

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

**PROPOSED CAPITAL REORGANISATION AND
PROPOSED CHANGE IN BOARD LOT SIZE**

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation involving:

- (i) the Share Consolidation whereby every ten (10) issued and unissued Existing Shares of par value of HK\$0.1 each will be consolidated into one (1) Consolidated Share of par value of HK\$1.0 each;
- (ii) immediately following the Share Consolidation becoming effective, the Capital Reduction whereby the issued share capital of the Company will be reduced by (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by eliminating any fraction of a Consolidated Share in the issued share capital of the Company; and (b) cancelling the paid up capital of the Company to the extent of HK\$0.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01;
- (iii) immediately following the Share Consolidation becoming effective, the Sub-division, whereby each authorised but unissued Consolidated Shares (including the authorised unissued Consolidated Shares arising from the Capital Reduction) be subdivided into one hundred (100) authorised but unissued New Shares of par value HK\$0.01 each so that immediately following the Capital Reorganisation, the authorised share capital of the Company shall be HK\$1,000,000,000 divided into 100,000,000,000 New Shares;
- (iv) immediately following the Capital Reduction and Sub-division becoming effective, the Share Premium Reduction whereby the entire amount standing to the credit of the Share Premium Account will be reduced to nil; and
- (v) upon the Capital Reorganisation becoming effective, the credits arising from the Capital Reduction and the Share Premium Reduction of HK\$131,753,770 will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act to then be applied to set off the Accumulated Losses of the Company or be applied by the Board in a manner as permitted by the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 2,000 Existing Shares. It is proposed that, subject to and conditional upon the Capital Reorganisation becoming effective, the board lot size for trading on the Stock Exchange be change from 2,000 Existing Shares to 4,000 New Shares.

Based on the closing price of HK\$0.103 per Existing Shares as quoted on the Stock Exchange as at the date of this announcement, the value of each board lot of 4,000 New Shares, assuming Capital Reorganisation had already been effective would be HK\$4,120.

GENERAL

The AGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Capital Reorganisation. A circular containing, among other things, further detail of the proposed Capital Reorganisation and the notice convening the AGM is expected to be despatched to the Shareholders on or before 31 May 2024.

Shareholders should be aware of and take note that the Capital Reorganisation and Change in Board Lot Size are conditional upon satisfaction of their respective conditions, and therefore may or may not proceed.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation involving:

- (i) the Share Consolidation whereby every ten (10) issued and unissued Existing Shares of par value of HK\$0.1 each will be consolidated into one (1) Consolidated Share of par value of HK\$1.0 each;
- (ii) immediately following the Share Consolidation becoming effective, the Capital Reduction whereby the issued share capital of the Company will be reduced by (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (b) eliminating the paid up capital of the Company to the extent of HK\$0.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01;
- (iii) immediately following the Share Consolidation becoming effective, the Sub-division, whereby each authorised but unissued Consolidated Shares (including the authorised unissued Consolidated Shares arising from the Capital Reduction) be subdivided into one hundred (100) authorised but unissued New Shares of par value HK\$0.01 each so that immediately following the Capital Reorganisation, the authorised share capital of the Company shall be HK\$1,000,000,000 divided into 100,000,000,000 New Shares;
- (iv) immediately following the Capital Reduction and Sub-division becoming effective, the Share Premium Reduction whereby the entire amount standing to the credit of the Share Premium Account will be reduced to nil; and

- (v) upon the Capital Reorganisation becoming effective, the credits arising from the Capital Reduction and the Share Premium Reduction of HK\$131,753,770 will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act to then be applied to set off the Accumulated Losses of the Company or be applied by the Board in a manner as permitted by the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

As at the date of this announcement, the total authorised share capital of the Company is HK\$1,000,000,000, which is divided into 10,000,000,000 Shares, of which 604,341,108 Existing Shares have been allotted and issued as fully paid or credited as fully paid.

On the assumption that there is no change in the issued share capital prior to the Capital Reorganisation becoming effective, the Company will have 60,434,110 New Shares in issue and a credit of approximately HK\$131,753,770 arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company.

Status of the New Shares

The issued New Shares will rank *pari passu* in all respects with each other in the same class in accordance with the Bye-laws. The Capital Reorganisation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class.

Other than the expenses incurred in relation to the Capital Reorganisation, its implementation will not in itself, alter the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders.

Fractional entitlement to the Consolidated Shares

Any fractional Consolidated Share to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholder, but will be aggregated and sold for the benefit of the Company.

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional on the following conditions being fulfilled:

- (a) the passing of a special resolution by the Shareholders at the AGM to approve the Capital Reorganisation;
- (b) the Listing Committee granting the approval for listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective;

- (c) the compliance with the relevant procedures and requirements under the Companies Act and applicable laws of Bermuda to effect the Capital Reorganisation, which includes the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due;
- (d) the compliance with the relevant procedures and requirements under the Bye-Laws, the laws of Bermuda and the Listing Rules to effect the Capital Reorganisation; and
- (e) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Subject to the satisfaction of the above conditions, it is expected that the Capital Reorganisation will become effective on the second Business Day immediately after the date of the AGM.

Application for listing of the New Shares

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Adjustments in relation to other securities of the Company

As at the date of this announcement, the Company has no outstanding options, warrants or other securities convertible into Existing Shares and/or Consolidated Shares and/or New Shares.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 2,000 Existing Shares. As set out in the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited, the expected value of each board lot shall be no less than HK\$2,000. Accordingly, it is proposed that, subject to and conditional upon the Capital Reorganisation becoming effective, the board lot size for trading on the Stock Exchange be change from 2,000 Existing Shares to 4,000 New Shares.

Based on the closing price of HK\$0.103 per Existing Shares as quoted on the Stock Exchange as at the date of this announcement, (i) the value of each board lot of 2,000 Existing Shares would be HK\$206; and (ii) the value of each board lot of 4,000 New Shares, assuming Capital Reorganisation had already been effective would be HK\$4,120.

REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the securities at a level less than HK\$0.1 will be considered as approaching the extremities of HK\$0.01 as referred to Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

Based on the closing price of the Existing Shares of HK\$0.103 on the date of this announcement and the board lot size of 2,000 Existing Shares, the board lot value of the Existing Shares is HK\$206. The Board considers that after the Capital Reorganisation and the Change in Board Lot Size became effective, the estimated board lot size value will be HK\$4,120. This will enable the Company to comply with the trading requirements under the Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

Based on the Company’s annual report dated 28 March 2024 for the year ended 31 December 2023, the Company recorded accumulated losses of approximately HK\$57.8 million as at 31 December 2023. The Board intends to transfer the credits arising from the Capital Reduction and the Share Premium Reduction in the total amount of approximately HK\$131,753,770 to the contributed surplus account of the Company within the meaning of the Companies Act upon the Capital Reduction and the Share Premium Reduction becoming effective, which amount will then be applied in full to set off the Accumulated Losses. The Board takes the view that the offset of the Accumulated Losses will provide the Company with greater flexibility to undertake any corporate exercise which requires the use of the contributed surplus account in the future, subject to the Company’s then performance and financial position.

Although the Capital Reorganisation and the Change in Board Lot Size may lead to the creation of odd lots of Shares owned by the Shareholders, the Company will designate an agent to stand in the market to provide matching services for odd lots of Shares for a period of more than three weeks, which is expected to effectively alleviate the difficulties caused by the creation of odd lots of Shares.

Based on the reasons above, the Board considers that the Capital Reorganisation and the Change in Board Lot Size are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company is in the process of negotiating with a placing agent to place new Shares under General Mandate. As at the date hereof, no formal agreement has been entered into in relation to the placing. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate. The Directors further confirm that there is no intention to carry out other corporate action in the next 12 months which may have an effect of undermine or negate the intended purpose of the Capital Reorganisation.

OTHER ARRANGEMENTS

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Details of the odd lot matching arrangements will be set out in the circular in relation to the Capital Reorganisation to be despatched to the Shareholders.

Shareholders with odd lot holdings of New Shares should note that matching of the sale and purchase of odd lots of the New Shares is on a best efforts basis. Successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed.

Exchange of new share certificates for New Shares

Subject to the Capital Reorganisation becoming effective, which is currently expected to be on Tuesday, 2 July 2024, Shareholders may during the period from Tuesday, 2 July 2024 to Wednesday, 7 August 2024 (both days inclusive), submit their existing share certificates in orange colour for the Existing Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong to exchange for share certificates in pink colour for the New Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Hong Kong branch share registrar for each share certificate issued for the New Shares or each existing share certificate for the Existing Shares submitted for cancellation, whichever the number of share certificates issued or cancelled is higher.

After 4:10 p.m. on Monday, 5 August 2024, existing share certificates in orange colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title and may be exchanged for share certificates in pink colour for the New Shares at any time.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Change in Board Lot Size is set out below. The expected timetable is subject to the results of the AGM and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to Hong Kong local times and dates.

2024

Despatch date of circular with notice of the AGM. on or before
Friday, 31 May

Latest date and time for lodging transfers of the
Existing Shares in order to qualify for attendance and
voting at the AGM 4:30 p.m. on
Friday, 21 June

Register of members closes Monday, 24 June to
Thursday, 27 June
(both days inclusive)

Latest time for lodging forms of proxy for the AGM 11:00 a.m. on
Tuesday, 25 June

Date and time of the AGM 11:00 a.m. on
Thursday, 27 June

Publication of the announcement of the poll results of the AGM Thursday, 27 June

The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reorganisation as set out in this announcement.

Expected effective date of the Capital Reorganisation. Tuesday, 2 July

First day of free exchange of existing share certificates
for new share certificates for New Shares Tuesday, 2 July

Dealing in the New Shares commences 9:00 a.m. on
Tuesday, 2 July

Original counter for trading in the Existing Shares
in board lots of 2,000 Existing Shares
(in the form of existing share certificates) temporarily closes 9:00 a.m. on
Tuesday, 2 July

Temporary counter for trading in the New Shares
in board lots of 200 New Shares
(in the form of existing share certificates) opens 9:00 a.m. on
Tuesday, 2 July

Original counter for trading in the New Shares
in board lots of 4,000 New Shares
(in the form of new share certificates for the
New Shares) re-opens. 9:00 a.m. on
Tuesday, 16 July

Parallel trading in the New Shares (in the form of
new share certificates for the New Shares and
existing share certificates) commences 9:00 a.m. on
Tuesday, 16 July

Designated broker starts to stand in the market
to provide matching services for odd lots
of the New Shares 9:00 a.m. on
Tuesday, 16 July

Designated broker ceases to stand in the market
to provide matching services for odd lots of
the New Shares. 4:00 p.m. on
Monday, 5 August

Temporary counter for trading in the New Shares
in board lots of 200 New Shares (in the form of
existing share certificates) closes 4:10 p.m. on
Monday, 5 August

Parallel trading in the New Shares (in the form of
new share certificates for the New Shares and
existing share certificates) ends 4:10 p.m. on
Monday, 5 August

Latest day and time for free exchange of
existing share certificates for new share certificates
for the New Shares Wednesday, 7 August

GENERAL

The AGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Capital Reorganisation. A circular containing, among other things, further details of the proposed Capital Reorganisation and the notice convening the AGM is expected to be despatched to the Shareholders on or before 31 May 2024.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Accumulated Losses”	the accumulated losses of the Company as at the effective date of the Capital Reorganisation;
“AGM”	the annual general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Capital Reorganisation;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or on which a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“Bye-laws”	the bye-laws for the time being adopted by the Company and as amended from time to time;
“Capital Reduction”	the proposed reduction in the issued share capital of the Company as detailed in the section headed “Proposed Capital Reorganisation” of this announcement;
“Capital Reorganisation”	the proposed share capital reorganisation, including the Share Consolidation, the Capital Reduction, the Sub-division and the Share Premium Reduction;
“CCASS”	Central Clearing and Settlement System established and operated by the HKSCC;
“CCASS Operational Procedure”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, from time to time;

“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Existing Shares to 4,000 New Shares;
“Company”	Cocoon Holdings Limited, a company incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 428);
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time;
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$1.00 each in the share capital of the Company immediately after the Share Consolidation becoming effective;
“Director(s)”	director(s) of the Company;
“Existing Share(s)”	issued and unissued existing ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 June 2023 to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the annual general meeting;
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	the Main Board of the Stock Exchange;

“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective;
“Share(s)”	collectively, the Existing Shares, the Consolidated Shares or the New Shares, as the case may be;
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share;
“Share Premium Account”	the share premium account of the Company;
“Share Premium Reduction”	the proposed reduction of the entire amount standing to the credit of the Share Premium Account of the Company to nil;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-division”	the sub-division of each authorised but unissued Consolidated Share of par value of HK\$1.00 each into one hundred (100) New Shares of par value of HK\$0.01 each.

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

Hong Kong, 30 April, 2024

As at the date hereof, the Board comprises two executive Directors, namely Mr. Chau Wai Hing and Mr. Wu Ming Gai; and three independent non-executive directors, namely Ms. Chan Man Yi, Ms. Leung Yin Ting and Mr. Wong Sze Lok.