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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 2020

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 2020 are summarised as follows:

- Revenue of the Group for the six months ended 30 June 2020 was approximately HK\$4,001,000 as compared to approximately HK\$4,539,000 in the same period last year.
- Loss attributable to owners of the Company for the six months ended 30 June 2020 was approximately HK\$9,434,000 as compared to the loss of approximately HK\$11,273,000 in the same period last year.
- Basic loss per share of the Group was HK\$0.03 for the six months ended 30 June 2020 as compared to the basic loss of HK\$0.09 per share in the same period last year.

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 2020 (the “Reporting Period”) with comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Gross proceeds from disposals of trading securities		3,954	38,715
Revenue	2	4,001	4,539
Other revenue	2	3	1,290
Other gains and losses, net	2	(9,576)	(11,679)
		(5,572)	(5,850)
Finance costs	3	(775)	(1,963)
Other operating expenses		(3,087)	(3,460)
Loss before tax	4	(9,434)	(11,273)
Income tax	5	—	—
Loss for the period		(9,434)	(11,273)
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”)		1,000	—
Loss and total comprehensive expense for the period attributable to owners of the Company		(8,434)	(11,273)
		<i>HK\$</i>	<i>HK\$</i>
Loss per share	7		
Basic		(0.03)	(0.09)
Diluted		(0.03)	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Note</i>	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	7	10
Right-of-use assets		336	475
Other receivables, deposits and prepayments		—	3,000
Loan notes	10	70,770	75,913
		<u>71,113</u>	<u>79,398</u>
Current assets			
Other receivables, deposits and prepayments	9	21,231	20,874
Loan notes	10	7,471	5,144
Financial assets at fair value through profit or loss ("FVTPL")	11	26,156	26,806
Financial assets at FVTOCI	12	30,400	29,400
Due from securities brokers		1,752	12
Bank balances and cash		21,646	28,187
		<u>108,656</u>	<u>110,423</u>
Current liabilities			
Due to securities brokers		1,616	2,011
Other payables and accruals	13	660	1,347
Lease liabilities		229	282
Promissory notes	15	—	337
		<u>2,505</u>	<u>3,977</u>
Net current assets		<u>106,151</u>	<u>106,446</u>
Total assets less current liabilities		<u>177,264</u>	<u>185,844</u>
Non-current liabilities			
Lease liabilities		62	208
Promissory notes	15	19,920	19,920
		<u>19,982</u>	<u>20,128</u>
Net assets		<u>157,282</u>	<u>165,716</u>
Capital and reserves			
Share capital	16	35,973	35,973
Reserves		121,309	129,743
Total equity		<u>157,282</u>	<u>165,716</u>
Net asset value per share		<u>HK\$0.44</u>	<u>HK\$0.46</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 2020 (“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 2019. 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 2019.

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 2020. 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 2020 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 losses, net recognised during the period are as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Revenue:		
Interest income from		
—loans and receivables	3,215	2,865
—convertible bonds designated at FVTPL	786	1,674
	4,001	4,539
Other revenue:		
Sundry income	3	1,290

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other gains and losses, net:		
Unrealised fair value losses on financial assets at FVTPL		
—listed securities	(2,538)	(11,781)
—private equity fund	—	(1,635)
Net realised gains on disposals of financial assets at FVTPL		
—listed securities	585	1,737
	<u>(1,953)</u>	<u>(11,679)</u>
Net loss on financial assets at FVTPL		
Impairment loss on		
— loan and receivables	(6,031)	—
— deposits	(1,267)	—
— other receivables	(325)	—
	<u>(7,623)</u>	<u>—</u>
Total impairment loss made		
	<u>(9,576)</u>	<u>(11,679)</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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Imputed interest on shareholder's loan	—	1,213
Interest on other borrowings	88	97
Imputed interest on promissory notes	676	648
Imputed interest on lease liabilities	11	5
	<u>775</u>	<u>1,963</u>

4. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Directors' remuneration	639	604
Depreciation		
— Property, plant and equipment	3	4
— Right-of-use assets	139	228
Management fees	664	642
Employee benefits expenses:		
— Salaries, allowance and benefits in kind	108	217
— Contributions to defined contribution plan	15	19
	<u>639</u>	<u>604</u>

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 2019: nil).

6. DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

7. LOSS PER SHARE

The calculation of loss per share is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the purposes of basic and diluted loss per share	<u>(9,434)</u>	<u>(11,273)</u>

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	Number of	Number of
	Shares	Shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>359,727</u>	<u>119,909</u>
	<i>HK\$</i>	<i>HK\$</i>
Basic loss per share	(0.03)	(0.09)
Diluted loss per share	<u>(0.03)</u>	<u>(0.09)</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 2020 and 2019.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020 and 2019, no items of property, plant and equipment has been acquired by the Group.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June	At 31 December
	2020	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Consideration receivables (<i>note a</i>)	7,655	8,980
Deposits paid for investments (<i>note b</i>)	13,363	14,631
Other deposits	54	53
Prepayments	159	210
	<u>21,231</u>	<u>23,874</u>
Less: non-current portion of consideration receivables	<u>—</u>	<u>(3,000)</u>
	<u>21,231</u>	<u>20,874</u>

Notes:

- (a) During the year ended 31 December 2019, consideration receivables which was arising from the disposal of private equity fund designated at financial assets at FVTPL by a cash consideration of HK\$9,000,000. The consideration is to be settled by 18 instalments of HK\$500,000 each. During the period, provision for impairment of approximately HK\$325,000 (for the six months ended 30 June 2019: nil) was made for 12-month expected credit losses (“12m ECL”) on the balance, as certain balance was past due. No ageing analysis to be disclosed in respect of other receivables. In the opinion of the Directors, an ageing analysis does not give additional value in view of the Group’s business nature.
- (b) Deposits paid for investments represent earnest money amounted to HK\$10,000,000 (“Deposit 1”) and HK\$5,500,000 (“Deposit 2”) paid by the Group for the proposed investments to two independent third parties.

Deposit 1

On 5 November 2018, the Company entered into a memorandum of understanding (“MoU 1”) with an independent third party (“Issuer 1”) pursuant to which the Company agreed to pay the Deposit 1 to the Issuer 1 as an earnest money for the proposed acquisition of shares in the principal amount of HK\$10,000,000 to be issued by the Issuer 1 (the “Proposed Acquisition”). The completion of the Proposed Acquisition is subject to the fulfillment of conditions precedent of the MoU 1 including satisfaction of due diligence works on Issuer 1.

On 30 December 2018, 10 June 2019 and 18 December 2019, the Company entered into three extension agreements with the Issuer 1, to extend the completion date of the Proposed Acquisition to 30 June 2019, 31 December 2019 and 31 December 2020 respectively.

Deposit 2

On 12 August 2016, the Company entered into a memorandum of understanding (“MoU 2”) with an independent third party (“Issuer 2”) pursuant to which the Company agreed to pay the Deposit 2 to the Issuer 2 as an earnest money for the proposed subscription of redeemable convertible notes in the principal amount not exceeding HK\$26,000,000 to be issued by the Issuer 2 (the “Proposed Subscription”). The completion of the Proposed Subscription is subject to the fulfillment of conditions precedent of the MoU 2 including satisfaction of due diligence works on Issuer 2.

On 4 October 2016, 30 December 2016, 31 March 2017, 16 June 2017, 1 January 2018, 1 July 2018, 30 December 2018 and 18 December 2019, the Company entered into a subscription agreement and seven supplemental subscription agreements with the Issuer 2, to extend the completion date of the Proposed Subscription to 31 December 2016, 31 March 2017, 30 June 2017, 31 December 2017, 30 June 2018, 31 December 2018, 30 June 2019 and 31 December 2020 respectively due to more time is needed to conduct due diligence work on issuer 2.

The amount of deposits paid for investments is unsecured, interest-free and repayable within 5 days to 7 days upon request in the event that the Proposed Acquisition and Proposed Subscription are not completed.

During the period, provision for impairment of approximately HK\$1,267,000 (for the six months ended 30 June 2019: nil) was made for 12m ECL on the balance of deposits.

10. LOAN NOTES

Loan note name		Subscription amount <i>HK\$'000</i>	Interest receivables <i>HK\$'000</i>	Impairment loss recognised during the year/period <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>	Interest income recognised during the year/period <i>HK\$'000</i>
LN1	As at 30 June 2020 (unaudited)	24,000	3,913	2,252	23,063	1,197
	As at 31 December 2019 (audited)	24,000	2,716	994	24,118	2,400
LN2	As at 30 June 2020 (unaudited)	33,000	1,067	1,529	32,114	823
	As at 31 December 2019 (audited)	33,000	244	423	32,821	244
LN3	As at 30 June 2020 (unaudited)	24,000	3,912	2,250	23,064	1,196
	As at 31 December 2019 (audited)	24,000	2,716	1,181	24,118	2,400

- (i) On 14 November 2018, the Group had subscribed HK\$ denominated loan note (the “LN1”) of principal value of HK\$24,000,000 issued by an independent third party which is private entity established in PRC, 深圳達隆通用包裝機械有限公司, which is principally engaged in developing and designing mechanical equipment, with maturity of three years from date of issue. LN1 bears fixed interest at 10% per annum and is measured at amortised cost.
- (ii) On 8 November 2019, the Group had subscribed HK\$ denominated loan note (the “LN2”) of principal value of HK\$33,000,000 issued by an independent third party which is private entity established in PRC, 深圳前海藍伯爵公務航空服務有限公司, which is principally engaged in aircraft leasing, with maturity of two years from dates of issue. LN2 bears fixed interest at 5% per annum and is measured at amortised cost.
- (iii) On 14 November 2018, the Group had subscribed HK\$ denominated loan note (the “LN3”) of principal value of HK\$24,000,000 issued by an independent third party which is private entity established in PRC, 深圳達隆包裝機械設備有限公司, which is principally engaged in providing integrated R&D, design, sales and after-sales service in packaging equipment, with maturity of three years from dates of issue. LN3 bears fixed interest at 10% per annum and is measured at amortised cost.

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Loan notes	81,000	81,000
Interest receivables	8,891	5,676
Impairment losses	(11,650)	(5,619)
	<u>78,241</u>	<u>81,057</u>
Less: current portion	<u>(7,471)</u>	<u>(5,144)</u>
Non-current portion	<u>70,770</u>	<u>75,913</u>

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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Trading securities (<i>note a</i>)		
— Equity securities held for trading at market value listed in Hong Kong	5,850	7,286
Convertible bonds designated as financial assets at FVTPL (<i>note b</i>)	<u>20,306</u>	<u>19,520</u>
	<u>26,156</u>	<u>26,806</u>

Notes:

(a) Trading securities

At the end of reporting period, 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 HK\$'000	Market value HK\$'000	Net assets attributable to the investment HK\$'000	Accumulated fair value losses on investment recognized in the consolidated financial statement during the year/ period HK\$'000
Hong Kong						
On Real International Holdings Limited	30 June 2020 (unaudited)	0.87%	5,421	2,846	551	(2,575)
	31 December 2019 (audited)	6.79%	11,100	5,421	4,075	(5,679)
Classified Group (Holdings) Limited	30 June 2020 (unaudited)	2.17%	1,319	1,111	1,915	(208)
	31 December 2019 (audited)	4.59%	4,738	1,556	3,672	(3,182)
Prime Intelligence Solutions Group Limited	30 June 2020 (unaudited)	–	–	–	–	–
	31 December 2019 (audited)	0.31%	228	147	276	(81)
China Creative Digital Entertainment Limited	30 June 2020 (unaudited)	0.01%	110	66	(2)	(44)
	31 December 2019 (audited)	0.49%	178	110	119	(68)
Evershine Group Holdings Limited	30 June 2020 (unaudited)	0.08%	52	30	30	(22)
	31 December 2019 (audited)	0.10%	66	52	113	(14)
Tencent Holdings Limited	30 June 2020 (unaudited)	0%*	489	698	14	209
	31 December 2019 (audited)	–	–	–	–	–
HSBC Holdings plc	30 June 2020 (unaudited)	0%*	500	478	41	(22)
	31 December 2019 (audited)	–	–	–	–	–
CNOOC Limited	30 June 2020 (unaudited)	0%*	497	621	791	124
	31 December 2019 (audited)	–	–	–	–	–

* *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) Classified Group (Holdings) Limited, incorporated in Cayman Islands, is principally engaged in restaurant operations in Hong Kong.
- (iii) Prime Intelligence Solutions Group Limited, incorporated in Cayman Islands, is principally engaged in sales of biometrics identification devices and other devices and accessories and provision of auxiliary and other services.
- (iv) China Creative Digital Entertainment Limited, incorporated in Bermuda, is principally engaged in cultural and entertainment business in China.
- (v) 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.
- (vi) 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. Net dividend (after expenses) approximately HK\$1,600 was received during the six months ended 30 June 2020 (30 June 2019: nil).
- (vii) HSBC Holdings plc, incorporated in England, is principally engaged in banking industry.
- (viii) CNOOC Limited, incorporated in Hong Kong, is principally engaged in exploration, development, production and sale of crude oil and natural gas.

As at 30 June 2020, the Group's trading securities of carrying amount of approximately HK\$3,957,000 (31 December 2019: HK\$1,715,000) were pledged to a securities broker to secure margin loan borrowed by the Group.

(b) Convertible bonds designated at financial assets at FVTPL

At the end of reporting period, details of major unlisted convertible bonds designated at financial assets at FVTPL are as follows:

Name of investee	Place of Incorporation		Cost HK\$'000	Interest income recognised during the year/ period HK\$'000	Accumulated fair value (losses) /profits on investment recognised in the consolidated financial statements during the year/ period HK\$'000	Fair value HK\$'000
HF Financial Group (Hong Kong) Limited ("CB")	Hong Kong	As at 30 June 2020 (unaudited)	19,700	786	—	20,306
		As at 31 December 2019 (audited)	19,700	1,575	(2,146)	19,520

The above investments is directly held by the Company.

	30 June 2020 (Unaudited)
	CB
Subscription date	28 July 2016
Maturity date	28 July 2021
Coupon rate (per annum)	8%
Exercise price per share	HK\$14,723

On 18 July 2018, 26 July 2019 and 18 June 2020, the Company entered into extension agreements with HF Financial Group (Hong Kong) Limited, to extend the maturity date of CB to 28 July 2019, 28 July 2020 and 28 July 2021 respectively.

12. FINANCIAL ASSETS AT FVTOCI

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Unlisted equity investments designated at financial assets at FVTOCI	<u>30,400</u>	<u>29,400</u>

On 7 December 2018, the Group had subscribed 20% equity interest of an Anguilla incorporated private entity, Perfect Path Limited (“Perfect Path”), which is engaged in gold mining business at considerations of HK\$18,500,000. As of 30 June 2020, the fair value of the equity investment was approximately HK\$30,400,000, with the fair value change of HK\$1,000,000 recomposed in other comprehensive income for the period.

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.

At the end of reporting period, 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 2020 (unaudited)	20%	18,500	30,400	—	30,097	11,900
		As at 31 December 2019 (audited)	20%	18,500	29,400	—	30,097	10,900

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

13. OTHER PAYABLES AND ACCRUALS

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Other payables and accruals	656	1,343
Unclaimed dividend payable	4	4
	<u>660</u>	<u>1,347</u>

14. SHAREHOLDER'S LOAN

On 4 June 2018, the Group had obtained an unsecured and unguaranteed loan at the rate of 8% per annum with principal amount of HK\$30,000,000 from its substantial shareholder, namely Mr. Chen Chien Yeh (the "Shareholder's Loan"). The effective interest rate applied was 7.7% per annum and the Shareholder's Loan was settled in full in 2019.

15. PROMISSORY NOTES

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
At beginning of period/year	20,257	20,754
Interest charged during the period/year	676	1,317
Redemption during the period/year	—	(300)
Interest paid during the period/year	(1,013)	(1,514)
	<u>19,920</u>	<u>20,257</u>
At end of period/year	19,920	20,257
Less: Amount due within one year classified as current liabilities	—	(337)
	<u>19,920</u>	<u>19,920</u>
Amount due over one year classified as non-current liabilities	<u>19,920</u>	<u>19,920</u>

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2019 (audited) and 1 January 2020 (unaudited)	10,000,000	1,000,000
Ordinary shares of HK\$0.1 each at 30 June 2020 (unaudited)	<u>10,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 31 December 2019 (audited) and 1 January 2020 (unaudited)	359,727	35,973
Ordinary shares of HK\$0.1 each at 30 June 2020 (unaudited)	<u>359,727</u>	<u>35,973</u>

17. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Tiger Securities Asset Management Company Limited ("Tiger Securities") —Management fees	<u>664</u>	<u>642</u>

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

18. 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 reporting period

	At 30 June 2020 (unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
Equity securities held for trading at market value listed in Hong Kong	5,850	—	—	5,850
Convertible bonds designated at financial assets at FVTPL	—	—	20,306	20,306
Equity investments designated at financial assets at FVTOCI	—	—	30,400	30,400
Total recurring fair value measurements	<u>5,850</u>	<u>—</u>	<u>50,706</u>	<u>56,556</u>
	At 31 December 2019 (audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
Equity securities held for trading at market value listed in Hong Kong	7,286	—	—	7,286
Convertible bonds designated at financial assets at FVTPL	—	—	19,520	19,520
Equity investments designated at financial assets at FVTOCI	—	—	29,400	29,400
Total recurring fair value measurements	<u>7,286</u>	<u>—</u>	<u>48,920</u>	<u>56,206</u>

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

During the period/year ended 30 June 2020/31 December 2019, 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.

	2020 (Unaudited)			Total <i>HK\$'000</i>
	Convertible bonds designated at financial assets at FVTPL <i>HK\$'000</i>	Equity investments designated at financial assets at FVTOCI <i>HK\$'000</i>		
At 1 January	19,520	29,400		48,920
Total gains or losses recognised				
— in profit or loss (included in revenue and other gains and losses)	786	—		786
— in other comprehensive income	—	1,000		1,000
At 30 June	<u>20,306</u>	<u>30,400</u>		<u>50,706</u>
	2019 (Audited)			Total <i>HK\$'000</i>
	Convertible bonds designated at financial assets at FVTPL <i>HK\$'000</i>	Private equity fund designated at financial assets at FVTPL <i>HK\$'000</i>	Equity investments designated at financial assets at FVTOCI <i>HK\$'000</i>	
At 1 January	39,715	13,542	35,176	88,433
Total gains or losses recognised				
— in profit or loss (included in revenue and other gains and losses)	(881)	(4,542)	(1,676)	(7,099)
— in other comprehensive income	—	—	400	400
Purchases	—	19,001	26,500	45,501
Disposals	(19,314)	(9,000)	(4,500)	(32,814)
At 31 December	<u>19,520</u>	<u>—</u>	<u>29,400</u>	<u>48,920</u>

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

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The management reports directly to the Board for these fair value measurements. Discussions of valuation processes and results are held between the management and the Board regularly.

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
Convertible bond investments designated at financial assets at FVTPL	Hull and Partial Differential models: — Discount rate
Equity investments designated at financial assets at FVTOCI	Income Approach — Discount cash flow method

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

Convertible bond investments designated at financial assets at FVTPL

The fair value of the convertible bonds designated at FVTPL is estimated using a Hull and Partial Differential model.

The higher of the price per share and expected volatility would increase the fair value of the convertible bonds designated at fair value through profit or loss. The lower of the price per share and expected volatility would decrease the fair value of the convertible bonds designated at fair value through profit or loss.

Equity investment designated at financial assets at FVTOCI

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

The higher of the price per share and lower of the discount rate would increase the fair value of the equity investments designated at FVTOCI. The lower of the price per share and higher of the discount rate would decrease the fair value of the equity investments designated at FVTOCI.

During the period/year ended 30 June 2020/31 December 2019, there were no changes in valuation techniques used.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$4,001,000 as compared to approximately HK\$4,539,000 in the same period last year representing a decrease of approximately 11.9%. The decrease in revenue was mainly due to decrease of interest income during the period.

For the six months ended 30 June 2020, the Group recorded realised gain on listed securities of approximately HK\$585,000 as compared to approximately HK\$1,737,000 in the same period last year. The unrealised loss of approximately HK\$2,538,000 on listed securities (six months ended 30 June 2019: HK\$11,781,000). The reason of the significant reduction in realised loss and unrealised loss on listed securities was due to the better performance of the listed securities hold by the Group during the six months ended 30 June 2020.

For the six months ended 30 June 2020, the loss attributable to owners of the Company was approximately HK\$9,434,000 as compared to the loss of approximately HK\$11,273,000 in the same period last year. The loss for the six months ended 30 June 2020 has decreased as compared with same period last year which was mainly due to the net effect of reduction in unrealised loss on listed securities of approximately HK\$2,538,000 as compared to approximately HK\$11,781,000 in same period last year and increment in impairment losses of unlisted investments of approximately HK\$7,624,000 (six month ended 30 June 2019: nil). As at 30 June 2020, the net assets of the Group were approximately HK\$157,282,000 (31 December 2019: HK\$165,716,000), the net assets slightly decreased 5.1% when compared with same period last year. The financial assets at fair value through profit or loss decreased from approximately HK\$26,806,000 as at 31 December 2019 to approximately HK\$26,156,000 as at 30 June 2020 and the financial assets at fair value through other comprehensive income of approximately HK\$30,400,000 (31 December 2019: HK\$29,400,000) was recorded as at 30 June 2020.

Prospects and future plan

The Hong Kong Monetary Authority (HKMA) has stepped into the currency market couple times this year, selling billions of Hong Kong dollar to rein back its strength, as hot money continues to pour into Hong Kong. The Group believes the fund flows coming to Hong Kong was the good signal to Hong Kong financial market, Hong Kong's stock market kicked off June 2020 with its biggest gain since the end of March 2020.

However, the external environment is of high relevance to the economy and financial market in Hong Kong. In term of the slow growth projections of Hong Kong and China and the Coronavirus Disease 2019 (the "COVID-19 outbreak"), the Group expects it is full of challenges in 2020.

Since early 2020, the COVID-19 outbreak has spread throughout the world and has affected business and economic activities worldwide significantly. Certain adverse impact on the

Group has appeared in the first half of 2020, the Group expected COVID-19 outbreak will continue to affect the Group's financial performance for the second half of 2020. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on our business, financial position and operating results.

Looking ahead to second half of 2020, 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

Liquidity and financial resources

The Group had available bank balances and cash as at 30 June 2020 of approximately HK\$21,646,000 (31 December 2019: HK\$28,187,000) which were mainly placed in banks 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\$157,282,000 as at 30 June 2020 compared to approximately HK\$165,716,000 at 31 December 2019, representing a decrease of approximately 5.1%.

As at 30 June 2020, the Group does not have any banking facilities (31 December 2019: nil).

As at 30 June 2020, the Group had borrowings of approximately HK\$21,284,000 (31 December 2019: HK\$22,268,000). The gearing ratio of the Group was approximately 13.4% (31 December 2019: 13.4%) which represents the ratio of the Group's borrowings to the net asset value of the Group.

In view of the coronavirus-led downturn weighs on credit quality, the credit rating agency expected that the default rate will rise materially to 6.4% at the end of 2020, based on the assessment of the Group, impairment losses of various loan notes of approximately HK\$6,032,000 and deposit of approximately HK\$1,592,000 were recognised during the six months ended 30 June 2020. Meanwhile, the gold price rose by more than 15% in the first half of 2020, the Group assessed the fair value of Perfect Path Limited which principally engaged in gold mining business, was recognised approximately HK\$1.0 million fair value gain for the six months ended 30 June 2020.

The Group did not have any capital expenditure commitment as at 30 June 2020 and 31 December 2019.

There was no significant change in the Group's capital structure for the six months ended 30 June 2020.

Rights Issue of 239,817,900 Rights Shares at HK\$0.28 per Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date

Reference is made to (i) the announcements of the Company dated 18 July 2019, 30 July 2019, 2 August 2019, 13 August 2019, 13 September 2019 and 18 October 2019, respectively (the "Announcements"); (ii) the circular of the Company dated 21 August 2019 (the "Circular"); and (iii) the prospectus of the Company dated 25 September 2019 (the "Prospectus") in relation to, amongst others, the Rights Issue. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements, Circular and Prospectus.

On 18 July 2019, the Company and the Underwriter entered into the Underwriting Agreement in respect of the proposed Rights Issue. The Board proposed to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.28 per Rights Share to raise approximately HK\$67.15 million before expenses by issuing 239,817,900 Rights Shares to the Qualifying Shareholders.

The estimated net proceeds from the Rights Issue would be approximately HK\$65.44 million (equivalent to a net price of approximately HK\$0.273 per Rights Share), among which (i) approximately HK\$30.00 million would be used for repayment of the shareholders loan due to shareholder in the principal amount of HK\$30.00 million with interest rate at 8% per annum, which would mature on 6 October 2019; (ii) approximately HK\$30.00 million would be used for investment in listed securities and unlisted securities; and (iii) the remaining balance of approximately HK\$5.44 million would be used for general working capital of the Group.

Details of the Rights Issue were set out in the Announcements, Circular and Prospectus.

As at 30 June 2020, updated on the net proceeds of the Rights Issue had been utilised as follows:

Date of announcement	Event	The remaining net proceeds as at 31 December 2019	Intended use of net proceeds	Actual use of proceeds
18 July 2019 (completed on 21 October 2019)	Rights Issue on the basis of two Rights Shares at the subscription price HK\$0.28 per Rights Shares for every one existing Share	Approximately HK\$30,000,000	(i) Approximately HK\$30 million for the investment in listed securities and unlisted securities	(i) Approximately HK\$4.5 million was used to invest in listed securities, the balance HK\$25.5 million will be utilised as intended within next 12 to 18 months of the date of this announcement

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 twelve investments as of 30 June 2020, comprising seven equity securities listed in Hong Kong, one unlisted convertible bonds in Hong Kong, three loan notes issued by three private entities in China 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”.

Significant investments held and their performance

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$4,001,000 as compared to approximately HK\$4,539,000 in the same period last year, representing a decrease of approximately 11.9%. The decrement in revenue was due to decrease of interest income from unlisted investments during the period.

The Group recorded a realised gain of approximately HK\$585,000 (six months ended 30 June 2019: HK\$1,737,000) and an unrealised loss of approximately HK\$2,538,000 (six months ended 30 June 2019: HK\$11,781,000) on listed securities. Meanwhile, impairment losses of various loan notes of approximately HK\$6,032,000 (six months ended 30 June 2019: nil) and deposit of approximately HK\$1,592,000 (six months ended 30 June 2019: nil) were recognized during the Reporting Period.

As at 30 June 2020, the Group held trading securities of approximately HK\$5,850,000 (31 December 2019: HK\$7,286,000). The decrease was mainly due to the net effect of the fair value loss on listed securities of approximately HK\$2,538,000 and increase the portfolio of the listed securities during the six month ended 30 June 2020.

As at 30 June 2020, the Group's unlisted investments (comprised of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and loans and receivables) were approximately HK\$128,947,000 (31 December 2019: HK\$129,977,000). Other receivables, deposits and prepayments was approximately HK\$21,231,000, as compared to approximately HK\$23,874,000 as at 31 December 2019, representing a decrease of approximately 11.1%.

Pursuant to the requirements stipulated in Rule 21.12 of 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 as follows and as disclosed in note 10 to 12 to the unaudited consolidated financial statements:

Loan Note Investment — 深圳達隆通用包裝機械有限公司 (“達隆通用包裝”)

達隆通用包裝 is a private entity established in PRC, which is principally engaged in developing and designing mechanical equipment. 達隆通用包裝 has been developing and producing intelligent garbage collection systems and production equipment for nearly 10 years. The Group held a loan note issued by 達隆通用包裝 with fixed interest at 10% per annum (“LN1”). The interest income recognised of the Group from the LN1 for the six months ended 30 June 2020 was approximately HK\$1.2 million (30 June 2019: HK\$1.2 million). The impairment loss recognised during the six months ended 30 June 2020 was approximately HK\$1.8 million (six months ended 30 June 2019: nil). Based on the latest management account of 達隆通用包裝, the unaudited net profit for the year ended 31 December 2019 was approximately RMB212,000 and its net asset value as at 31 December 2019 was approximately RMB13.0 million. The Board considered the industry of intelligent garbage collection systems and production equipment have great prosperity and the financial performance of 達隆通用包裝 was satisfactory. The Board also expected that 達隆通用包裝 will keep the growth trend in future. Therefore, holding the fixed interest income from loan notes was interest of the Group to obtain a stable cash inflow.

Loan Note Investment — 深圳前海藍伯爵公務航空服務有限公司 (“前海藍伯爵”)

The Group had subscribed a loan note issued by 前海藍伯爵 which was private entity established in the PRC, which was principally engaged in private flight service and management platform in China. 前海藍伯爵 was issued a loan note (“LN2”) in November 2019 to the Company and would mature after two years from date of issue. LN2 bears fixed interest at 5% per annum and is measured at amortised cost. The interest income recognised of the Group for the six months ended 30 June 2020 from LN2 was approximately HK\$823,000 (30 June 2019: nil). The impairment loss recognised during the six months ended 30 June 2020 was approximately HK\$1.5 million (six months ended 30 June 2019: nil). Based on the management account of 前海藍伯爵 as at 30 November 2019, the unaudited net profit was approximately RMB25.9 million. As at 30 November 2019, the net asset value of 前海藍伯爵 was approximately RMB68.6 million. The Board considered the

industry of private flight service in China has bright future and the Board expects that 前海藍伯爵 will keep the growth trend in the coming future. Therefore, holding the fixed interest income from the LN2 was in the interest of the Group to obtain a stable cash inflow.

Loan Note Investment — 深圳達隆包裝機械設備有限公司 (“達隆包裝機械”)

達隆包裝機械 is a private entity established in PRC, which is principally engaged in providing integrated R&D, design, sales and after-sales service in packaging equipment. In the past years, the 達隆包裝機械 was developing and producing intelligent air traffic control aircraft, which was an important tool for the development of air traffic control technology in China’s civil aviation airports. The Group held a loan note issued by 達隆包裝機械 with fixed interest at 10% per annum (“LN3”). The interest income recognised of the Group from LN3 for the six month ended 30 June 2020 was approximately HK\$1.2 million (30 June 2019: HK\$1.2 million). The impairment loss during the six months ended 30 June 2020 was approximately HK\$1.8 million (six months ended 30 June 2019: nil). Based on the latest management account of 達隆包裝機械, the unaudited net profit for the year ended 31 December 2019 was RMB1,055,000 and its net asset value as at 31 December 2019 was approximately RMB14.4 million. The packaging equipment market was set to grow from its current market value of more than US\$38 billion to more than US\$47 billion by 2024, according to a new research report from Global Market Insights Inc. Demand for packaging equipment is primarily driven by the development of energy-efficient equipment, increasing adoption of automated packaging machines and consumer demand for personal care goods. The Board considered that the packaging equipment industry has great potential, and the financial performance was same as the expectation and also expected that 達隆包裝機械 will keep the growth trend in future. Therefore, holding the fixed interest income from loan notes was interest of the Group to obtain a stable cash inflow.

Convertible Bond Investment — HF Financial Group (Hong Kong) Limited (“HF Group”)

HF Group a private entity established in Hong Kong, which is principally engaged in securities brokerage business and asset management business. Hong Kong stock market is one of the biggest stock market of the world, total capital raised from the Hong Kong securities market through IPOs constantly stayed top three in the world for the past decade. Although the securities brokerage business was competitive, more business from launching Shanghai Connect and Shenzhen Connect to create more room and opportunities for securities brokerage business. Above-mentioned the new co-operation of Hong Kong securities market and China securities market have created opportunities for assets management business as well. The Group held a convertible bond issued by HF Group with fixed interest at 8% per annum (“CB”). The interest income recognised of the Group from CB for six months ended 30 June 2020 was approximately HK\$786,000 (30 June 2019: HK\$782,000). No unrealised gain or loss recognised during the six months ended 30 June 2020. Based on the latest management account of HF Group, the unaudited net

loss for the year ended 31 December 2018 was HK\$15.0 million and its net asset value as at 31 December 2018 was approximately HK\$52.6 million. As keen competition of brokerage securities business in Hong Kong, fluctuation of Hong Kong stock market and the geopolitical environment in Hong Kong recently, a result of loss making for the year ended 31 December 2018 of HF Group. As the net asset value of HF Group was much higher than the principal amount of CB, the Group considered that the default risk of the CB was low. In addition, CB is continuing to generate interest income for the Group up to its expiry date.

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 other shareholders control the composition of the board of directors and have control over Perfect Path. Perfect Path still not deployed their business therefore no income generated during the six months ended 30 June 2020. Perfect Path owns 45% interest in a gold mine in Thailand. The net asset value of Perfect Path as at 31 December 2019 was approximately HK\$153.5 million. The fair value gain recognised for the six months ended 30 June 2020 was approximately HK\$1.0 million. Perfect Path will put into production after the outbreak of coronavirus under control and infrastructure to be ready. The Board considered that the gold price will be in the same trend with the past decade and therefore, the Group can enjoy the appreciation of gold mine holding by Perfect Path by gold price rising.

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 report for the three months ended 31 March 2020, the net profit for the period was approximately RMB\$29,403 million comparing with the net profit for the same period last year was approximately RMB27,856 million, the increase of net profit of Tencent was mainly due to the increase in revenue. The net asset value of Tencent as at 31 March 2020 was approximately RMB513,543 million. Net dividend (after expenses) approximately HK\$1,600 was received from Tencent during the six months ended 30 June 2020 (30 June 2019: nil). According to the quarterly report for the three months ended 31 March 2020 of Tencent, they expect in-game consumption activities to largely normalise as people return to work, and they see some headwinds for the online advertising industry. The Board believed the leading position of Tencent in the market can make them to enjoy the prosperity of internet industry, the Group would hold the investment in Tencent and closely monitor its performance and may adjust the portfolio of Tencent from time to time.

Listed Equity Investment — HSBC Holdings plc (“HSBC”)

HSBC is a company incorporated in England (stock code: 005). HSBC’s principally businesses are retail banking and wealth management, commercial banking, global banking and markets and global private banking. Based on the latest published quarterly results for the three months ended 31 March 2020, the net profit for the period was approximately US\$2,508 million comparing with the net profit for the same period last year was approximately US\$4,910 million, the decrease of net profit of HSBC was mainly due to the decrease in total operation income. No dividend was received from HSBC during the six months ended 30 June 2020 (30 June 2019: nil). According to the quarterly results for the three months ended 31 March 2020 of HSBC, they expect the impact of coronavirus will likely lead to higher expected credit loss, they have temporarily delayed parts of transformation including some elements of their cost and risk-weighted asset reduction programme, and expect restructuring costs for 2020 to be lower than indicated in 2019 annual results. The Board believed the market price of HSBC was comparatively low due to oversold and the financial performance of HSBC will become better. The Board will closely monitor the performance of HSBC and may adjust the portfolio of HSBC from time to time.

Listed Equity Investment — CNOOC Limited (“CNOOC”)

CNOOC is a company incorporated in Hong Kong (stock code: 883). CNOOC is principally engaged in exploration, development, production and sale of crude oil and natural gas. Based on the latest published annual report of CNOOC for the year ended 31 December 2019, the profit for the year attributable to owners was approximately RMB61,045 million comparing with the profit for the year attributable to owners for the last year was approximately RMB52,675 million, the increase of the profit was mainly due to less loss attributable to a joint venture. No dividend was received from CNOOC during the six months ended 30 June 2020 (30 June 2019: nil). The Board believed that CNOOC as one of the leader in the industry in China and the market price was comparatively low due to oversold, the Board considered the market price of CNOOC will rebound eventually. The Board will closely monitor the performance of CNOOC and may adjust the portfolio of CNOOC from time to time.

Listed Equity Investment — Classified Group (Holdings) Limited (“Classified”)

Classified is a company incorporated in the Cayman Islands (stock code: 8232). Classified is principally engaged in restaurant operations in Hong Kong. Based on the latest published quarterly report for the three months ended 31 March 2020, the net loss for the period was approximately HK\$3.5 million comparing with the net loss for the same period last year was approximately HK\$2.7 million, the increase of net loss of Classified was mainly due to the decrease in revenue, which were mainly due to the spread of Novel Coronavirus which had adverse impact on Classified’s restaurant revenue. The net asset value of Classified as at 31 March 2020 was approximately HK\$70.2 million comparing with same period last year was HK\$88.3 million. No dividend was received during the six months ended 30 June 2020 (30 June 2019: nil). Classified restaurants are a collection of casual European cafés specializing in artisan breads, cheeses and boutique wines, and are renowned for their breakfast and all-day dining menu. Offering casual seating areas in most locations, Classified encourages neighbourhood street-level interaction. Classified has over ten restaurants in Hong Kong mainly in commercial area. According to the quarterly report of Classified for the three months ended 31 March 2020, they plan to i) expand the take-away product line, increase marketing efforts and sales stimulating measures; ii) enhance and upgrade our existing restaurant facilities to attract more customers; iii) closely monitor the quotations of our suppliers to ensure we obtain competitive prices for our food ingredients; and iv) open more new restaurants with lower costs. The Board believed the strategy are good fit with the consumer market and the performance of Classified became better, the Group would hold the investment in Classified and will closely monitor the performance of Classified.

Listed Equity Investment — On Real International Holdings Limited (“On Real”)

On Real is a company incorporated in the Cayman Islands (stock code: 8245). On Real is a two-way radio product designer and manufacturer established in 2001. On Real derived revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis. Based on the latest published quarterly report for the three months ended 30 June 2020 of On Real, the net loss for the three months ended 30 June 2020 was approximately HK\$3.7 million comparing with the net loss of approximately HK\$1.9 million for the same period last year, primarily due to the decrease in gross profit in trading low margin product. The net asset value of On Real as at 30 June 2020 was approximately HK\$59.7 million. No dividend was received during the six months ended 30 June 2020 (30 June 2019: nil). According to the quarterly report of On Real for the three months ended 30 June 2020, approximately 45% of the total revenue were derived from the US market. The US market of two-way radio and baby monitor were the largest market in the world and it was appropriate marketing strategy of On Real to focus on the US market. The Board appreciated the effective marketing strategy of On Real and would hold the investment in On Real to earn the capital appreciation and the Group will closely monitor the performance of On Real in the future.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 3 full-time employees (30 June 2019: 3 full-time employees), including the executive Directors. Employees' remuneration are fixed and determined with reference to the market remuneration.

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 2020, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2020, the Group's trading securities of carrying amount of approximately HK\$3,957,000 (31 December 2019: HK\$1,715,000) 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 2020. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the period.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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 2020.

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 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 2020.

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

Hong Kong, 20 August, 2020

As at the date hereof, the Board of Directors of the Company comprises two executive Directors, namely Mr. Wu Ming Gai and Ms. Chan Carman Wing Yan; three non-executive Directors, namely Mr. William Keith Jacobsen, Mr. Chen Albert and Mr. Wong Chung Yan Sammy; and three independent non-executive Directors, namely Ms. Chan Man Yi, Ms. Leung Yin Ting and Mr. Jiang Qian.