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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)

PROPOSED RIGHTS ISSUE OF 239,817,900 RIGHTS SHARES AT HK\$0.28 PER RIGHTS SHARE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

Financial Advisers to the Company



Independent Financial Adviser to the Independent Board Committee and Independent Shareholders



Underwriter



PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.28 per Rights Share to raise approximately HK\$67.15 million before expenses (assuming no further issue or repurchase of the Shares on or before the Record Date) by issuing 239,817,900 Rights Shares to the Qualifying Shareholders.

The estimated net proceeds from the Rights Issue will be approximately HK\$66.00 million (equivalent to a net price of approximately HK\$0.275 per Rights Share), among which (i) approximately HK\$30.00 million will be used for repayment of the shareholders loan due to shareholder in the principal amount of HK\$30.00 million with interest rate at 8% per annum, which will mature on 6 October 2019; (ii) approximately HK\$30.00 million will be used for investment in listed securities and unlisted securities; and (iii) the remaining balance of approximately HK\$6.00 million will be used for general working capital of the Group.

The Rights Issue will be fully underwritten by the Underwriter. Details of the Underwriting Arrangement are set out in the paragraph headed “Underwriting Agreement” in this announcement.

Assuming there is no change in the issued share capital of the Company from the date of this announcement and up to the Record Date, the 239,817,900 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent: (i) 200.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. To qualify for the Rights Issue, all transfers of the Shares (accompanied by the relevant share certificates) must be lodged for registration with the Registrar by 4:30 p.m. on Friday, 23 August 2019. The register of members of the Company will be closed from Monday, 26 August 2019 to Friday, 30 August 2019, both days inclusive, to determine the eligibility of the Rights Issue. The Record Date is Friday, 30 August 2019. The last day of dealings in the Shares on cum-rights basis is on Wednesday, 21 August 2019. The Shares will be dealt in on ex-rights basis from Thursday, 22 August 2019. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must not be an Excluded Shareholder. The Rights Issue is subject to, amongst other conditions, the approval by the Independent Shareholders at the SGM. To determine the identity of the Shareholders who can attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 14 August 2019 to Tuesday, 20 August 2019 both days inclusive.

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, (i) there are no Controlling Shareholders of the Company; and (ii) none of the Directors and the chief executive of the Company and their respective associates hold any Shares. As such, no Shareholder will be required to abstain from voting in favour of the resolution to approve the Rights Issue at the SGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Thursday, 22 August 2019 and that dealing in the Shares will take place while the conditions to which the Underwriting Agreement are subject remain unfulfilled.

Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Tuesday, 17 September 2019), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating any dealings in the Shares and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

PROPOSED RIGHTS ISSUE

After the trading hours on 18 July 2019, the Company and the Underwriter entered into the Underwriting Agreement in respect of the proposed Rights Issue.

Details of the Rights Issue are set out below:

Basis of the Rights Issue	:	Two (2) Rights Shares for every One (1) Share held on the Record Date
Number of Shares in issue as at the date of this announcement	:	119,908,950 Shares
Number of Shares to be issued under the Rights Issue	:	239,817,900 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date)
Subscription Price for the Rights Shares	:	HK\$0.28 per Rights Share
Enlarged number of Shares in issued upon completion of the Rights Issue	:	359,726,850 Shares (assuming no further issue or repurchase of Shares (other than the Rights Shares) on or before the completion of the Rights Issue)

As at the date of this announcement, the Company does not have any outstanding derivatives, options, warrants and convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

Assuming there is no change in the issued share capital of the Company from the date of this announcement and up to the Record Date, the 239,817,900 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent (i) 200.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Subscription Price

The Subscription Price is HK0.28 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue, or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 13.8% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 12.5% to the average closing price of approximately HK\$0.320 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the Last Trading Day;
- (c) a discount of approximately 12.2% to the average closing price of approximately HK\$0.319 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the Last Trading Day; and
- (d) a discount of approximately 5.1% to the theoretical ex-rights price of approximately HK\$0.295 per Share based on closing price of HK\$0.325 per Share as quoted on the Stock Exchange on the Last Trading Day.

Based on the Subscription Price of HK\$0.28, the estimated gross proceeds from the Rights Issue will be approximately HK\$67.15 million (assuming there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date). The net proceeds from the Rights Issue to be received by the Company is expected to be approximately HK\$66.00 million (after deducting all relevant expenses relating to the Rights Issue). Based on the net proceeds of approximately HK\$66.00 million, the net price per Rights Share is approximately HK\$0.275.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; and (ii) the capital needs of the Group. The Directors (excluding the independent non-executive Directors whose view will be formed after considering the opinion of the Independent Financial Adviser) consider that each Qualifying Shareholder will be provisionally allotted the Rights Shares at the same Subscription Price in proportion to his/her/its shareholdings held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that (i) the discount of the Subscription Price and the basis of two (2) Rights Shares for every one (1) Share in issue can (a) provide an incentive for the Qualifying Shareholders to subscribe for the Rights Shares and (b) induce the Underwriter to participate in the underwriting of the Underwritten Shares; and (ii) the Company has funding needs as disclosed in the paragraph headed “Reasons for the Rights Issue and Use of Proceeds” below, the Directors (excluding the independent non-executive Directors whose view will be formed after considering the opinion of the Independent Financial Adviser) are of the view that the current structure of the Rights Issue is fair and reasonable.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Share in issue held by Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. Subject to the passing of the resolution approving the Rights Issue by the Independent Shareholders at the SGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus (without the PAL and the EAF), for information only, to the Excluded Shareholders.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (i) be registered as a member of the Company; and (ii) not be an Excluded Shareholder.

Beneficial owners whose Shares are held by nominee companies (including HKSCC Nominees Limited) should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, the Shareholders must lodge any transfers of the Shares (together with the relevant share certificates) with the Registrar at Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong on or before 4:30 p.m. on Friday, 23 August 2019.

Closure of register of members

The Company's register of members will be closed from Wednesday, 14 August 2019 to Tuesday, 20 August 2019, both days inclusive, to determine the identity of the Shareholders entitled to attend and vote at the SGM. The Company's register of members will be closed from Monday, 26 August 2019 to Friday, 30 August 2019, both days inclusive, to determine the entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders on the Record Date, if any, may not be eligible to take part in the Rights Issue as explained below.

In compliance with Rule 13.36 of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders and no provisional allotment of nil-paid Rights Shares will be made to them. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders.

Further information in this connection will be set out in the Prospectus. The Company will despatch the Prospectus (without the PAL and the EAF) to the Excluded Shareholders for their information only.

The Company shall provisionally allot the Rights Shares which represent the entitlements of the Excluded Shareholders to a nominee of the Company in nil-paid form and the Company shall procure that such nominee shall endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium (nil-paid). If and to the extent that such rights can be so sold, the nominee of the Company shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), which shall be distributed by the Company in Hong Kong dollars to the Excluded Shareholders pro rata provided that rounded down amounts of less than HK\$100 shall not be so distributed but shall be retained for the benefit of the Company. Any unsold entitlement of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of the nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of the allotment of the Rights Shares in their fully-paid form.

Fractions of the Rights Shares

On the basis of two (2) Rights Shares for every one (1) Share in issue held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Tuesday, 24 September 2019. If the Rights Issue is terminated, refund cheques in respect of wholly or partially unsuccessful application for excess Rights Shares (if any) will be despatched on or before Tuesday, 24 September 2019 by ordinary post at the respective Shareholders' own risk.

Application for the Rights Shares

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form and lodging the same with a remittance for the Rights Shares being taken up with the Registrar by the Latest Time for Acceptance.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Board will allocate the excess Rights Shares to Qualifying Shareholders who have applied for excess application on a pro-rata basis on the excess Rights Shares applied by them, without involving allocation of any fractional Rights Share.

No preference will be given to topping up odd lots to whole board lots. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares. No reference will be made to the Rights Shares comprised in applications by the PAL or the existing number of Shares held by the Qualifying Shareholders.

Shares held by nominees

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually. Beneficial owners with their Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owners prior to the Record Date.

For the beneficial owners whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents for completion of the relevant registration with the Registrar by 4:30 p.m. on Friday, 23 August 2019.

Any Rights Shares not taken up by the Qualifying Shareholders and not taken by excess applications will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid form to be allotted and issued pursuant to the Rights Issue. Dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong and any other applicable fees and charges (if any) in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both nil-paid and fully-paid forms 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 2,000.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

IRREVOCABLE UNDERTAKING

As at the date of this announcement, Mr. Chen Chien Yeh (“**Mr. Chen**”), the substantial shareholder (as defined in the Listing Rules) of the Company, holds 25,276,930 Shares, representing approximately 21.08% of the existing issued Shares. On 2 July 2019, Mr. Chen entered into the Irrevocable Undertaking in favour of the Company. Pursuant to the Irrevocable Undertaking, Mr. Chen unconditionally and irrevocably undertakes that he will subscribe for the Rights Shares to which he is entitled under the Rights Issue in full as at the Record Date.

Save for the above, the Company has not received any information from any substantial shareholders (as defined in the Listing Rules) of the Company of their intention to take up the Rights Shares to be provisionally allotted or offered to them under the Rights Issue as at the date of this announcement.

UNDERWRITING AGREEMENT

The principal terms of the Underwriting Agreement are as follows:

Date	: 18 July 2019 (after trading hours)
Parties	: The Company as the issuer and the Underwriter

- Number of the Underwritten Shares : The total number of the Underwritten Shares shall be in maximum up to 239,817,900 Rights Shares, being such number of the Rights Shares to be issued pursuant to the Rights Issue.
- Underwriting commission : An amount equal to 1.00% of the Subscription Price multiplied by the number of the Underwritten Shares, being up to approximately HK\$0.67 million in maximum.

The Underwriter is a licensed corporation to carry on Type 1 (dealing in securities) and Type 9 (Asset Management) regulated activities under the SFO. To the best knowledge and information of the Directors, after reasonable enquiries, the Underwriter is independent of and not connected with the Company or its connected persons.

The Directors (other than the independent non-executive Directors whose view will be formed after considering the opinion of the Independent Financial Adviser regarding the Rights Issue) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable as compared to the market practice.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Underwriter and its ultimate beneficial owners are Independent Third Parties and the Underwriter does not hold any Shares.

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance any of the Rights Shares have not been taken up ("**Untaken Shares**"), the Company shall as soon as practicable thereafter notify or procure the Registrar on behalf of the Company to notify the Underwriter in writing of the number of the Untaken Shares. Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares:

- (i) the Underwriter will not (together with its respective parties acting in concert or any of its respective connected persons or associates) hold in aggregate 29.9% or more of the voting rights of the Company immediately after the Rights Issue;
- (ii) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Underwritten Shares procured by it shall be a third party independent of and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates; and

- (iii) the Underwriter shall use its best endeavours to ensure that the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (1) the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the Rights Issue by no later than the Prospectus Posting Date;
- (2) the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date and the Stock Exchange not having withdrawn or revoked such listings and permission on or before the Latest Time for Termination;
- (3) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (WUMP) Ordinance by no later than the Prospectus Posting Date;
- (4) the posting of the Prospectus Documents to Qualifying Shareholders by the Prospectus Posting Date;
- (5) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement by the Latest Time for Termination; and
- (6) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above.

None of the parties to the Underwriting Agreement may waive any of the above conditions.

If the above conditions are not satisfied in whole or in part by the respective dates set out above (or such other time and/or dates as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall be terminated and (save in respect of any provisions relating to, among other matters, notices and governing law and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed.

Rescission and Termination

Pursuant to the Underwriting Agreement, if, prior to the Latest Time for Termination (provided that for the purposes of the clause in the Underwriting Agreement if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue;
or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue;
or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospectus of the Group as a whole; or
- (v) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vi) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (vii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled by notice (the “**Termination Notice**”) in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement. If, prior to the Latest Time for Termination, the Underwriter serves the Termination Notice to the Company, all the Underwriter’s obligations under the Underwriting Agreement shall cease, and the Underwriting Agreement shall be deemed to have been terminated. If, prior to the Latest Time for Termination, any such notice as is referred to above is given by the Underwriter, the obligations of all parties to the Underwriting Agreement under the Underwriting Agreement (save and except certain clauses of the Underwriting Agreement which shall remain in full force and effect and save further that the Company shall pay the fees and expenses specified in the Underwriting Agreement shall terminate forthwith) and no party to the Underwriting Agreement shall have any claim against any other party of the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches. For the avoidance of doubt, the Underwriter shall not be entitled to give the Termination Notice or the Rescission Notice (as defined below) at any time after its underwriting obligations have terminated pursuant to the Underwriting Agreement.

The Underwriter shall be entitled by notice (the “**Rescission Notice**”) in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

The expected timetable for the Rights Issue is set out below:

Event	Timeline
Announcement of the Rights Issue	Thursday, 18 July 2019
Expected despatch date of the Circular, proxy form and notice of the SGM	Friday, 2 August 2019
Latest time for lodging transfers of Shares to attend and vote at the SGM	4:30 p.m. on Tuesday, 13 August 2019

Event	Timeline
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the SGM (both dates inclusive)	From Wednesday, 14 August 2019 to Tuesday, 20 August 2019
Latest time for lodging proxy forms to qualify for attendance and voting at the SGM	Sunday, 18 August 2019
Record date for attendance and voting at the SGM	Tuesday, 20 August 2019
Expected time and date of the SGM	4:30 p.m. on Tuesday, 20 August 2019
Announcement of results of the SGM	Tuesday, 20 August 2019
Last day of dealings in the Shares on cum-rights basis	Wednesday, 21 August 2019
Ex-date (the first day of dealings in the Shares on ex-rights basis)	Thursday, 22 August 2019
Latest time for lodging transfer of the Shares to qualify for the Rights Issue	4:30 p.m. on Friday, 23 August 2019
Closure of register of members of the Company for determining entitlements under the Rights Issue (both dates inclusive)	From Monday, 26 August 2019 to Friday, 30 August 2019
Record Date for determining entitlements to the Rights Issue	Friday, 30 August 2019
Register of members of the Company re-opens	Monday, 2 September 2019
Despatch of the Prospectus Documents	Monday, 2 September 2019
First day of dealings in nil-paid Rights Shares	Wednesday, 4 September 2019
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Friday, 6 September 2019
Last day of dealings in nil-paid Rights Shares	Wednesday, 11 September 2019

Event	Timeline
Latest Time for Acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares.	4:00 p.m. on Monday, 16 September 2019
Latest Time for Termination of the Underwriting Agreement	4:00 p.m. on Tuesday, 17 September 2019
Announcement of allotment results	Monday, 23 September 2019
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any).	Tuesday, 24 September 2019
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 25 September 2019

All time and dates specified in this announcement refer to Hong Kong local time and dates. Dates or deadlines specified in this announcement are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Monday, 16 September 2019, being the date of the Latest Time of Acceptance:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates stated in this announcement for event mentioned in the timetable are indicative only and may be extended or varied. Any changes to the above expected timetable will be announced as and when appropriate in accordance with the Listing Rules.

EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, assuming no new Shares (other than the Rights Shares) will be issued and no repurchase of the Shares on or before the completion of the Rights Issue, set out below is the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Rights Issue:

	As at the date of this announcement		Immediately after completion of the Rights Issue assuming all Qualifying Shareholders take up their respective allotment of the Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholders (save for the Underwriter taking up the Rights Shares pursuant to the Underwriting Agreement) takes up any of the Rights Shares	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Chen Chien Yeh	25,276,930	21.08	75,830,790	21.08	25,276,930	7.03
Underwriter	—	—	—	—	239,817,900	66.66
Public shareholders	94,632,020	78.92	283,896,060	78.92	94,632,020	26.31
Total	<u>119,908,950</u>	<u>100.00</u>	<u>359,726,850</u>	<u>100.00</u>	<u>359,726,850</u>	<u>100.00</u>

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Shares. Further announcements will be made by the Company in accordance with the Listing Rules following the completion of the Rights Issue upon which the Rights Shares are allotted and issued.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of 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. The investment objective of the Company is to achieve an enhanced earnings stream and capital appreciation from its investments. 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 estimated net proceeds from the Rights Issue will be approximately HK\$66.00 million (equivalent to a net price of approximately HK\$0.275 per Rights Share) which will be used as follows:-

- (i) approximately HK\$30.00 million for the repayment of the shareholder's loan due to the substantial shareholder of the Company in the principal amount of HK\$30.00 million with interest rate at 8% per annum, which will mature on 6 October 2019;
- (ii) approximately HK\$30.00 million for investment in listed securities and unlisted securities; and
- (iii) approximately HK\$6.00 million for general working capital of the Group.

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

The estimated expenses of the Rights Issue are about HK\$1.15 million, which include underwriting commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue and will be borne by the Company.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

In the past twelve months immediately prior to the date of this announcement, the Group completed the following fund raising exercise:

Date of completion	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at the date of announcement
12 October 2018	Issue of 19,980,000 placing shares under general mandate. The net proceeds from the placing was approximately HK\$19,730,000	(i) Approximately HK\$10,000,000 for investment in the listed and/or unlisted securities; and (ii) Approximately HK\$9,730,000 will be used for repayment of the Group's payables and as the Group's general working capital	(i) Approximately HK\$10,000,000 was used for investment in the unlisted securities; and (ii) Approximately HK\$9,060,000 was used for repayment of the Group's payables and operation expenses, and the remaining balance of approximately HK\$670,000 was maintained at the Group's bank account and will be utilised as intended

Save for the aforesaid placing, the Company has not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, (i) there are no Controlling Shareholders of the Company; and (ii) none of the Directors and the chief executive of the Company and their respective associates hold any Shares. As such, no Shareholder will be required to abstain from voting in favour of the resolution to approve the Rights Issue at the SGM.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to, among other things, the approval by the Independent Shareholders at the SGM. An Independent Board Committee, comprising Ms. Chan Man Yi, Ms. Leung Yin Ting and Mr. Jiang Qian, all being the independent non-executive Directors, being appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue.

An SGM will be convened and held for the Shareholders and the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the proposed Rights Issue. The Circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) a notice convening the SGM, will be despatched to the Shareholders on or before Friday, 2 August 2019.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Thursday, 22 August 2019 and that dealing in the Shares will take place while the conditions to which the Underwriting Agreement are subject remain unfulfilled.

Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Tuesday, 17 September 2019), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating any dealings in the Shares and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders giving details of the Rights Issue and containing the notice of the SGM
“Company”	Cocoon Holdings Limited, a company incorporated in Cayman Islands with limited liability and continued in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Controlling Shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules

“connected person”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares proposed to be issued to the Qualifying Shareholders in such form as may be agreed between the Company and the Underwriter
“Excluded Shareholder(s)”	those Overseas Shareholder(s) to whom the Company considers it necessary or expedient not to offer the Rights Shares based on the enquiry made regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange
“Group”	collectively, the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Sorrento Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being an independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the SGM under the Listing Rules
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders in respect of the Rights Issue

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Irrevocable Undertaking”	an irrevocable undertaking dated 2 July 2019 given by Mr. Chen Chien Yeh in favour of the Company as described in the paragraph headed “Irrevocable Undertaking”
“Last Trading Day”	18 July 2019, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Monday, 16 September 2019 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 17 September 2019 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meanings as described in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	the Shareholder(s) with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PAL(s)”	the provisional allotment letter in respect of the Rights Issue to be issued to the Qualifying Shareholders
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Prospectus”	the Rights Issue prospectus in the agreed form expected to be dated the Prospectus Posting Date
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Monday, 2 September 2019 or such other date as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Friday, 30 August 2019 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Rights Issue
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, which is Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed offer for subscription by the Qualifying Shareholders for the Rights Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	239,817,900 Shares, proposed to be offered to the Qualifying Shareholders under the Rights Issue for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 4:30 p.m. on Tuesday, 20 August 2019, in which resolution will be proposed to consider, and, if thought fit, to approve the Rights Issue and the transactions contemplated thereunder

“Shareholder(s)”	holder(s) of issued Share(s)
“Share(s)”	ordinary share(s) of a par value of HK\$0.10 each in the share capital of the Company
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.28 per Rights Share at which the Rights Shares are proposed to be offered for subscription
“subsidiary”	has the same meanings ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time, and “subsidiaries” shall be construed accordingly
“substantial shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“taken up”	in relation to any Rights Shares, means those Rights Shares in respect of which duly completed PALs or EAFs (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have been received on or before the Latest Time for Acceptance and references to “take up” shall be construed accordingly
“Underwriter”	China Fund Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 9 (assets management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 18 July 2019 entered into between the Company and the Underwriter in respect of the Rights Issue

“Underwritten Shares” the number of Rights Shares to be underwritten by the Underwriter, being in maximum up to the total number of the Rights Shares

“%” per cent.

On behalf of the Board
Cocoon Holdings Limited
Wu Ming Gai
Chairman

Hong Kong, 18 July, 2019

As at the date hereof, the board of directors of the Company comprises two executive directors, namely Mr. Wu Ming Gai and Ms. Chan Carman Wing Yan; three non-executive directors, namely Mr. William Keith Jacobsen, Mr. Chen Albert and Mr. Wong Chung Yan Sammy; and three independent non-executive directors, namely Ms. Chan Man Yi, Ms. Leung Yin Ting and Mr. Jiang Qian.