest network and customer base, a leading position in profitability and market value ranking. Its businesses primarily consist of mobile voice and data business, wireline broadband and other information and communications services.
- (vii) Semiconductor Manufacturing International Corporation, incorporated in Cayman Islands, principally provides its customers with IC wafer foundry services and supporting services covering technology nodes ranging from 0.35 micron to 14 nanometer based on different process technology platforms.
- (viii) Ming Yuan Cloud Group Holdings Limited, incorporated in the Cayman Islands with limited liability, specializes in providing enterprise-grade SaaS products and ERP solutions for property developers and other industry participants in the real estate value chain in China, to help them achieve delicate and digital operation of their businesses.
- (ix) Winchester Holding Group, incorporated in the US, is organized for the purpose of property acquisitions. Initial operations have included organization and incorporation, target market identification, car sellers, marketing plans, capital formation and property acquisitions.
- (x) Readen Holding Corporation, incorporated in the United States, a Venture Capital Corporation which is active in the Fintech, Online Payment and E-commerce industries. IT Star Limited, wholly-owned subsidiary of the Company, holds this investment.

As at 30 June 2022, the Group's trading securities of carrying amount of approximately HK\$6.2 million (31 December 2021: HK\$1.2 million) were pledged to a securities broker to secure margin loan borrowed by the Group.

12. FINANCIAL ASSETS AT FVTOCI

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Unlisted equity investments designated at financial assets at FVTOCI	<u>25,545</u>	<u>25,545</u>

On 7 December 2018, the Group had subscribed 20% equity interest of an Anguilla incorporated private entity, Perfect Path Limited (“Perfect Path”), engaged in gold mining business at considerations of HK\$18,500,000. As of 30 June 2022, the fair value of the equity investment was approximately HK\$25.5 million (31 December 2021: HK\$25.5 million).

Despite the Group holds 20% of the voting power in Perfect Path, however, under contractual arrangements, the other shareholders control the composition of the board of directors and have control over Perfect Path. The Directors consider that the Group does not have significant influence over Perfect Path and it is therefore the unlisted equity investments are designated at financial assets at FVTOCI.

As mentioned before, the Group neither has control nor significant influence over Perfect Path and therefore in assessing the fair value of Perfect Path at the end of each reporting period, the Group would take into account the investment strategy of the controlling shareholders of Perfect Path as well as the determination of the valuation techniques thereon.

Having carefully considered the uncertainty of COVID-19 Pandemic out broken since 2020 which led to uncertainties over the economic and the operating environment where the gold mine of Perfect Path locates and operates, since the year ended 31 December 2021, the shareholders of Perfect Path had reached the consensus, to proactively approach potential buyer in realising the investment of the gold mine development so benefited by the increasing of gold price these years so that alternative investment opportunities can be identified to reduce investment risk due to uncertainties.

In this circumstance, the valuation techniques adopted for fair value measurement of Perfect Path since the year ended 31 December 2021 has been changed from income approach to market approach which the board of the Company considers the changes in investment strategy and circumstance would be appropriately addressed and reflected.

At the end of the Reporting Period/year, details of the Group's private equity investments are as follows:

Investee name	Place of Incorporation		Proportion of investee's capital owned	Cost	Fair value	Dividend income received during the year/period	Net assets attributable to the investment (Note)	Accumulated fair value gain on investment recognised in the consolidated financial statements during the year/period
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Perfect Path Limited	Anguilla	As at 30 June 2022 (unaudited)	20%	18,500	25,545	—	25,886	7,045
		As at 31 December 2021 (audited)	20%	18,500	25,545	—	25,886	7,045

Note: Figures were based on the management accounts provided by the investee.

13. OTHER PAYABLES AND ACCRUALS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Other payables and accruals	2,862	2,062
Unclaimed dividend payable	4	4
	2,866	2,066

14. PROMISSORY NOTES

	At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
At the beginning of the period/year	20,223	20,144
Imputed interest charged during the period/year	572	1,456
Redemption during the period/year	(5,000)	—
Interest paid during the period/year	(464)	(1,377)
	<hr/>	<hr/>
At the end of the period/year	15,331	20,223
Less: Amount due within one year classified as current liabilities	(1,831)	(6,723)
	<hr/>	<hr/>
Amount due over one year classified as non-current liabilities	13,500	13,500
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2021 (audited) and 1 January 2022 (unaudited)	10,000,000,000	1,000,000
	<hr/>	<hr/>
Ordinary shares of HK\$0.1 each at 30 June 2022 (unaudited)	10,000,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 31 December 2021 (audited) and 1 January 2022 (unaudited) and 30 June 2022 (unaudited)	431,672,200	43,167
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16. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tiger Securities Asset Management Company Limited ("Tiger Securities") —Management fees	<u>201</u>	<u>618</u>

Mr. Wu Ming Gai, an executive Director, is a director and responsible officer of Tiger Securities.

17. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosure of level fair value hierarchy at the end of the Reporting Period/year

	At 30 June 2022 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
Equity securities held for trading at market value listed in Hong Kong and US	25,105	—	—	25,105
Financial assets at FVTOCI				
Equity investments designated at financial assets at FVTOCI	—	—	25,545	25,545
Total recurring fair value measurements	<u>25,105</u>	<u>—</u>	<u>25,545</u>	<u>50,650</u>

	At 31 December 2021 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
Equity securities held for trading at market value listed in Hong Kong and the US	61,938	—	—	61,938
Financial assets at FVTOCI				
Equity investments designated at financial assets at FVTOCI	—	—	25,545	25,545
Total recurring fair value measurements	<u>61,938</u>	<u>—</u>	<u>25,545</u>	<u>87,483</u>

(b) Reconciliation of assets measured at fair value based on Level 3

During the period/year ended 30 June 2022/31 December 2021, there were no transfers of financial assets from Level 3 to other levels of hierarchy.

The following table presents the movements in Level 3 instruments of the Group during the period/year.

	2022 (Unaudited)	
	Equity investments designated at financial assets at FVTOCI HK\$'000	Total HK\$'000
At 1 January	25,545	25,545
Total gains or losses recognised		
— in profit or loss (included in revenue and other gains and losses)	—	—
— in other comprehensive income (expenses)	—	—
At 30 June	25,545	25,545
	2021 (Audited)	
	Equity investments designated at financial assets at FVTOCI HK\$'000	Total HK\$'000
At 1 January	30,600	30,600
Total gains or losses recognised		
— in profit or loss (included in revenue and other gains and losses)	—	—
— in other comprehensive income (expenses)	(5,055)	(5,055)
At 31 December	25,545	25,545

(c) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:**

The Group's directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements.

For Level 3 fair value measurements, the Group will normally engage independent valuation experts with recognised professional qualifications and recent experience to perform the valuations.

The valuation techniques used and the key inputs to the Level 3 fair value measurements are set out below:

Description	Valuation technique
Equity investments designated at financial assets at FVTOCI	Market Approach — Comparable transaction method

The information about the significant unobservable inputs used in Level 3 fair value measurement is set out below.

Equity investment designated at financial assets at FVTOCI

The fair value of the equity investments designated at financial assets at FVTOCI is estimated using market approach.

The valuation techniques adopted for fair value measurement has been changed from income approach to market approach during the year ended 31 December 2021, since then, there were no changes in valuation techniques used.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review, prospects and future plan

Since early 2020, the outbreak of Coronavirus Disease 2019 (the “COVID-19”) has spread throughout the world. Every countries had implemented different levels of disease prevention measures, including lockdown and quarantine policies.

Hong Kong suffered the fifth wave of the COVID-19 in first half of 2022, certain prevention measures have been implementing. Two years have passed, daily coronavirus cases in certain countries still remained high.

The COVID-19 definitely impacted to Hong Kong, the People’s of the Republic of China (the “PRC”) and even the global economy. The Hang Seng Index lost 1,538 points in the first half of 2022 representing fell by 6.6% and unfavourable performance of financial market in United States of America (the “US”). As a result, the Group suffered net loss for the Reporting Period.

The external environment is of high relevance to the economy and financial market in Hong Kong. In term of the COVID-19 still raging across the world and the Russo-Ukrainian war, the Group expects it will continue to affect the Group’s financial performance. The Group will closely monitor the development of the external environment and continue to evaluate its impact on our business, financial position and operating results.

Looking ahead to second half of 2022, the Company will stay in focus to invest in trading securities, private equity funds and private enterprises with potential prospect. Our approach will keep timely and appropriate investment strategies in response to the volatile market, in order to enhance our investment portfolio and achieve net asset appreciation. The Board will pay close attention to the macro trends and keep seeking opportunities to invest in China, Hong Kong and overseas. The Company will continue to implement its risk management policy with an aim to achieve stable returns on investments for our shareholders.

Financial Review

The Group's revenue for the Reporting Period comprised dividend income, interest earned from bank deposits and loans and receivables. For the six months ended 30 June 2022, the Group recorded a revenue approximately of HK\$2.4 million as compared to approximately HK\$3.8 million for the Corresponding Period, representing a decrease of approximately 36.8%. The decrease in revenue was mainly due to decrease of interest income during the Reporting Period. Gross proceeds from disposals of trading securities for the Reporting Period was recorded of approximately HK\$3.8 million as compared to approximately HK\$4.7 million for the Corresponding Period. The Group recorded a realised gain of approximately HK\$0.3 million (30 June 2021: HK\$0.6 million) and fair value loss of approximately HK\$33.6 million (30 June 2021: HK\$5.7 million) on listed securities held by the Group during the Reporting Period. The reason of significant increment in fair value loss on listed securities was due to the poor performance of the stock market in Hong Kong and the US. During the Reporting Period, impairment losses of various loan notes of approximately HK\$88,000 (30 June 2021: net reversal HK\$1.8 million) and no impairment loss of deposits and other receivables (30 June 2021: nil) were recognised. With the unfavourable performance of certain publicly traded securities held by the Group and fair value loss of certain unlisted securities during the Reporting Period, the Group recorded loss attributable to owners of the Company was approximately HK\$33.7 million as compared to a loss of approximately HK\$3.0 million for the Corresponding Period.

As at 30 June 2022, the Group's unlisted investments (comprised of financial assets at fair value through other comprehensive income and loans and receivables) were approximately HK\$105.9 million (31 December 2021: HK\$103.8 million). Other receivables, deposits and prepayments was approximately HK\$0.2 million (31 December 2021: HK\$0.3 million).

As at 30 June 2022, the net assets of the Group were approximately HK\$110.7 million (31 December 2021: 144.4 million). The financial assets at fair value through profit or loss were approximately HK\$25.1 million as at 30 June 2022 (31 December 2021: HK\$61.9 million) and the financial assets at fair value through other comprehensive income of approximately HK\$25.5 million (31 December 2021: HK\$25.5 million) was as at 30 June 2022.

Liquidity, financial resources and capital structure

The Group had available funds as at 30 June 2022 of approximately HK\$0.2 million (31 December 2021: HK\$1.8 million) which were mainly placed in banks and licensed securities firms as general working capital. Bank balances and cash held by the Group are mainly denominated in Hong Kong dollars.

The Group had shareholders' funds of approximately HK\$110.7 million as at 30 June 2022 compared to approximately HK\$144.4 million at 31 December 2021, representing a decrease of approximately 23.4%.

As at 30 June 2022, the Group had borrowings of approximately HK\$17.9 million (31 December 2021: HK\$21.3 million). The gearing ratio of the Group was approximately 16.5% (31 December 2021: 14.8%) which represents the ratio of the Group's borrowings to the net asset value of the Group.

The Group did not have any capital expenditure commitment as at 30 June 2022 and 31 December 2021.

Fund raising activities

There was no significant change in the Group's capital structure for the six months ended 30 June 2022.

Details of the placing (the "Placing") completed on 17 June 2021 were set out in the announcements dated 27 May 2021 and 17 June 2021.

As at 30 June 2022, detailed breakdown and description of the utilisation of the net proceeds from the Placing were as follows:

Date of announcement	Event	The unutilised net proceed as at 31 December 2021	Intended use of net proceeds	Actual use of proceeds
27 May 2021 (completed on 17 June 2021)	Placing new shares under general mandate	Approximately HK\$0.3 million	(i) Approximately HK\$0.3 million for general working capital of the Group	(i) Approximately HK\$0.3 million was used for operating expenses

INVESTMENT REVIEW

The Company is an investment company listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The principal activity of the Company is investment holding and the Group is principally engaged in investments in securities listed on recognised stock exchanges and unlisted investments with potential for earning growth and capital appreciation. It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on financing future investment opportunities domestically and internationally to achieve financial growth for the Group and to maximise the shareholders’ value.

The Company held eleven investments as of 30 June 2022, comprising five equity securities listed in Hong Kong, two equity securities listed in the US, two loan notes issued by private entities in the PRC, one loan note issued private entity in Netherlands and one item of interests in a private entity in Anguilla. Pursuant to the requirements stipulated in Rule 21.12 of the Listing Rules, the Company discloses its ten largest investments and all individual investments with value exceeding 5% of the Company’s gross assets with brief description of the investee companies are provided in the notes 10 to 12 to the unaudited consolidated financial statements of this announcement and the section under “significant investments held and their performance below”.

Significant investments held and their performance

Details of the performance of the significant investments held by the Group as at 30 June 2022 were disclosed under the heading of “Financial Review” above and in note 10 to 12 to the unaudited consolidated financial statements.

The ten largest investments and all individual investments with value exceeding 5% of the Company's gross assets with brief description of the investee companies as follows and as disclosed in note 10 to 12 to the unaudited consolidated financial statements:

Loan Note Investment — Yun Kang Data Technology (Shanghai) Company Limited*
(“Yun Kang Data”)

Yun Kang Data is a private entity established in the PRC, which is principally engaged in applying deep learning and artificial intelligence to analyse the big data for application and provide clinical diagnosis. Yun Kang Data issued a loan note (“LN1”) in November 2020 with fixed interest at 6% per annum to the Company and would mature after three years from the date of issue. The interest income recognised of the Group from LN1 for the six month ended 30 June 2022 was approximately HK\$0.6 million (30 June 2021: HK\$0.6 million). The Board considered that the life science and big data industry is a future trend of the globe and it might a gateway to get involved in this industry by holding the LN1 and to enjoy the fixed interest income as well.

Loan Note Investment — Shenzhen Huaqin Agriculture Technology Company Limited*
(“Huaqin Agriculture”)

Huaqin Agriculture is a private entity established in the PRC, which is principally engaged in technological development of agricultural and biological product, retail and wholesale of food. Huaqin Agriculture issued a loan note (“LN2”) in December 2020 with fixed interest at 8.5% per annum to the Group and would mature after three years from the date of issue. The interest income recognised of the Group from LN2 for the six month ended 30 June 2022 was approximately HK\$1.1 million (30 June 2021: HK\$1.1 million). The Board considered that 8.5% of fixed interest income by holding LN2 is in the interest of the Group to obtain stable interest income.

Loan Note Investment — D5 Investments B.V. (“D5”)

D5 is a private entity established in Netherlands, which is principally engaged in storage business. D5 issued a loan note (“LN3”) in December 2021 with fixed interest at 3% per annum to the Group and would mature after two years from the date of issue. The interest income recognised of the Group from LN3 for the six months ended 30 June 2022 was approximately HK\$0.4 million. The Board considered that 3% of fixed interest income by holding LN3 is in the interest of the Group to obtain stable interest income and can diversify the investment portfolio of the Group and to enter into European market.

* For identification purpose only

Private Equity Investment — Perfect Path Limited (“Perfect Path”)

Perfect Path is a private entity incorporated in Anguilla, which principally engaged in gold mining business. The Group held 20% of equity interest of Perfect Path, despite the Group held 20% of the voting power in Perfect Path, however, under contractual arrangements the Group has no significant influence over Perfect Path, another single shareholder control the composition of the board of directors and have control over Perfect Path. Perfect Path indirectly owns 9% interest in a gold mine in Thailand (the “Gold Mine”). According to Perfect Path, all relevant application documents for obtaining the Gold Mine licences and permits were submitted to the relevant local government authorities in Thailand, the relevant application is still in process, Perfect Path still not deployed their business and no income generated during the six months ended 30 June 2022. The net asset value of Perfect Path as at 30 June 2022 was approximately HK\$129.4 million. Due to the COVID-19 pandemic has been raging in much of the world since early 2020, including Thailand, after having taken into account all relevant factors and vigilantly verified it with Perfect Path, during the year ended 31 December 2021, the shareholders of Perfect Path had reached the consensus, to proactively approach potential buyer in realising the investment of the gold mine development so benefited by the increasing of gold price these years so that alternative investment opportunities can be identified to reduce investment risk due to uncertainties.

Listed Equity Investment — Tencent (Holdings) Limited (“Tencent”)

Tencent is a company incorporated in the Cayman Islands (stock code: 700). Tencent is principally engaged in the provision of value-added services, financial technology and business services and online advertising services. Based on the latest published quarterly results for the three months ended 31 March 2022, the net profit for the period was approximately RMB23,733 million comparing with the net profit for the same period last year was approximately RMB49,008 million, the decrease of net profit of Tencent was mainly due to the decrease in revenue and increase in general and administrative expenses. The equity attributable to equity holders of Tencent as at 31 March 2022 was approximately RMB777,859 million. Net dividend (after expenses) approximately HK\$0.2 million was received from Tencent during the six months ended 30 June 2022 (30 June 2021: HK\$3,800). The Board believed the leading position of Tencent in the market can make them to enjoy the prosperity of internet industry, the Group treats the investment in Tencent as long term.

Listed Equity Investment — Winchester Holding Limited (“Winchester”)

Winchester is a company incorporated in the US (OTC Pink: WCHS) which is listing on OTC market in the US. Winchester is an exclusive seller in Hong Kong and Macau for Fiat Professional vehicle. Based on the latest unaudited financial statements for the period ended 31 March 2022, the net loss was approximately US\$56,300. The net asset value of Winchester as at 31 March 2022 was approximately US\$0.3 million. No dividend was received from Winchester during the six month ended 30 June 2022 (30 June 2021: nil). Fiat Professional is an international famous car brand and it has been awarded numerous international prizes by panels of trade journalists. The Group would hold the investment in Winchester and closely monitor its performance and may adjust the portfolio of Winchester from time to time.

Listed Equity Investment — Alibaba Group Holding Limited (“Alibaba”)

Alibaba is a company incorporated in the Cayman Islands (stock code: 9988). Alibaba is principally engaged in online retail platform, cloud computing, digital media and entertainment. Based on the latest published annual report for the year ended 31 March 2022 of Alibaba, the net income for the year was approximately RMB47,079 million comparing with the net income for the last year was approximately RMB143,284 million. No dividend was received from Alibaba during the six month ended 30 June 2022 (30 June 2021: nil). The Board believed the leading position of Alibaba in the market can make them to enjoy the prosperity of internet industry, the Group would hold the investment in Alibaba and closely monitor its performance and may adjust the portfolio of Alibaba from time to time.

Listed Equity Investment — Readen Holding Corporation (“RHCO”)

RHCO is a company incorporated in the US (OTC Pink: RHCO) which is listing on OTC market in the US. RHCO is a venture capital corporation which is active in the Fintech, Online Payment and E-commerce industries. RHCO has growth engines which are projected to have significant growth on the revenue in coming years as the business becomes mature. Based on the latest unaudited financial statements for the nine months ended 31 March 2022, the net profit was approximately US\$66,000. The net asset value of RHCO as at 31 March 2022 was approximately US\$16.3 million. No dividend was received from RHCO during the Reporting Period (2021: nil). The Board expects RHCO has growth engines making positive to its financial performance. The Group would closely monitor its performance and may adjust the portfolio of RHCO timely.

Listed Equity Investment — Semiconductor Manufacturing International Corporation (“SMIC”)

SMIC is a company incorporated in the Cayman Islands (stock code: 981). SMIC is principally engaged in the different business activities, such as the computer-aided design, sales and marketing, technical research and development, manufacturing, testing, packaging and trading of integrated circuits and other services, as well as designing and manufacturing semiconductor masks, respectively. Based on the latest published quarterly results for the three months ended 31 March 2022 of SMIC, the revenue for the period was approximately USD1,841.9 million comparing with the revenue for the same period last year was approximately USD1,103.6 million, the profit for the period was USD569.2 million comparing with the profit for the same period last year was approximately USD115.9 million. No dividend was received from SMIC during the six month ended 30 June 2022 (30 June 2021: nil). The Board believed the leading position of SMIC in the market can make them to enjoy the growth of customer demand, the Group would hold the investment in SMIC and closely monitor its performance and may adjust the portfolio of SMIC from time to time.

Listed Equity Investment — JD.com, Inc. (“JD.com”)

JD.com is a company incorporated in the Cayman Islands (stock code: 9618). JD.com is a leading supply chain-based technology and service provider, providing products and services to consumers, third-party merchants, suppliers and other business partners. JD.com operates e-commerce business, including online retail and online marketplace mainly through its retail mobile apps and www.jd.com website. According to the first quarter results for the three months ended 31 March 2022, the net revenue was approximately RMB239.7 billion, income for operations was RMB2.4 billion and net loss attributable to ordinary shareholders was RMB3.0 billion. Net dividend (after expenses) approximately HK\$4,000 was received from JD.com during the Reporting Period (30 June 2021: n/a). The shares of JD.com holding by the Company was a dividend by Tencent Holdings Limited to the Company by way of distribution in specie. The Group would closely monitor its performance of JD.com.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed a total of 2 full-time employees (30 June 2021: 3 full-time employees), including the executive Directors. Employees' remuneration are fixed and determined with reference to the market remuneration.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its investees. To manage liquidity risk, the Directors and management has been closely monitoring the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SEGMENT INFORMATION

For management purpose, the Group's business activity is organised into a single operating segment, being investments in securities listed on recognised stock exchanges and unlisted investments with a potential for earnings growth and capital appreciation. Accordingly, no operating segment information to be presented.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not use any financial instruments to hedge such exposures.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2022, the Group's trading securities of carrying amount of approximately HK\$6.2 million (31 December 2021: HK\$1.2 million) were pledged to a securities broker to secure margin loan borrowed by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company did not redeem any of its listed shares during the six months ended 30 June 2022. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the period.

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

As at 30 June 2022, none of the Directors or chief executives of the Company had, nor were they taken to or deemed to have under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") to the Listing Rules.

At no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporations.

CORPORATE GOVERNANCE

The Company adopted all code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

The Company has complied with the code provisions as set out in the Code during the six months ended 30 June 2022.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) and management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters, including a review of the unaudited interim accounts for the six months ended 30 June 2022. The Audit Committee is of the opinion that such financial information complies with applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Cocoon Holdings Limited
Wu Ming Gai
Chairman

Hong Kong, 24 August, 2022

As at the date hereof, the Board of Directors of the Company comprises two executive Directors, namely Mr. Wu Ming Gai and Chau Wai Hing; one non-executive Director, namely Mr. William Keith Jacobsen; and three independent non-executive Directors, namely Ms. Chan Man Yi, Ms. Leung Yin Ting and Mr. Wong Sze Lok.

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