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 2019

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 2019 are summarised as follows:

— Revenue of the Group for the six months ended 30 June 2019 was approximately HK$4,539,000 as compared to approximately HK$5,380,000 in the same period last year.

— Loss attributable to owners of the Company for the six months ended 30 June 2019 was approximately HK$11,273,000 as compared to the loss of approximately HK$37,454,000 in the same period last year.

— Basic loss per share of the Group was HK$0.09 for the six months ended 30 June 2019 as compared to the basic loss of HK$0.42 per share in the same period last year.

The board of directors (the "Board") of the Company presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 (the "Reporting Period") with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	**Six months ended 30 June**	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Gross proceeds from disposals of trading securities		**38,715**	42,489
Revenue	2	**4,539**	5,380
Other revenue	2	**1,290**	290
Other losses, net	2	**(11,679)**	(36,781)
		(5,850)	(31,111)
Finance costs	3	**(1,963)**	(2,117)
Other operating expenses		**(3,460)**	(4,226)
Loss before tax	4	**(11,273)**	(37,454)
Income tax	5	**—**	—
Loss and total comprehensive income for the period attributable to owners of the Company		**(11,273)**	(37,454)
		HK$	*HK$*
Loss per share	7		
Basic		**(0.09)**	(0.42)
Diluted		**(0.09)**	(0.42)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**14**	19
Loan notes	*9*	**58,892**	45,610
		58,906	45,629
Current assets			
Other receivables, deposits and prepayments	*8*	**15,501**	15,764
Loan notes	*9*	**—**	10,417
Right-of-use assets		**38**	—
Financial assets at fair value through profit or loss ("FVTPL")	*10*	**71,643**	85,069
Financial assets at fair value through other comprehensive income ("FVTOCI")	*11*	**35,176**	35,176
Due from securities brokers		**11**	12
Bank balances and cash		**453**	4,779
		122,822	151,217
Current liabilities			
Due to securities brokers		**1,937**	5,190
Other payables and accruals	*12*	**2,581**	3,801
Lease liabilities		**40**	—
Shareholder's loan		**32,923**	31,710
Promissory notes		**218**	834
		37,699	41,535
Net current assets		**85,123**	109,682
Total assets less current liabilities		**144,029**	155,311
Non-current liabilities			
Promissory notes		**19,920**	19,920
Net assets		**124,109**	135,391
Capital and reserves			
Share capital		**11,991**	119,909
Reserves		**112,118**	15,482
Total equity		**124,109**	135,391
Net asset value per share		**HK$1.04**	HK$1.13

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 2019 ("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 2018. 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 2018.

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 2019. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations.

The Group has initially adopted IFRS16 "Leases" from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's condensed consolidated financial statements.

IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single lessee accounting model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("leases of low-value assets").

The transition effects arising from the adoption of IFRS 16 are presented below.

The following tables analyse the impact, net of tax, of transition to IFRS 16 on the condensed consolidated statement of financial position of the Group.

	1 January 2019 *HK$'000*
Right-of-use assets	
Closing balance under IAS 17 at 31 December 2018	—
— Recognition of right-of-use assets under IFRS 16	266
Opening balance under IFRS 16 at 1 January 2019	266
Lease liabilities	
Closing balance under IAS 17 at 31 December 2018	—
— Recognition of lease liabilities under IFRS 16	275
Opening balance under IFRS 16 at 1 January 2019	275
Accumulated losses	
Closing balance under IAS 17 at 31 December 2018	(193,571)
— Recognition of right-of-use assets under IFRS 16	266
— Recognition of lease liabilities under IFRS 16	(275)
Opening balance under IFRS 16 at 1 January 2019	(193,580)

Consolidated statement of financial position

	31 December 2018	Adoption of IFRS 16	1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)
Assets			
Property, plant and equipment	19	—	19
Loan notes	56,027	—	56,027
Right-of-use assets	—	266	266
Other receivables, deposits and prepayments	15,764	—	15,764
Financial assets at FVTPL	85,069	—	85,069
Financial assets at FVTOCI	35,176	—	35,176
Due from securities brokers	12	—	12
Bank balances	4,779	—	4,779
	196,846	266	197,112
Liabilities			
Due to securities brokers	5,190	—	5,190
Other payables and accruals	3,801	—	3,801
Lease liabilities	—	275	275
Shareholder's loan	31,710	—	31,710
Promissory notes	20,754	—	20,754
	61,455	275	61,730
Net assets	135,391	(9)	135,382
Equity			
Share capital	119,909	—	119,909
Share premium account	200,377	—	200,377
Financial assets at FVTOCI reserve	8,676	—	8,676
Accumulated losses	(193,571)	(9)	(193,580)
Total equity	135,391	(9)	135,382

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equals to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term lease recognition exemption to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of approximately HK$266,000 were recognised and presented separately in the consolidated statement of financial position.

- Additional lease liabilities of approximately HK$275,000 were recognised.

- The net effect of these adjustments had been adjusted to accumulated losses in the amount of approximately HK$9,000.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	280
Incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	275

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered as low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	**Lease liabilities**
	HK$'000	*HK$'000*
At 1 January 2019	266	(275)
Depreciation	(228)	—
Interest expenses	—	(5)
Payments	—	240
At 30 June 2019	38	(40)

2. REVENUE, OTHER REVENUE AND OTHER 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue:		
Interest income from		
—loans and receivables	**2,865**	359
—convertible bonds designated at FVTPL	**1,674**	5,021
	4,539	5,380
Other revenue:		
Sundry income	**1,290**	290
Other losses, net:		
Unrealised fair value losses on financial assets at FVTPL		
—listed securities	**(11,781)**	(7,467)
—private equity fund	**(1,635)**	—
Net realised gains/(losses) on disposals of financial assets at FVTPL		
—listed securities	**1,737**	(29,314)
	(11,679)	(36,781)
	(5,850)	(31,111)

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 losses, net, loss for the period, and total assets are attributable to this segment.

3. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Imputed interest on shareholder's loan	**1,213**	—
Imputed interest on convertible bonds	**—**	651
Interest on other borrowings	**97**	12
Imputed interest on promissory notes	**648**	1,454
Imputed interest on lease liabilities	**5**	—
	1,963	2,117

4. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Directors' remuneration	**604**	904
Depreciation		
— Property, plant and equipment	**4**	7
— Right-of-use assets	**228**	—
Management fees	**642**	1,490
Pension costs — contributions to defined contribution plan	**19**	27
Operating lease in respect of land and buildings	**240**	240

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 2018: nil).

6. DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

7. LOSS PER SHARE

The calculation of loss per share is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share	**(11,273)**	(37,454)
	Number of Shares	Number of Shares
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**119,909**	88,481
	HK$	*HK$*
Basic loss per share	**(0.09)**	(0.42)
Diluted loss per share	**(0.09)**	(0.42)

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 period ended 30 June 2019 and 2018.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2019	At 31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Other receivables *(note a)*	**156**	149
Deposits paid for investments *(note b)*	**15,149**	15,149
Other deposits	**10**	17
Prepayments	**186**	449
	15,501	15,764

Notes:

(a) At the end of reporting period, the balance of other receivables was neither past due nor impaired. No ageing analysis to be disclosed in respect of other receivables. In the opinion of the directors of the Company, 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 and 10 June 2019, the Company entered into two extension agreements with the Issuer 1, to extend the completion date of the Proposed Acquisition to 30 June 2019 and 31 December 2019 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 10 June 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 2019 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.

9. LOAN NOTES

Loan note name		Subscription amount HK$'000	Interest receivables HK$'000	Impairment loss recognised during the year/period HK$'000	Carrying amount HK$'000	Interest income recognised during the year/period HK$'000
LN1	As at 30 June 2019	3,000	483	—	2,969	126
	As at 31 December 2018	3,000	357	514	2,843	255
LN2	As at 30 June 2019	3,000	316	—	2,802	126
	As at 31 December 2018	3,000	189	514	2,675	255
LN3	As at 30 June 2019	5,500	574	—	5,131	232
	As at 31 December 2018	5,500	342	943	4,899	342
LN4	As at 30 June 2019	24,000	1,506	—	23,902	1,190
	As at 31 December 2018	24,000	316	1,604	22,712	316
LN5	As at 30 June 2019	24,000	1,506	—	24,089	1,190
	As at 31 December 2018	24,000	315	1,417	22,898	315

(i) On 8 August 2016 and 5 April 2017, the Group had subscribed two trenches of HK$ denominated loan notes (the "LN1" and "LN2"), of principal value of HK$3,000,000 each issued by an independent third party, Zhongda International Holdings Limited, which is principally engaged in trading of consumer electronic products, with an aggregated amount of HK$6,000,000. On 9 April 2018, the Group had further subscribed another trench of HK$ denominated loan note (the "LN3"), of principal value of HK$5,500,000 issued by the issuer of LN1 and LN2. LN1, LN2 and LN3 bear fixed interest at 8.5% per annum with maturity of one year from their respective dates of issue and are measured at amortised cost. No conversion right is attached to LN1, LN2 and LN3 to be exercised by the Company.

On 7 August 2017, 28 March 2018 and 7 August 2018, the Company entered into three extension agreements with the issuer, to extend the maturity dates of LN1 and LN2 to 8 August 2018, 8 August 2019 and 5 April 2019.

On 31 December 2018, the Company entered into three extension agreements with the issuer to further extend the maturity dates of LN1, LN2 and LN3 to 8 August 2022, 5 April 2022 and 9 April 2022.

(ii) On 14 November 2018, the Group had subscribed HK$ denominated loan note (the "LN4") 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, maturity of three years from date of issue. LN4 bears fixed interest at 10% per annum and is measured at amortised cost.

(iii) On 14 November 2018, the Group had subscribed HK$ denominated loan note (the "LN5") 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, maturity of three years from dates of issue. LN5 bears fixed interest at 10% per annum and is measured at amortised cost.

	At 30 June 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Loan notes	**54,508**	59,500
Interest receivables	**4,384**	1,519
Impairment losses	**—**	(4,992)
At 31 December	**58,892**	56,027
Less: current portion	**—**	(10,417)
Non-current portion	**58,892**	45,610

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.

10. FINANCIAL ASSETS AT FVTPL

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trading securities *(note a)*		
— Equity securities held for trading at market value listed in Hong Kong	**18,347**	31,812
Convertible bonds designated as financial assets at FVTPL *(note b)*	**41,389**	39,715
Private equity fund designated at financial assets at FVTPL *(note c)*	**11,907**	13,542
	71,643	85,069

Notes:

(a) Trading securities

At the end of reporting period, details of the Group's major listed equity securities are as follows:

Stock name	Place of Incorporation		Proportion of investee's capital owned	Cost *HK$'000*	Market value *HK$'000*	Dividend income received during the year/period *HK$'000*	Net assets attributable to the investment *HK$'000*	Accumulated fair value (losses) /profits on investment recognised in the consolidated financial statements during the year/period *HK$'000*
Hong Kong								
On Real International Holdings Limited ("On Real Int'l") *(note i)*	Cayman Islands	As at 30 June 2019	8.73%	15,478	10,740	—	5,532	(4,738)
		As at 31 December 2018	6.04%	11,656	14,150	—	4,723	2,494
Classified Group (Holdings) Limited ("Classified") *(note ii)*	Cayman Islands	As at 30 June 2019	4.59%	11,028	3,789	—	3,970	(7,239)
		As at 31 December 2018	1.62%	8,317	8,404	—	1,477	87
Time2U International Holdings Limited ("Time2U") *(note iii)*	Cayman Islands	As at 30 June 2019	0.27%	399	314	—	1,285	(85)
		As at 31 December 2018	0.81%	1,290	1,178	—	4,374	(112)
China 33 Media Group Limited ("China 33") *(note iv)*	Cayman Islands	As at 30 June 2019	0.66%	831	1,057	—	3,155	226
		As at 31 December 2018	0.90%	1,605	1,139	—	4,347	(466)
Kinetix System Holding Limited ("Kinetix System") *(note v)*	Cayman Islands	As at 30 June 2019	0.11%	482	430	—	99	(52)
		As at 31 December 2018	5.15%	12,490	5,973	—	4,468	(6,517)

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

(i) On Real Int'l is principally engaged in the trading and manufacturing of two-way radio, baby monitors and other communication devices.

(ii) Classified is engaged in the business of food and beverage with primary focus on offering western cuisine.

(iii) Time2U is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third party watches.

(iv) China 33 is mainly engaged in film investment, money business and advertising services.

(v) Kinetix System is mainly engaged in provision of information technology infrastructure solution services.

(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*
Profit Gain Finance Limited ("CB1")	Hong Kong	As at 30 June 2019	20,000	892	—	20,517
		As at 31 December 2018	20,000	1,800	3,634	19,625
HF Financial Group (Hong Kong) Limited ("CB2")	Hong Kong	As at 30 June 2019	19,700	782	—	20,872
		As at 31 December 2018	19,700	1,575	(1,856)	20,090

All of the above investments are directly held by the Company.

	30 June 2019 CB1	CB2
Subscription date	13 April 2015	28 July 2016
Maturity date	13 April 2020	28 July 2020
Coupon rate (per annum)	9%	8%
Exercise price per share	HK$5,000	HK$14,723

On 20 March 2018 and 8 March 2019, the Company entered into extension agreements with Profit Gain Finance Limited, to extend the maturity date of CB1 to 13 April 2019 and 13 April 2020 respectively.

On 18 July 2018 and 26 July 2019, the Company entered into extension agreements with HF Financial Group (Hong Kong) Limited, to extend the maturity date of CB2 to 28 July 2019 and 28 July 2020 respectively.

(c) Private equity fund designated at financial assets at FVTPL

On 29 June 2018, the Group had subscribed 39.25% of a private equity fund "Fund investment" incorporated in the Cayman Islands, HF Pre-IPO Fund, of principal value of HK$19,001,000.

The Fund investment is redeemable based on the prevailing redemption price less all applicable fees.

At the end of reporting period, details of the private equity fund are as follows:

Investee name	Place of Incorporation		Proportion of investee's capital owned	Cost *HK$'000*	Market value *HK$'000*	Dividend income received during the year/period *HK$'000*	Net assets attributable to the investment *HK$'000*	Accumulated fair value losses on investment recognised in the consolidated financial statements during the year/period *HK$'000*
HF Pre-IPO Fund	Cayman Islands	As at 30 June 2019	39.25%	19,001	11,907	—	11,907	(7,094)
		As at 31 December 2018	39.25%	19,001	13,542	—	13,542	(5,459)

	30 June 2019 Private Equity Fund	**31 December 2018 Private Equity Fund**
Total number of shares held	24,213	24,213
Subscribed share capital	39.25%	39.25%
Net assets value per share	HK$491.76	HK$559.26

11. FINANCIAL ASSETS AT FVTOCI

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Unlisted equity investments designated at financial assets at FVTOCI	**35,176**	35,176

On 6 June 2018 and 7 December 2018, the Group had subscribed 18.18% and 20% equity interest of a Hong Kong incorporated private entity and an Anguilla incorporated private entity, HF Finance Limited (the "HF Finance") and Perfect Path Limited ("Perfect Path"), which are engaged in money lending business and gold mining business at considerations of HK$8,000,000 and HK$18,500,000 respectively.

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 of the Company 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 profits/(losses) 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 2019	20%	18,500	29,000	—	30,304	10,500
		As at 31 December 2018	20%	18,500	29,000	—	30,479	10,500
HF Finance Limited	Hong Kong	As at 30 June 2019	18.18%	8,000	6,176	—	(18)	(1,824)
		As at 31 December 2018	18.18%	8,000	6,176	—	(18)	(1,824)

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

12. OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Other payables and accruals	**2,577**	3,797
Unclaimed dividend payable	**4**	4
	2,581	3,801

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK$4,539,000 as compared to approximately HK$5,380,000 in the same period last year representing a decrease of approximately 15.6%.

For the six months ended 30 June 2019, the Group recorded losses on listed securities of approximately HK$10,044,000 as compared to approximately HK$36,781,000 in the same period last year. The unrealised loss of approximately HK$1,635,000 on unlisted private equity fund (six months ended 30 June 2018: nil).

For the six months ended 30 June 2019, the loss before income tax expense was approximately HK$11,273,000 as compared to the loss of approximately HK$37,454,000 in the same period last year. The loss attributable to owners of the Company was approximately HK$11,273,000 as compared to the loss of approximately HK$37,454,000 in the same period last year. The loss for the six months ended 30 June 2019 was mainly due to realised gain of approximately HK$1,737,000 and unrealised loss of approximately HK$11,781,000 on trading securities; and unrealised loss of approximately HK$1,635,000 on unlisted private equity fund.

Prospects and future plan

The performance of the first half of 2019 of Hang Seng Index ("HSI") fluctuated significantly. HSI rose from 25,130 points on the last day of 2018 sharply to 30,081 points at the beginning of May 2019, HSI dropped to 26,761 points at the beginning of June 2019. It can be seen that the several unexpected events and the US-China trade war are continually affected the macroeconomic and geopolitical environment. In such unstable market environment, the Group's listed securities performed not so satisfactorily.

Looking ahead to second half of 2019, 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 of approximately HK$453,000 (31 December 2018: HK$4,779,000) 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$124,109,000 as at 30 June 2019 compared to approximately HK$135,391,000 at 31 December 2018, representing a decrease of approximately 8.3%.

As at 30 June 2019, the Group does not have any banking facilities (31 December 2018: nil).

As at 30 June 2019, the Group had borrowings of approximately HK$54,998,000 (31 December 2018: HK$57,654,000). The gearing ratio of the Group was 44.3% (31 December 2018: 42.6%) 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 2019 and 31 December 2018.

Placing of 19,980,000 ordinary Shares under general mandate of the Company

On 21 September 2018, the Company and Hong Kong Wealthy Trade Limited entered into a placing agreement, pursuant to which the Company has appointed the Placing Agent B to procure, on a best efforts basis, not less than six placees who were Professional Investors to subscribe for up to 19,980,000 ordinary Shares at a price of HK$1 per Share, representing (i) approximately 20.0% of the existing issued share capital of the Company as at the date of the Placing Agreement B; and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares B. The closing price of the Shares as quoted on the Stock Exchange on 21 September 2018, being the date of the Placing Agreement B, was HK$0.495 per Share. The maximum net proceeds from the Placing B amounted to approximately HK$19,730,000 which was intended to be utilised for investment in the listed and/or unlisted securities in the aggregate amount of approximately HK$10,000,000 and the remaining balance was intended to use for repayment of the Group's payables and as the Group's general working capital. The net price per Placing Share B was approximately HK$0.99. Details of the Placing B were set out in the announcements of the Company dated 21 September 2018 and 12 October 2018.

As at 30 June 2019, the net proceeds of the placings had been utilised as follows:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
21 September 2018 (completed on 12 October 2018)	Placing of 19,980,000 ordinary Shares under general mandate of the Company	Approximately HK$19,730,000	(i) Approximately HK$10,000,000 for investment in the listed and/or unlisted securities	Approximately HK$10,000,000 was used for investment in the unlisted securities
			(ii) Approximately HK$9,730,000 will be used for repayment of the Group's payables and as the Group's general working capital	Approximately HK$9,330,000 was used for repayment of the Group's payable and operation expenses and the remaining balance of approximately HK$400,000 was maintained at the Group's bank account and will be utilised as intended within 3 months after the date of this announcement

Capital Structure

Save as the capital reorganisation mentioned under the heading of "Capital Reorganisation" below, there was no significant change in the Group's capital structure for the six months ended 30 June 2019.

Capital Reorganisation

On 23 January 2019, the Company announced to implement the capital reorganisation after the change of domicile becoming effective as follows:

(i) Reduction of Share Premium — the entire amount standing to the credit of the share premium account of the Company was reduced to nil and the credit arising from such reduction was transferred to an existing account of the Company designated as the contributed surplus account of the Company. Thereafter, the credit of the contributed surplus account of the Company was applied in full towards offsetting the entire amount of the accumulated losses of the Company as permitted under the New Bye-laws and the Companies Act.

(ii) Capital Reduction — the par value of each of the issued existing shares of the Company was reduced from HK$1.00 to HK$0.10 per issued existing share of the Company by the cancellation of the paid up share capital of the Company to the extent of HK$0.90 per issued existing share of the Company by way of a reduction of capital, such that the par value of the issued existing shares of the Company was reduced to HK$0.10 each. The credit arising from the Capital Reduction was transferred to the contributed surplus account of the Company within the meaning of the Companies Act and was applied for such purposes as permitted by all applicable laws and the Memorandum of Continuance and the New Bye-laws of the Company and as the Board considers appropriate; and

(iii) Share sub-division — immediately following the Capital Reduction, each of the authorised but unissued existing Shares with par value of HK$1.00 each was subdivided into 10 new Shares with par value of HK$0.10 each.

The Capital Reorganisation had become effective after 9:00 a.m. (Hong Kong time) on 18 April 2019. Details of the above are set out in the announcements of the Company dated 23 January 2019, 25 January 2019, 11 March 2019, 4 April 2019 and 23 April 2019 and the circular of the Company dated 4 February 2019.

CHANGE OF DOMICILE

The Company has been de-registered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the Change of Domicile became effective on 2 April 2019 (Hong Kong time) (the "Change of Domicile"). Details of the Change of Domicile were set out in the announcements of the Company dated 23 January 2019, 25 January 2019 and 4 April 2019 and the circular of the Company dated 4 February 2019.

INVESTMENT REVIEW

The Company is an investment company listed on the main board of 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 twenty investments as of 30 June 2019, comprising ten equity securities listed in Hong Kong, two unlisted convertible bonds in Hong Kong, one private equity fund in the Cayman Islands, three loan notes issued by a private entity in Bermuda and two loan notes issued by private entities in China, one item of interests in a private entity in Hong Kong 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 9 to 11 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 2019, the Group recorded revenue of approximately HK$4,539,000 as compared to approximately HK$5,380,000 in the same period last year, representing a decrease of approximately 15.6%. The decrement in revenue was due to decrease of interest income from unlisted investments during the period.

With the impact of continuously unfavourable performance of certain publicly traded securities held by the Group, the Group recorded a realised gain of approximately HK$1,737,000 (six months ended 30 June 2018: realised loss of HK$29,314,000) and an unrealised loss of approximately HK$11,781,000 (six months ended 30 June 2018: HK$7,467,000) on listed securities.

As at 30 June 2019, the Group held trading securities of approximately HK$18,347,000 (31 December 2018: HK$31,812,000). The decrease was mainly due to the fair value loss on trading securities of approximately HK$11,781,000.

As at 30 June 2019, other receivables, deposits and prepayments was approximately HK$15,501,000, as compared to approximately HK$15,764,000 as at 31 December 2018, representing a decrease of approximately 1.67%.

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 9 to 11 to the unaudited consolidated financial statements:

Loan Note Investment — Zhongda International Holdings Limited ("Zhongda")

Zhongda is a company incorporated in Bermuda with limited liability, which is principally engaged in trading of consumer electronic products. The Group held three loan notes issued by Zhongda with fixed interest at 8.5% per annum. The interest income recognised of the Group from such three loan notes during the period ended 30 June 2019 was approximately HK$126,000, HK$126,000 and HK$232,000 respectively (30 June 2018: HK$126,000, HK$126,000 and HK$106,000 respectively). Based on Zhongda' latest management account, the unaudited net loss for the year ended 31 December 2018 was HK$15.3 million comparing with the year ended 31 December 2017 year was approximately HK$5.3 million. The significant increase of the net loss of Zhongda was mainly due to increase of administrative expense and finance cost respectively. The increase of the administrative expense was mainly due to the increase of the legal and professional fee in relation to the proposed acquisition and resumption proposal. The legal and professional fee increased during the financial year. Furthermore, the finance cost increased was mainly due to the interest payment of additional working capital loan for the legal and professional fee and deposit paid for the proposed acquisition. The net liability value as at 31 December 2018 was approximately HK$38.6 million. No unrealised gain or loss recognised during the six months ended 30 June 2019 (30 June 2018: Nil). The Board considers that holding the fixed interest income from loan notes was interest of the Group to obtain a stable cash inflow.

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 2019 was approximately HK$1.2 million (30 June 2018: Nil). No unrealised gain or loss recognised during the six months ended 30 June 2019. Based on the latest management account of 達隆通用包裝, the unaudited net profit for the year ended 31 December 2018 was approximately HK$15.5 million and its net asset value as at 31 December 2018 was approximately HK$15.4 million. The Board considers 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 performance well. 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 ("LN2"). The interest income recognised of the Group from LN2 for the six month ended 30 June 2019 was approximately HK$1.2 million (30 June 2018: Nil). No unrealised gain or loss during the six months ended 30 June 2019. Based on the latest management account of 達隆包裝機械, the unaudited net profit for the year ended 31 December 2018 was HK$15.6 million and its net asset value as at 31 December 2018 was approximately HK$15.4 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 considers 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 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 — Profit Gain Finance Limited ("Profit Gain")

Profit Gain a private entity established in Hong Kong, which is principally engaged in money lending business. The Group held a convertible bond issued by Profit Gain with fixed interest at 9% per annum ("CB1"). The interest income recognised of the Group from CB1 for the six months ended 30 June 2019 was approximately HK$893,000 (30 June 2018: HK$893,000). No unrealised gain or loss during the six months ended 30 June 2019. Based on the latest management account of Profit Gain, the unaudited net loss for the year ended 31 March 2019 was approximately HK$3,000 comparing with the unaudited net loss for the year ended 31 March 2018 was approximately HK$78,000. The net liability value as at 31 March 2019 was approximately HK$5.7 million. Profit Gain is licenced under the Hong Kong Money lenders Ordinance as a licenced Money Lender in Hong Kong. Profit Gain continued to focus on conducting money lending business by providing both secured and unsecured loans to customers, including individuals and corporations. As keen competition of money lending business in Hong Kong and the geopolitical environment in Hong Kong recently, a result of loss making for the year ended 31 March 2019 of Profit Gain. The money lending industry in Hong Kong is affected by the general economic conditions of Hong Kong. The demand for credit facilities correlates to both consumer sentiments to spend and corporate sentiments to invest and the level of interest rate. The money lending industry will be benefited from the low interest rate as the interest rate is on the down trend globally. As the current assets as at 31 March 2019 of Profit Gain was HK$14.2 million and the principal liabilities at 31 March 2019 of Profit Gain was CB1 due to the Company, accordingly the current assets of Profit Gain can cover majority of the principal amount of CB1, the Group considers that the default risk of the CB1 was low. In addition, the CB1 is continuing to generate interest income for the Group up to its expiry date.

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 ("CB2"). The interest income recognised of the Group from CB2 for six months ended 30 June 2019 was approximately HK$782,000 (30 June 2018: HK$782,000). No unrealised gain or loss recognised during the six months ended 30 June 2019. 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 CB2, the Group considers that the default risk of the CB2 was low. In addition, CB2 is continuing to generate interest income for the Group up to its expiry date.

Private Equity Fund Investment — HF Pre-IPO Fund

HF Pre-IPO Fund is a private equity fund incorporated in the Cayman Islands, which is principally engaged in investment in small-medium size enterprise in Hong Kong, China and South Asia with potential to be listed on main board or GEM on the Stock Exchange. The fair value as at 31 March 2019 of HF Pre-IPO Fund was approximately HK$29.8 million. The Group subscribed 39.25% equity interest of HF Pre-IPO fund which the fair value represented approximately HK$11.9 million, slightly lower than the fair value HK$13.5 million as at 31 December 2018. The unrealised loss recognised by the Group in relation to the investment in HF Pre-IPO fund was approximately HK$1.6 million for the Reporting Period (30 June 2018: Nil), which was mainly due to the fluctuation of the stock market during the Reporting Period. No dividend has received by the Group during the six months ended 30 June 2019. The Group considers that the performance of HF Pre-IPO Fund was impacted by recent fluctuation of stock market and the Group had the view that the stock market of Hong Kong would return to positive growth. The Board believes that the performance of HF-Pre IPO Fund will be align with the trend of stock market.

Private Equity Investment — Perfect Path Limited ("Perfect Path")

Perfect Path is a private equity 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 2019. Perfect Path owns a gold mine in Thailand. No income was generated during the six months ended 30 June 2019 since Perfect Path still not deployed their business. The net asset value of Perfect Path as at 30 June 2019 was approximately HK$151.5 million. No unrealised gain or loss recognised during the Reporting Period. The gold price has experienced a general increase over the past decade, representing a 2.64% compound annual growth rate of 2.64% during 2008 to 2018. The Board considers 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.

Private Equity Investment — HF Finance Limited ("HF Finance")

HF Finance is a private equity incorporated in Hong Kong, which principally engaged in provision of money lending business. HF Finance is licenced under the Hong Kong Money lenders Ordinance as a licenced Money Lender in Hong Kong. HF Finance was focus on money lending business by providing both secured and unsecured loans to customers, including individuals and corporations. The Group held 18.18% of equity interest of HF Finance. Based on the management account of HF Finance, the net loss for the year ended 31 December 2018 was approximately HK$4.0 million mainly due to the keen competition of money lending business in Hong Kong and the net liability value as at 31 December 2018 was approximately HK$101,000. No unrealised gain or loss recognised during the Reporting Period. No dividend was received by the Group during the six months ended 30 June 2019. As keen competition of money lending business in Hong Kong and the geopolitical environment in Hong Kong recently, a result of loss making for the year ended 31 December 2018 of HF Finance. The money lending industry in Hong Kong is affected by the general economic conditions of Hong Kong. The demand for credit facilities correlates to both consumer sentiments to spend and corporate sentiments to invest and the level of interest rate. The money lending industry will be benefited from the low interest rate as the interest rate is on the down trend globally. As the Group made this investment only 1 year, the Board would like to use more time to oversee the performance of HF Finance and the Board believes that the money lending industry will return to the right track as the interest rate will keep at lowest level comparing with past decades, the Group will closely monitor the performance of HF Finance.

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 Hong. Based on the latest published interim report for the six months ended 30 June 2019, the net loss for the period was approximately HK$4.4 million comparing with the net loss for the same period last year was approximately HK$9.1 million, the decrease of net loss of Classified was mainly due to the decrease in staff costs, property rentals and related expenses and depreciation, which were primarily attributable to the closure of the bakery business and two "Classified" restaurants in 2018. Moreover, there was no impairment loss on property, plant and equipment during the six months ended 30 June 2019 of Classified. The net asset value of Classified as at 30 June 2019 was approximately HK$86.5 million. No dividend was received during the six months ended 30 June 2019 (30 June 2018: 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 interim report of Classified for the six months ended 30 June 2018, they plan to i) open four new restaurants; ii) enhance and upgrade our existing restaurant facilities and iii) enhance premium food and fine wine programme in order to entice higher spending customers to visit restaurants. The Board believes 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 annual report for the year ended 31 March 2019 of On Real, the net loss for the year ended 31 March 2019 was approximately HK$9.7 million comparing with the net profit of approximately HK$900,000 for the year ended 31 March 2018, primarily due to the decrease in gross profit in trading low margin product and the impairment loss of financial asset. The net asset value of On Real as at 31 March 2019 was approximately HK$63.4 million. No dividend was received during the six months ended 30 June 2019 (30 June 2018: Nil). According to the annual report of On Real for the year ended 31 March 2019, approximately 31% 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 2019, the Group employed a total of 3 full-time employees (2018: 4 full-time employees), including the executive directors of the Company. 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 2019, the Group had no significant contingent liabilities.

Pledge of assets

As at 30 June 2019, no asset was pledged by the Group.

Subsequent event

Proposed rights issue

On 19 July 2019, the Company announced the proposed rights issue (the "Rights Issue") on the basis of two rights shares for every one share held at the subscription price of HK$0.28 per rights share. The estimated net proceeds from the Rights Issue will be approximately HK$65.44 million (equivalent to a net price of approximately HK$0.273 per Rights Share). The Company intended to apply net proceeds of (i) approximately HK$30.0 million for the repayment of the shareholder's loan; (ii) approximately HK$30.0 million for the investment in listed securities and unlisted securities; and (iii) approximately HK$5.4 million for general working capital of the Group. Details were set out in the Company's announcements dated 19 July 2019, 30 July 2019, 2 August 2019 and 13 August 2019 and the circular of the Company dated 21 August 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company did not redeem any of its listed shares during the six months ended 30 June 2019. 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 2019 (six months ended 30 June 2018: 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 2019, except the following deviation:

The office of the chief executive officer of the Company was vacant since 26 May 2015. The executive directors of the Company oversaw the day-to-day management of the business and operations of the Group until the appointment of Ms. Chan Carman Wing Yan as the chief executive officer of the Company on 3 June 2019. The above arrangement did not meet the requirement of code provision A.2.1 of the Code that the roles of chairman and chief executive officer should be divided. From 3 June 2019, the Company has complied with the code provision A.2.1 of the Code.

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 2019.

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

Hong Kong, 27 August, 2019

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.