Cocoon Holdings Limited
中國天弓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 428)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

The financial highlights of Cocoon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 are summarised as follows:

— The Group recorded a loss of HK$64,739,000 in revenue, other revenue, other gains and losses as compared to a loss of HK$191,585,000 in the last year.

— Loss attributable to owners of the Company was HK$69,782,000 as compared to a loss of HK$205,508,000 in the last year.

— The Board of Directors of the Company (the "Board") does not recommend payment of dividend for the year ended 31 December 2018 (2017: nil).

— Basic loss per share was HK$0.80 (2017: loss per share of HK$2.39).

The Board announces the consolidated results of the Group for the year ended 31 December 2018 together with comparative figures for the corresponding year ended 31 December 2017. The following consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes, including the comparative figures, have been extracted from the Company's audited consolidated financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2018	2017
	Note	***HK$'000***	*HK$'000*
Gross proceeds from disposals of trading securities		**123,228**	66,938
Revenue	*5*	**10,812**	10,570
Other revenue	*6*	**410**	5,109
Other gains and losses	*7*	**(75,961)**	(207,264)
		(64,739)	(191,585)
Other operating expenses		**(9,552)**	(10,627)
Finance costs	*8*	**(4,167)**	(3,296)
Loss before tax	*9*	**(78,458)**	(205,508)
Income tax	*10*	**—**	—
Loss for the year		**(78,458)**	(205,508)
Other comprehensive income, net of tax:			
Item that will not be reclassified to profit or loss:			
— Fair value gain of financial assets at fair value through other comprehensive income ("FVTOCI")		**8,676**	—
Loss and total comprehensive income for the year attributable to owners of the Company		**(69,782)**	(205,508)
Loss per share			
Basic	*11*	**(HK$0.80)**	(HK$2.39)
Diluted		**(HK$0.80)**	(HK$2.39)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**19**	29
Goodwill		**—**	—
Loan notes		**45,610**	—
		45,629	29
Current assets			
Other receivables, deposits and prepayments	*12*	**15,764**	7,945
Loan notes		**10,417**	6,546
Financial assets at fair value through profit or loss ("FVTPL")		**85,069**	201,399
Financial assets at FVTOCI		**35,176**	—
Due from securities brokers		**12**	461
Bank balances		**4,779**	3,888
		151,217	220,239
Current liabilities			
Due to securities brokers		**5,190**	1,814
Other payables and accruals	*13*	**3,801**	1,310
Shareholder's loan		**31,710**	—
Convertible bonds		**—**	12,564
Promissory notes		**834**	9,626
		41,535	25,314
Net current assets		**109,682**	194,925
Total assets less current liabilities		**155,311**	194,954
Non-current liabilities			
Promissory notes		**19,920**	20,220
Net assets		**135,391**	174,734
Capital and reserves			
Share capital	*14*	**119,909**	85,929
Reserves		**15,482**	88,805
Total equity		**135,391**	174,734
Net asset value per share		**HK$1.13**	HK$2.03

Notes:

1. GENERAL

Cocoon Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business of the Company is Unit 1601, 16th Floor, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong. The principal activities of the Company are investments in securities listed on recognised stock exchanges and unlisted investments with a potential for earnings growth and capital appreciation.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which in collective term includes all applicable International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) IFRS 9 Financial Instruments; and

(ii) IFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The application of IFRS 9 did not affect the classification and measurement of the Group's financial assets that were designated at FVTPL and loans and receivables as at 1 January 2018 which are continue to be measured at FVTPL and amortised cost after initial application. As a result, restatement of the opening retained profits, other components of equity and comparative information is not required.

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

(a) *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at FVTOCI or FVTPL, and

— those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

(b) *Measurement*

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognsied in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income or administrative and other operating expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the Group's receivables. There is no significant change in accumulated impairment loss at the date of initial adoption of IFRS 9 as compared with that recognised under IAS 39.

The measurement categories for all financial liabilities of the Group remain the same and the carrying amounts for all financial liabilities of the Group as at 1 January 2018 have not been significantly impacted by the initial application of IFRS 9.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	**Note**	**Classification under IAS 39**	**Classification under IFRS 9**	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
				HK$'000	HK$'000
Other receivables, deposits and prepayments	(a)	Loans and receivables	Amortised cost	7,945	7,945
Loans and receivables	(a)	Loans and receivables	Amortised cost	6,546	6,546
Financial assets at fair value through profit or loss	(b)	FVTPL	FVTPL	201,399	201,399
Due from securities brokers	(a)	Loans and receivables	Amortised cost	461	461

(a) These balances were classified as loans and receivables under IAS 39 are now classified at amortised cost.

(b) Financial assets at FVTPL included equity securities held for trading and derivative financial assets (except for those designated as hedging instruments in cash flow hedges) are required to be held as FVTPL as under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference, if any, at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. The initial adoption of IFRS 15 did not have impact on the Group's opening retained profits and how the Group recognises its revenue.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised IFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRSs	Annual Improvement to IFRS Standards 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and where applicable the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office property amounted to HK$280,000 as at 31 December 2018. These leases are not expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted as it would be regarded as low value assets under optional exemptions of IFRS 16.

The Group expects that the initial adoption of IFRS 16 will not have material impact to the Group. However, the expected changes in accounting policies as described above could have an impact on the Group's consolidated financial statements from 2019 onwards.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SEGMENT INFORMATION

(a) Operating segment information

For management purposes, 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.

(b) Geographical information

The following table provides an analysis of the Group's revenue, other revenue and other losses by geographical location which is based on the country of domicile or place of listing of the investees and counterparties as appropriate:

	2018	2017
	HK$'000	*HK$'000*
Revenue and other revenue		
Hong Kong	**11,222**	15,679

	2018	2017
	HK$'000	*HK$'000*
Other gains and losses		
Hong Kong	**(75,961)**	(207,264)

During the years ended 31 December 2018 and 2017, there were no dividend income from the Group's unlisted investments.

Non-current assets are not presented in the geographical information as they are all located in Hong Kong.

5. REVENUE

	2018	2017
	HK$'000	*HK$'000*
Interest income from:		
— bank deposits	**2**	1
— loan notes	**1,483**	444
— convertible bonds designated at financial assets at FVTPL	**9,327**	10,125
	10,812	10,570

6. OTHER REVENUE

	2018	2017
	HK$'000	*HK$'000*
Other payables written back	**120**	5,108
Sundry income	**290**	1
	410	5,109

7. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Unrealised fair value (losses)/gains on financial assets at FVTPL:		
— listed securities	**(10,817)**	(108,461)
— unlisted convertible bonds designated at financial assets at FVTPL	**1,778**	(14,328)
— Private equity fund designated at financial assets at FVTPL	**(5,459)**	—
Net realised loss on disposals of financial assets at FVTPL:		
— listed securities	**(45,350)**	(84,437)
— unlisted convertible bonds designated at financial assets at FVTPL	**(15,851)**	—
Gain on disposals of unlisted convertible bonds designated at financial assets at FVTPL	**5,081**	—
Net loss on financial assets at FVTPL	**(70,618)**	(207,226)
Impairment losses on goodwill	**—**	(38)
Impairment losses on loan notes	**(4,992)**	—
Impairment losses on deposits	**(351)**	—
	(75,961)	(207,264)

8. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Imputed interest on shareholder's loan	**1,710**	—
Imputed interest on convertible bonds	**651**	805
Imputed interest on promissory notes	**1,618**	1,215
Interest on other borrowings	**188**	1,276
	4,167	3,296

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting) the following:

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**295**	225
Management fees	**2,980**	2,980
Exchange loss/(gain), net	**4**	(5)
Depreciation of property, plant and equipment	**14**	18
Impairment losses on goodwill	**—**	38
Impairment losses on loan notes	**4,992**	—
Impairment losses on deposits	**351**	—
Employee benefits expenses:		
—Salaries, allowance and benefits in kind	**2,672**	2,038
—Contributions to defined contribution plan*	**58**	54
	2,730	2,092
Operating leases in respect of land and buildings	**570**	945

* There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2018 and 2017 to reduce future contributions. There was no outstanding contribution to the plan at 31 December 2018 and 2017.

10. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has no estimated assessable profit for the year (2017: nil).

Reconciliation between income tax and the product of the Group's loss before tax at applicable tax rate is set out below:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(78,458)**	(205,508)
Notional tax on loss before tax, calculated at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(12,946)**	(33,909)
Tax effect of expenses not deductible for tax purpose	**3,277**	20,406
Tax effect of tax losses not recognised	**9,671**	13,549
Tax effect of temporary differences not recognised	**(2)**	(46)
Income tax	**—**	—

11. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

Loss

	2018	2017
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	**(78,458)**	(205,508)

Number of shares

	2018	2017
	'000	*'000*
Issued ordinary shares at the beginning of year	**85,929**	85,929
Effect of shares issued on placements	**12,757**	—
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**98,686**	85,929

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Other receivables	**149**	17
Deposits paid for investments	**15,149**	7,500
Other deposits	**17**	149
Prepayments	**449**	279
	15,764	7,945

13. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Other payables and accruals	**3,797**	1,306
Unclaimed dividend payables	**4**	4
	3,801	1,310

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$1 each, at 1 January 2017, 31 December 2017 and 1 January 2018	100,000,000	100,000
Increase during the year	900,000,000	900,000
Ordinary share of HK$1 each at 31 December 2018	1,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$1 each at 1 January 2017, 31 December 2017 and 1 January 2018	85,928,950	85,929
Issue of shares on placement *(note)*	33,980,000	33,980
Ordinary shares of HK$1 each at 31 December 2018	119,908,950	119,909

Note:

On 11 May 2018, the Company and a placing agent entered into a placing agreement in respect of the placement of 14,000,000 ordinary shares of HK$1 each to independent investors at a price of HK$0.79 per share ("Placement 1"). The Placement 1 was completed on 29 May 2018.

Details and the results of the Placement 1 are set out in the announcements of the Company dated 11 May 2018 and 29 May 2018.

On 21 September 2018, the Company and another placing agent entered into a placing agreement in respect of the placement of 19,980,000 ordinary shares of HK$1 each to independent investors at a price of HK$1.00 per share ("Placement 2"). The Placement 2 was completed on 12 October 2018.

Details and the result of the Placement 2 are set out in the announcement of the Company dated 21 September 2018 and 12 October 2018.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2018, 52.5% (2017: 80%) of the shares were in public hands.

15. OPERATING LEASES

The Group leases an office under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease after that date at which time all terms are renegotiated.

At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**280**	480
In the second to fifth years inclusive	**—**	280
	280	760

16. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

17. EVENTS AFTER THE REPORTING PERIOD

On 23 January 2019, the Company proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda ("Change of Domicile"). The implementation of the Change of Domicile will not affect the continuity of the Company and its listing status.

In connection with the Change of Domicile, it is proposed that the new memorandum and the bye-laws be adopted by the Company to replace, respectively, the Memorandum and the Articles in order to comply with the company law of Bermuda.

Upon the Change of Domicile being effective, the Company also proposed to implement a capital reorganisation which will involve the following:

(i) Reduction of Share Premium — the entire amount standing to the credit of the share premium account of the Company be reduced to nil and the credit arising from such reduction be transferred to an existing account of the Company designated as the contributed surplus account of the Company;

(ii) Capital Reduction — the par value of each of the issued existing ordinary shares of the Company to be reduced from HK$1.00 to HK$0.10 per issued ordinary share by the cancellation of the paid up share capital of the Company to the extent of HK$0.90 per issued ordinary share by way of a reduction of capital, such that the par value of the issued Existing Shares will be reduced to HK$0.10 each; and

(iii) Share Sub-division — immediately following the above proposed capital reduction, each of the authorised but unissued ordinary shares with par value of HK$1.00 each be subdivided into 10 new ordinary shares with par value of HK$0.10 each.

The Change of Domicile and the Capital Reorganisation are conditional upon satisfaction of the respective conditions. Therefore, the Change of Domicile and the Capital Reorganisation may or may not proceed.

Details of the above were set out in the Company's announcements dated 23 January 2019, 25 January 2019, 1 February 2019 and 11 March 2019.

On 28 February 2019, the Company entered into the renewal agreement with Tiger Securities Asset Management Company Limited to renew the investment management services period from 28 February 2019 to 31 October 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2018, the Group recorded a revenue of HK$10,812,000 as compared to HK$10,570,000 in the prior year, representing an increase of 2.3%. The increment in revenue was mainly due to increase of interest income during the year. The Group recorded a realised loss of HK$45,350,000 (2017: HK$84,437,000) and fair value loss of HK$10,817,000 (2017: HK$108,461,000) on listed securities. The Group recorded a realised loss of HK$10,770,000 (2017: nil) and an unrealised loss of HK$3,681,000 (2017: HK$14,328,000) on unlisted securities during the year. During the year, impairment losses of various loan notes of approximately HK$4,992,000 and deposits of approximately HK$351,000 were recognised. With the impact of unfavourable performance of certain publicly traded securities held by the Group and fair value loss of certain unlisted securities during the year, the Group recorded loss attributable to owners of the Company was HK$69,782,000 as compared to a loss of HK$205,508,000 in prior year.

As at 31 December 2018, the net assets of the Group were approximately HK$135,391,000 (2017: HK$174,734,000). The net assets significantly decreased 22.5% when compared to the prior year is mainly due to the decrease in fair value of the listed shares. The financial assets at fair value through profit or loss decreased from HK$201,399,000 as at 31 December 2017 to HK$85,069,000 as at 31 December 2018 and the financial assets at fair value through other comprehensive income of HK$35,176,000 (2017: nil) was recognised during the year.

PROSPECTS AND FUTURE PLANS

The growth momentum of Hong Kong economy has slowed since the beginning of 2018. Hong Kong GDP growth reached 3.7% and 2.9% year-on-year in real terms in the first three quarters of 2018 and the third quarter of 2018 respectively.

China posted GDP growth of 6.6% for 2018, slightly above the target set by officials last year of 6.5%. It is the weakest showing for China in nearly three decades. Growth in the last quarter of the year slowed to 6.4%

During the financial year, the macroeconomic and geopolitical environment were full of turbulence due to outbreak of several unexpected events. The president of the United States of America (the “US”) announced to place tariff on imports from China. As worries over the US-China trade war and China’s slowing economy and rising interest rates pushed the market down from an all-time high, Hong Kong stocks dropped 13.6% during 2018, the worst performance in seven years.

The growth of Hong Kong’s economy is now projected by the Hong Kong government to slow to between 2% and 3% in 2019. China sets lower GDP target between 6% and 6.5% for 2019.

The external environment is of high relevance to the economy and financial market in Hong Kong. In term of the slow growth projections of Hong Kong and China, the Group expects it is full of challenges in 2019. Looking ahead to 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, financial resources and capital structure

As at 31 December 2018, the Group had available funds of HK$4,779,000 which were mainly placed in banks as general working capital. Bank balances held by the Group were mainly denominated in Hong Kong dollars.

The Group had shareholders' funds of HK$135,391,000 at 31 December 2018 compared to HK$174,734,000 at 31 December 2017, representing a decrease of approximately 22.5%.

As at 31 December 2018, the Group had borrowings of HK$57,654,000 (2017: HK$44,224,000). The gearing ratio for the Group was 42.6% (2017: 25.3%) 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 31 December 2018.

Save as the placing of new shares mentioned under the heading of "Fund raising activities" below, there was no significant change in the Group's capital structure for the year ended 31 December 2018.

Significant investments held and their performance

For the year ended 31 December 2018, the Group recorded revenue of HK$10,812,000 as compared to HK$10,570,000 in the prior year, representing an increase of approximately 2.3%. The increment in revenue was due to increase of interest income from unlisted investments during the year.

With the impact of unfavourable performance of certain publicly traded securities held by the Group and fair value loss of certain unlisted securities during the year, the Group recorded a realised loss of HK$45,350,000 (2017: HK$84,437,000) and an unrealised loss of HK$10,817,000 (2017: HK$108,461,000) on listed securities. The Group recorded a realised loss of HK$10,770,000 (2017: nil) and an unrealised loss of HK$3,681,000 (2017: HK$14,328,000) on unlisted convertible bond/private equity fund during the year. During the year, impairment losses of various loan notes of approximately HK$4,992,000 and deposits of approximately HK$351,000 were recognised.

As at 31 December 2018, the Group held trading securities of HK$31,812,000 (2017: HK$90,326,000). The decrease was mainly due to the net realised loss on disposal of trading securities of HK$45,350,000 and fair value loss on trading securities of HK$10,817,000.

As at 31 December 2018, the Group's unlisted investments (comprised of convertible bonds designated at fair value through profit or loss and loans and receivables) were HK$144,460,000 (2017: HK$117,619,000). Other receivables, deposits and prepayments was HK$15,764,000 (2017: HK$7,945,000).

Fund raising activities

Placing of 14,000,000 ordinary Shares under general mandate of the Company (the "Placing A")

On 11 May 2018, the Company and Tiger Securities Asset Management Company Limited (the "**Placing Agent A**") entered into a placing agreement (the "**Placing Agreement A**"), pursuant to which the Company has appointed the Placing Agent A to procure, on a best efforts basis, not less than six placees who were professional investors (has the same meaning as ascribed thereto in Part 1 of Schedule 1 to the SFO and any rules made thereunder) (the "**Professional Investors**") to subscribe for up to 14,000,000 ordinary Shares at a price of HK$0.79 per Share (the "**Placing Shares A**"), representing (i) approximately 16.3% of the existing issued share capital of the Company as at the date of the Placing Agreement A; and (ii) approximately 14.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares A. The closing price of the Shares as quoted on the Stock Exchange on 11 May 2018, being the date of the Placing Agreement A, was HK$0.81 per Share. The maximum net proceeds from the Placing A amounted to approximately HK$10,730,000 which was intended to 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 was intended to use for investment on listed securities. The net price per Placing Share A was approximately HK$0.77. Details of the Placing A were set out in the announcements of the Company dated 11 May 2018 and 29 May 2018.

Placing of 19,980,000 ordinary Shares under general mandate of the Company (the "Placing B")

On 21 September 2018, the Company and Hong Kong Wealthy Trade Limited (the "**Placing Agent B**") entered into a placing agreement (the "**Placing Agreement B**"), 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 (the "**Placing Shares B**"), 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 31 December 2018, 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
11 May 2018 (completed on 29 May 2018)	Placing of 14,000,000 ordinary Shares under general mandate of the Company	Approximately HK$10,730,000	(i) Approximately HK$8,800,000 for repayment of short term loan and payment of interest	Approximately HK$8,600,000 was used for repayment of short term loan and payment of interest
			(ii) Approximately HK$1,930,000 will be used for investment on listed securities	Approximately HK$2,130,000 was used for investment on listed securities

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$5,030,000 was used for repayment of the Group's payable and operation expenses and the remaining balance of approximately HK$4.7 million was maintained at the Group's bank account and will be utilised as intended

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total of 4 full-time employees, including the executive directors of the Company. Employees' remuneration are fixed and determined with reference to the market remuneration.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management, is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates, or executive is involved in deciding his own remuneration.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control systems. The Group's risk management and internal control systems are designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's risk management and internal controls covering major financial, operational and compliance controls, as well as risk management functions. The risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the Audit Committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

In addition to the review of risk management and internal controls undertaken by the external professional consultants, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

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 employ any financial instruments to hedge such exposures.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company did not redeem any of its listed shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance in everything we do.

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to high standards of corporate governance with a view to being transparent, open and accountable to our shareholders.

The Company adopted all the code provisions in the Corporate Governance Code (the "Code") contained in appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited as its own code on corporate governance practices.

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 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") fell short of the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rules and no INED had 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that in respect of the year ended 31 December 2018, all directors have complied with the required standard set out in the Model Code.

The Company has also established written guidelines regarding securities transactions on no less exacting terms of the Model Code for specific individual who may have access to inside information in relation to the securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming 2019 annual general meeting, the register of members of the Company will be closed from 25 June 2019 to 28 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the aforementioned meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 24 June 2019.

AUDIT COMMITTEE

As at the date of this announcement, the Company's Audit Committee is composed of one non-executive director, namely Mr. Wong Chung Yan Sammy, two independent non-executive directors, namely, Ms. Chan Man Yi (Chairman) and Ms. Leung Yin Ting. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor, at least twice a year, to discuss audit process and accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describes the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. The terms of reference is available on the Company's website.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review and approve the annual results for the year ended 31 December 2018.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditor, World Link CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by World Link CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by World Link CPA Limited on the preliminary announcement.

By order of the Board
Cocoon Holdings Limited
中國天弓控股有限公司
Wu Ming Gai
Chairman

Hong Kong, 28 March, 2019

As at the date of this announcement, the Board 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.