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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the announcements of Cocoon Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 18 July 2019, 30 July 2019, 2 August 2019, 13 August 2019, 12 September 2019, 13 September 2019, 18 October 2019 and 18 May 2020 (together, the “**Announcements**”), the circular of the Company dated 21 August 2019 (the “**Circular**”) and the prospectus of the Company dated 25 September 2019 (the “**Prospectus**”) in relation to the Rights Issue on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. Capitalised terms used in this announcement shall have the same meanings as those used in the Announcements, the Circular and the Prospectus unless the context requires otherwise.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

As disclosed in the Announcements, the Circular and the Prospectus, the net proceeds raised from the Rights Issue were approximately HK\$65.44 million, after expenses (the “**Net Proceeds**”). As disclosed in the interim report of the Company for the six months ended 30 June 2020, an aggregate sum of approximately HK\$25.5 million of the Net Proceeds from the Rights Issue has not been utilised (the “**Remaining Proceeds**”). The Remaining Proceeds were originally allocated to invest (a) approximately HK\$10.0 million to HK\$15.0 million to subscribe for the shares of an overseas property developer; and (b) approximately HK\$10.5 million in listed and unlisted securities (i) in banking and finance sector; (ii) in energy industry; and (iii) in provision of internet of things and internet services (as disclosed in the announcement dated 18 May 2020 to re-allocate the Remaining Proceeds).

REASONS FOR AND BENEFITS OF CHANGE IN USE OF PROCEEDS

In view of the global outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020, the economic outlook and financial market in Hong Kong remain uncertain. As at the date of this announcement, the pandemic is not yet under control, the COVID-19 has changed the economic environment. The Group believes that the internet of things industry, internet services industry, high-tech industry, medical, healthcare, pharmaceutical and life sciences industries can enjoy the positively affect upon the change in social behavior and the economic environment due to the COVID-19 outbreak. The Board has weighed up the risks and the benefits and considered the adoption of a timely investment approach and in order to strengthen the use efficiency of the Remaining Proceeds, the Board considered to reduce the proportion of the Remaining Proceeds for investment to supplement the working capital, and to utilise the rest of the Remaining Proceeds to invest in the above-mentioned industries and also in banking and finance sector and in energy industry which in line with the intention stipulated in the announcement dated 18 May 2020.

The Board had resolved to change in use of the Remaining Proceeds approximately (a) HK\$20.0 million with the intention to apply such amount towards investment in listed and unlisted securities (i) in provision of internet of things and internet services industry; (ii) high-tech industry; (iii) in life sciences industry; (iv) medical; (v) healthcare; (vi) pharmaceutical; (vii) banking and finance sector; and (viii) energy industry; and (b) approximately HK\$5.5 million for working capital of the Group. The reason for change in use of the Remaining Proceeds is the above-mentioned industries are expected to be benefited from the change in social behavior and the economic environment and the Board considered that the market price of certain listed securities in banking and finance sector and also energy sector are comparatively low due to oversold as well.

The Board considers that the above change in use of the Remaining Proceeds has allowed the Company to fit with the prudent treasury policy of the Group and the adaptive investment strategy and the current investment environment in order to protect the interest of the investors and to enhance our investment portfolio and achieve net asset appreciation and therefore, is in the best interest of the Company and its shareholders as a whole.

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

Hong Kong, 25 November, 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.