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Cocoon Holdings Limited
中國天弓控股有限公司

(formerly known as Huge China Holdings Limited 匯嘉中國控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 428)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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 2018 are summarised as follows:

- Revenue of the Group for the six months ended 30 June 2018 was approximately HK\$5,380,000 as compared to approximately HK\$5,209,000 in the same period last year.
- Loss attributable to owners of the Company for the six months ended 30 June 2018 was approximately HK\$37,454,000 as compared to the loss of approximately HK\$129,293,000 in the same period last year.
- Basic loss per share of the Group was HK\$0.42 for the six months ended 30 June 2018 as compared to the basic loss of HK\$1.50 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 2018 with comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Gross proceeds from disposals of trading securities		42,489	21,466
Revenue	2	5,380	5,209
Other revenue	2	290	1
Other losses, net	2	(36,781)	(126,039)
		(31,111)	(120,829)
Finance costs	3	(2,117)	(2,004)
Other operating expenses		(4,226)	(6,460)
Loss before tax	4	(37,454)	(129,293)
Income tax	5	–	–
Loss and total comprehensive income for the period attributable to owners of the Company		(37,454)	(129,293)
		HK\$	HK\$
Loss per share	7		
Basic		(0.42)	(1.50)
Diluted		(0.42)	(1.50)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	<i>Note</i>	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		25	29
Current assets			
Other receivables, deposits and prepayments	8	24,833	7,945
Loans and receivables		11,895	6,546
Financial assets at fair value through profit or loss		160,417	201,399
Due from securities brokers		5,079	461
Bank balances and cash		1,342	3,888
		203,566	220,239
Current liabilities			
Due to a securities broker		–	1,814
Other payables and accruals	9	1,836	1,310
Convertible bonds		–	12,564
Promissory notes		33,597	9,626
		35,433	25,314
Net current assets		168,133	194,925
Total assets less current liabilities		168,158	194,954
Non-current liabilities			
Promissory notes		20,220	20,220
Net assets		147,938	174,734
Capital and reserves			
Share capital		99,929	85,929
Reserves		48,009	88,805
Total equity		147,938	174,734
Net asset value per share		HK\$1.48	HK\$2.03

Notes:

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 (“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 2017. 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 2017.

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 2018. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations.

The Group has initially adopted IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s consolidated financial statements.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue:		
Interest income from		
– loans and receivables	359	187
– convertible bonds designated at fair value through profit or loss	5,021	5,022
	5,380	5,209
Other revenue:		
Sundry income	290	1
Other losses, net:		
Unrealised fair value losses on financial assets at fair value through profit or loss		
– listed securities	(7,467)	(80,741)
Net realised losses on disposals of financial assets at fair value through profit or loss		
– listed securities	(29,314)	(45,298)
	(36,781)	(126,039)
	(31,111)	(120,829)

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	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest on convertible bonds	651	631
Interest on other borrowings	12	881
Imputed interest on promissory notes	1,454	492
	<u>2,117</u>	<u>2,004</u>

4. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' remuneration	904	618
Impairment of goodwill	–	38
Depreciation	7	10
Management fees	1,490	1,490
Pension costs – contributions to defined contribution plan	27	26
Operating lease in respect of land and buildings	240	429
	<u>2,408</u>	<u>2,611</u>

5. INCOME TAX

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 2017: nil).

6. DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

7. LOSS PER SHARE

The calculation of loss per share is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the purposes of basic and diluted loss per share	(37,454)	(129,293)
	Number of	Number of
	Shares	Shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	88,481	85,929
	HK\$	HK\$
Basic loss per share	(0.42)	(1.50)
Diluted loss per share	(0.42)	(1.50)

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.

The computation of diluted loss per share does not assume the conversion of the Company's convertible bond since its exercise would result in a decrease in loss per share for the six months ended 30 June 2018 and 2017.

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 2018 and 2017.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At	At
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Other receivables (<i>note a</i>)	40	17
Deposits paid for investments (<i>note b</i>)	24,500	7,500
Other deposits	169	149
Prepayments	124	279
	24,833	7,945

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\$5,500,000 ("Deposit 1") and HK\$19,000,000 ("Deposit 2") paid by the Group for the proposed subscription of convertible notes and shares to be issued by two independent third parties.

Deposit 1

On 12 August 2016, the Company entered into a memorandum of understanding ("MoU") with an independent third party ("Issuer 1") pursuant to which the Company agreed to pay the deposit 1 amounted to HK\$5,500,000 to the Issuer 1 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 (the "Proposed Subscription 1"). The completion of the Proposed Subscription 1 is subject to the fulfillment of conditions precedent of the MoU including satisfaction of due diligence works on Issuer 1.

On 4 October 2016, 30 December 2016, 31 March 2017, 16 June 2017 and 1 January 2018 and 31 May 2018, the Company entered into a subscription agreement and five supplemental subscription agreements with the Issuer 1, to extend the completion date of the Proposed Subscription 1 to 31 December 2016, 31 March 2017, 30 June 2017, 31 December 2017, 30 June 2018 and 31 December 2018 respectively.

Deposit 2

On 27 June 2018, the Company entered into a subscription agreement 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 shares to be issued by the Issuer 2 (the "Proposed Subscription 2").

Up to the approval date on these Interim Financial Statements, the Proposed Subscription 1 is still under progress and not yet concluded, and the Proposed Subscription 2 was completed on 3 July 2018.

The amount of Deposit 1 is unsecured, interest-free and repayable within 7 days to 10 days upon request in the event that the Proposed Subscription 1 is not completed.

9. OTHER PAYABLES AND ACCRUALS

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Other payables and accruals	1,832	1,306
Unclaimed dividend payable	4	4
	1,836	1,310

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2018, the Group recorded a revenue of approximately HK\$5,380,000 as compared to approximately HK\$5,209,000 in the same period last year representing an increase of approximately 3.3%.

For the six months ended 30 June 2018, the Group recorded losses on listed securities of approximately HK\$36,781,000 as compared to approximately HK\$126,039,000 in the same period last year.

For the six months ended 30 June 2018, the loss before income tax expense was approximately HK\$37,454,000 as compared to the loss of approximately HK\$129,293,000 in the same period last year. The loss attributable to owners of the Company was approximately HK\$37,454,000 as compared to the loss of approximately HK\$129,293,000 in the same period last year. The loss for the six months ended 30 June 2018 was mainly due to fair value loss on and loss of disposal of trading securities.

Prospects and future plan

The performance of the first half of 2018 of Hang Seng Index (“HSI”) fluctuated significantly. HSI rose from 29,919 points on the last day of 2017 sharply to 33,154 points in January 2018, but ended at 28,955 points at the end of June 2018. In such fluctuating market environment, the performance of the trading securities of the Group were unfavourable. The Group continued to make loss on trading investments for the first half of 2018.

China’s GDP growth rates in the first and second quarters of 2018 are 6.8% and 6.7% respectively, slightly less than that of last year. In addition to the economic growth of China has appeared slowdown, the recent trade war between China and United States will likely have impact on China’s economic growth. We can expect the China’s GDP growth rate in the second half of 2018 may be not as high as those in the first two quarters this year.

Looking ahead to second half of 2018, 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\$1,342,000 (31 December 2017: HK\$3,888,000) 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\$147,938,000 as at 30 June 2018 compared to approximately HK\$174,734,000 at 31 December 2017, representing a decrease of approximately 15.3%.

As at 30 June 2018, the Group does not have any banking facilities (31 December 2017: nil).

As at 30 June 2018, the Group had borrowings of approximately HK\$53,817,000 (31 December 2017: HK\$44,224,000). The gearing ratio of the Group was 36.4% (31 December 2017: 25.3%) which represents the ratio of the Group's borrowing to the net asset value of the Group.

The Group did not have any capital expenditure commitment as at 30 June 2018 and 31 December 2017.

Capital Structure

Save as the placing of new shares mentioned under the heading of "Placing of New Shares" below and the increase in authorised share capital from HK\$100,000,000 divided into 100,000,000 shares of HK\$1.00 each to HK\$1,000,000,000 divided into 1,000,000,000 shares of HK\$1.00 each, which was approved at the Company's annual general meeting held on 28 June 2018, there was no significant change in the Group's capital structure for the six months ended 30 June 2018.

Placing of New Shares

After trading hours on 11 May 2018, the Company and Tiger Securities Asset Management Company Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement") pursuant to which the Company has appointed the Placing Agent to procure, on a best efforts basis, places to subscribe for up to 14,000,000 new shares ("Placing Shares") at a price of HK\$0.79 (the "Placing Price") per Placing Share (the "Placing"), and 14,000,000 Placing shares were issued and allotted on 29 May 2018.

The 14,000,000 Placing Shares represent (i) approximately 16.3% of the issued share capital of the Company as at 11 May 2018; and (ii) approximately 14.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing is HK\$14,000,000.

The Placing Price of HK\$0.79 per Placing Share was determined after arm's length negotiations between the Company and the Placing Agent and represents (i) a discount of approximately 2.47% to the closing price of HK\$0.81 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 May 2018, being the date of the Placing Agreement; and (ii) a discount of approximately 3.66% to the average closing price of HK\$0.82 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement.

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 gross proceeds from the Placing were HK\$11,060,000 and the actual net proceeds were approximately HK\$10,658,000. The net issue price per Placing Share was approximately HK\$0.76. It is intended that the net proceeds from the Placing will be utilised for repayment of short term loan and payment of interest in the aggregate amount of approximately HK\$8,800,000 and the remaining balance will be used for investment on listed securities.

As at 30 June 2018 and up to the date of this announcement, based on the actual net proceeds of approximately HK\$10,658,000, the Company has utilised approximately HK\$5,350,000 of the net proceeds from the Placing for the repayment of short term loan and payment of interest, and approximately HK\$1,858,000 on the investment in listed securities. The remaining net proceeds of approximately HK\$3,450,000 are intended to be utilised for the repayment of short term loan and payment of interest by 31 December 2018.

Significant investments held and their performance

For the six months ended 30 June 2018, the Group recognised interest income in the aggregate amount of approximately HK\$5,380,000 as compared to approximately HK\$5,209,000 in the same period last year, representing an increase of approximately 3.3%. The interest income comprises approximately HK\$359,000 earned from loans and receivables (six months ended 30 June 2017: HK\$187,000) and approximately HK\$5,021,000 earned from convertible bonds (six months ended 30 June 2017: HK\$5,022,000). Revenue was approximately HK\$5,380,000 as compared to approximately HK\$5,209,000 in the same period last year, representing an increase of approximately 3.3%.

For the six months ended 30 June 2018, the Group disposed of certain publicly traded securities and realised net loss of approximately HK\$29,314,000 as compared to net realised loss of approximately HK\$45,298,000 in the same period last year. With the fluctuated performance of Hong Kong stock market in the first half of 2018, the Group recorded unrealised loss of approximately HK\$7,467,000 (six months ended 30 June 2017: approximately HK\$80,741,000) on publicly trading securities.

As at 30 June 2018, the Group's unlisted investments (comprised of convertible bonds, loan notes and equity securities) were approximately HK\$131,067,000 as compared to approximately HK\$117,619,000 as at 31 December 2017, representing an increase of approximately 11.4%. The increase in value of unlisted investments is principally due to acquisition of equity securities of a private entity of HK\$8,000,000; and subscription of loan note issued by a listed company of approximately HK\$5,500,000 during the six months ended 30 June 2018.

As at 30 June 2018, other receivables, deposits and prepayments was approximately HK\$24,833,000 as compared to approximately HK\$7,945,000 as at 31 December 2017 representing an increase of approximately 213%, which was resulted from decrease in other receivables and deposits of HK\$2,112,000 and the increase in prepayments of HK\$19,000,000 over the six months ended 30 June 2018.

As at 30 June 2018, the Group held trading securities of approximately HK\$41,245,000, as compared to approximately HK\$90,326,000 as at 31 December 2017, representing a decrease of approximately 54.3%. The decrease was due to the net effect of: (1) purchases of trading securities for an aggregate amount of HK\$49,122,000; (2) the disposals of certain trading securities which had an aggregate amount of HK\$61,422,000; (3) net realised loss on disposals of trading securities of HK\$29,314,000; and (4) fair value loss on trading securities of HK\$7,467,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company did not redeem any of its listed shares during the six months ended 30 June 2018. 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 2018 (six months ended 30 June 2017: 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 2018, except the following deviations:

The office of the chief executive officer of the Company was vacant since 26 May 2015. The executive directors of the Company continues to oversee the day-to-day management of the business and operations of the Group until the appointment of a new chief executive officer. The above arrangement did not meet the requirement of code provision A.2.1 of the Code that the roles and responsibilities of chairman and chief executive officer should be divided.

Following the retirement of Mr. Law Siu Hung Paul (“Mr. Law”) and Mr. Wong Ching Wan (“Mr. Wong”) as directors of the Company at the conclusion of the annual general meeting held on 28 June 2018, Mr. Law also retired as member of audit committee (“Audit Committee”) and nomination committee (“Nomination Committee”) of the Company and Mr. Wong also retired as the chairman and a member of Audit Committee and remuneration committee (“Remuneration Committee”) of the Company and a member of Nomination Committee.

Accordingly, the number of the independent non-executive directors of the Company (“INED”) fall short of the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rules and no INED have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The required composition of the Audit Committee, Remuneration Committee and Nomination Committee did not meet the requirements under Rule 3.21 and Rule 3.25 of the Listing Rules and code provision A.5.1 of the Code respectively.

On 21 August 2018, the Company has appointed Ms. Chan Man Yi, a member of Hong Kong Institute of Certified Public Accountants, as an INED, a member of Remuneration Committee and the chairman and a member of each of Nomination Committee and Audit Committee, and Mr. Wong Chung Yan Sammy was appointed as the chairman and a member of Remuneration Committee and a member of Nomination Committee. Accordingly, the Company has already complied with the Listing Rules and code provision as mentioned in the above paragraph since 21 August 2018, upon the aforesaid appointments of Ms. Chan Man Yi and Mr. Wong Chun Yan Sammy.

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 2018.

By Order of the Board
Cocoon Holdings Limited
Chau Wai Hing
Chairman

Hong Kong, 30 August, 2018

As at the date hereof, the Board of directors of the Company comprises two executive directors, namely Mr. Chau Wai Hing and Mr. Wu Ming Gai; three non-executive directors, namely Mr. William Keith Jacobsen, Mr. Mak Hing Keung Thomas and Mr. Chen Albert; and three independent non-executive directors, namely Mr. Sio Chan In Devin, Mr. Wong Chung Yan Sammy and Ms. Chan Man Yi.