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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 are summarised as follows:

— The Group recorded a loss of approximately HK$25,349,000 in revenue, other revenue, other gains and losses as compared to a loss of approximately HK$64,739,000 in the last year.

— Loss attributable to owners of the Company was approximately HK$35,361,000 as compared to a loss of approximately HK$78,458,000 in the last year.

— The Board (the "**Board**") of Directors (the "**Directors**") of the Company does not recommend payment of dividend for the year ended 31 December 2019 (2018: nil).

— Basic loss per share was HK$0.20 (2018: loss per share of HK$0.76).

The Board announces the consolidated results of the Group for the year ended 31 December 2019 together with comparative figures for the corresponding year ended 31 December 2018. 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 2019 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	2019 HK$'000	2018 HK$'000
Gross proceeds from disposals of trading securities		**53,057**	123,228
Revenue	*5*	**8,988**	10,812
Other revenue	*6*	**—**	410
Other gains and (losses)	*7*	**(34,337)**	(75,961)
		(25,349)	(64,739)
Other operating expenses		**(6,283)**	(9,552)
Finance costs	*8*	**(3,729)**	(4,167)
Loss before tax	*9*	**(35,361)**	(78,458)
Income tax	*10*	**—**	—
Loss for the year		**(35,361)**	(78,458)
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**")		**400**	8,676
Loss and total comprehensive expense for the year attributable to owners of the Company		**(34,961)**	(69,782)
			(Restated)
Loss per share			
Basic	*11*	**(HK$0.20)**	(HK$0.76)
Diluted		**(HK$0.20)**	(HK$0.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**10**	19
Right-of-use assets		**475**	—
Goodwill		**—**	—
Other receivables, deposits and prepayments	*12*	**3,000**	—
Loan notes	*15*	**75,913**	45,610
		79,398	45,629
Current assets			
Other receivables, deposits and prepayments	*12*	**20,874**	15,764
Loan notes	*15*	**5,144**	10,417
Financial assets at fair value through profit or loss (“**FVTPL**”)	*16*	**26,806**	85,069
Financial assets at FVTOCI	*17*	**29,400**	35,176
Due from securities brokers		**12**	12
Bank balances		**28,187**	4,779
		110,423	151,217
Current liabilities			
Due to securities brokers		**2,011**	5,190
Other payables and accruals	*13*	**1,347**	3,801
Lease liabilities		**282**	—
Shareholder's loan		**—**	31,710
Promissory notes		**337**	834
		3,977	41,535
Net current assets		**106,446**	109,682
Total assets less current liabilities		**185,844**	155,311

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities		**208**	—
Promissory notes		**19,920**	19,920
		20,128	19,920
Net assets		**165,716**	135,391
Capital and reserves			
Share capital	*14*	**35,973**	119,909
Reserves		**129,743**	15,482
Total equity		**165,716**	135,391
Net asset value per share		**HK$0.46**	HK$1.13

Notes:

1. GENERAL

Cocoon Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company and continued in Bermuda 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 Walkers Corporate (Bermuda) Limited, Park Place, 55 Par-la-Ville Road, Third Floor, Hamilton HM11, Bermuda. The principal place of business of the Company is Room 14A, Fortune House, 61 Connaught Road Central, Central, 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 new IFRS, IFRS 16 Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 supersedes IAS 17 *Leases*, and the related interpretations, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) elected to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying IAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 18 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	280
Less: total future interest expenses	(5)
Present value of remaining lease payments, discounted using the incremental borrowing rate of 5% and lease liabilities recognised as at 1 January 2019	275
Of which are:	
Current lease liabilities	275

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

The following table summaries the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16	**Carrying amount as at 31 December 2018** *HK$'000*	**Recognition of leases** *HK$'000*	**Carrying amount as at 1 January 2019** *HK$'000*
Assets			
Right-of-use assets	—	266	266
Liabilities			
Lease liabilities	—	275	275

(c) ***Impact of the financial results and cash flows of the Group***

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16	**Add back: IFRS 16 depreciation and interest expense**	**Deduct: estimated amounts related to operating lease as if under IAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Loss from operation	**(31,632)**	**361**	**(355)**	**(31,626)**	(74,291)
Finance costs	**(3,729)**	**—**	**—**	**(3,729)**	(4,167)
Loss before tax and loss for the year	**(35,361)**	**361**	**(355)**	**(35,355)**	(78,458)

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17** *(note(s) 1 & 2)*	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash used in operations	**(5,611)**	**(355)**	**(5,966)**	(17,824)
Interest element of lease rentals paid	**(14)**	**14**	**—**	—
Net cash used in operating activities	**(9,537)**	**(341)**	**(9,878)**	(15,016)
Capital element of lease rentals paid	**(341)**	**341**	**—**	—
Net cash used in financing activities	**32,944**	**341**	**33,285**	—

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or and IAS 28 (2011) Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 gains and losses by geographical location which is based on the country of domicile or place of listing of the investees and counterparties as appropriate:

	2019	2018
	HK$'000	*HK$'000*
Revenue and other revenue		
Hong Kong	**8,988**	11,222

	2019	2018
	HK$'000	*HK$'000*
Other gains and (losses)		
Hong Kong	**(34,337)**	(75,961)

During the years ended 31 December 2019 and 2018, 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

	2019	2018
	HK$'000	*HK$'000*
Interest income from:		
— bank deposits	**1**	2
— loan notes	**5,877**	1,483
— convertible bonds designated at financial assets at FVTPL	**3,110**	9,327
	8,988	10,812

6. OTHER REVENUE

	2019	2018
	HK$'000	*HK$'000*
Other payables written back	**—**	120
Sundry income	**—**	290
	—	410

7. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Unrealised fair value (losses)/gains on financial assets at FVTPL:		
— listed securities	**(9,025)**	(10,817)
— unlisted convertible bonds designated at financial assets at FVTPL	**(2,146)**	1,778
— Private equity fund designated at financial assets at FVTPL	**—**	(5,459)
Net realised loss on disposals of financial assets at FVTPL:		
— listed securities	**(9,903)**	(45,350)
— unlisted convertible bonds designated at financial assets at FVTPL	**(1,845)**	(15,851)
Gain on disposals of unlisted convertible bonds designated at financial assets at FVTPL	**—**	5,081
Loss on disposals of private equity fund designated at financial assets at FVTPL	**(4,542)**	—
Net loss on financial assets at FVTPL	**(27,461)**	(70,618)
Net realised loss on disposals of unlisted equity investments designated at financial assets at FVTOCI	**(1,676)**	—
Net realised loss on disposals of loan notes	**(2,064)**	—
Impairment losses on loan notes	**(2,598)**	(4,992)
Impairment losses on deposits and other receivables	**(538)**	(351)
	(34,337)	(75,961)

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Imputed interest on shareholder's loan	**2,193**	1,710
Imputed interest on convertible bonds	**—**	651
Imputed interest on promissory notes	**1,298**	1,618
Interest on lease liabilities	**14**	—
Interest on other borrowings	**224**	188
	3,729	4,167

9. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**320**	295
Management fees	**1,277**	1,474
Exchange loss/(gain), net	**—**	4
Depreciation of property, plant and equipment	**9**	14
Depreciation of right-of-use assets	**347**	—
Employee benefits expenses:		
— Salaries, allowance and benefits in kind	**1,591**	2,672
— Contributions to defined contribution plan*	**34**	58
	1,625	2,730
Operating leases in respect of land and buildings	**—**	570

* There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2019 and 2018 to reduce future contributions. There was no outstanding contribution to the plan at 31 December 2019 and 2018.

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 both years.

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

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(35,361)**	(78,458)
Notional tax on loss before tax, calculated at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(5,835)**	(12,946)
Tax effect of expenses not deductible for tax purpose	**2,361**	3,277
Tax effect of tax losses not recognised	**3,474**	9,671
Tax effect of temporary differences not recognised	**—**	(2)
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

	2019	2018
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	**(35,361)**	(78,458)

Number of shares

	2019	2018
	'000	*'000*
		(restated)
Issued ordinary shares at the beginning of year	**119,909**	85,929
Effect of shares issued on placements	**—**	12,757
Effect of rights issue *(note 14(3))*	**59,633**	4,590
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**179,542**	103,276

For the years ended 31 December 2019 and 2018, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been adjusted to take into effect of the rights issue as if it had been effective on 1 January 2018.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2019 and 2018 as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Consideration receivables *(note a)*	**8,980**	—
Other receivables	**—**	149
Deposits paid for investments *(note b)*	**14,631**	15,149
Other deposits	**53**	17
Prepayments	**210**	449
	23,874	15,764
Less: non-current portion of consideration receivables	**(3,000)**	—
Current portion	**20,874**	15,764

Notes:

(a) During the year ended 31 December 2019, consideration receivables which was arising from the disposal of private equity fund designated at financial assets at FVTPL by a cash consideration of HK$9,000,000. The consideration is to be settled by 18 instalments of each HK$500,000. During the year, provision for impairment of approximately HK$20,000 is made for 12-month expected credit losses ("**12m ECL**") on the balance, the balance was neither past due nor impaired. No ageing analysis to be disclosed in respect of other receivables. In the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the Group's business nature.

(b) Deposits paid for investments represent earnest money amounted to HK$10,000,000 ("**Deposit 1**") and HK$5,500,000 ("**Deposit 2**") paid by the Group for the proposed investments to two independent third parties.

Deposit 1

On 5 November 2018, the Company entered into a memorandum of understanding ("**MoU 1**") with an independent third party ("**Seller**") pursuant to which the Company agreed to pay the Deposit 1 to the Seller as an earnest money for the proposed acquisition of shares in the principal amount of HK$10,000,000 of the target company (the "**Proposed Acquisition**"). The completion of the Proposed Acquisition is subject to the fulfillment of conditions precedent of the MoU 1 including satisfaction of due diligence works on Issuer 1.

On 30 December 2018, 10 June 2019 and 18 December 2019, the Company entered into an extension agreement with the Seller, to extend the completion date of the Proposed Acquisition to 30 June 2019, 31 December 2019 and 31 December 2020 respectively.

Deposit 2

On 12 August 2016, the Company entered into a memorandum of understanding ("**MoU 2**") with an independent third party ("**Issuer**") pursuant to which the Company agreed to pay the Deposit 2 to the Issuer as an earnest money for the proposed subscription of redeemable convertible notes in the principal amount not exceeding HK$26,000,000 to be issued by the Issuer (the "**Proposed Subscription**"). The completion of the Proposed Subscription is subject to the fulfillment of conditions precedent of the MoU 2 including satisfaction of due diligence works on Issuer.

On 4 October 2016, 30 December 2016, 31 March 2017, 16 June 2017, 1 January 2018, 1 July 2018, 30 December 2018 and 18 December 2019, the Company entered into a subscription agreement and seven supplemental subscription agreements with the Issuer, to extend the completion date of the Proposed Subscription to 31 December 2016, 31 March 2017, 30 June 2017, 31 December 2017, 30 June 2018, 31 December 2018, 30 June 2019 and 31 December 2020 respectively due to more time is needed to conduct due diligence work on Issuer.

The amount of deposits paid for investments is unsecured, interest-free and repayable within 5 days to 7 days upon request in the event that the Proposed Acquisition and Proposed Subscription are not completed.

During the year ended 31 December 2019, provision for impairment of approximately HK$518,000 (2018: HK$351,000) is made for 12m ECL on deposits.

13. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Other payables and accruals	**1,343**	3,797
Unclaimed dividend payables	**4**	4
	1,347	3,801

14. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$1 each, at 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 and 1 January 2019	1,000,000,000	1,000,000
Capital reorganisation *(note 2)*	9,000,000,000	—
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 31 December 2019	10,000,000,000	1,000,000
Ordinary shares of HK$1 each at 1 January 2018	85,928,950	85,929
Issue of shares on placement *(note 1)*	33,980,000	33,980
Ordinary shares of HK$1 each at 31 December 2018 and 1 January 2019	119,908,950	119,909
Capital reorganisation *(note 2)*	—	(107,918)
Rights issue *(note 3)*	239,817,900	23,982
Ordinary shares of HK$0.1 each at 31 December 2019	359,726,850	35,973

Notes:

1 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 announcements of the Company dated 21 September 2018 and 12 October 2018.

2 The Company has been de-registered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the change of domicile became effective on 2 April 2019 (Hong Kong time) (the "**Change of Domicile**"). Details of the Change of Domicile were set out in the announcements of the Company dated 23 January 2019, 25 January 2019 and 4 April 2019 and the circular of the Company dated 4 February 2019.

On 23 January 2019, the Company announced to implement the capital reorganisation after the change of domicile becoming effective as follows:

(i) Reduction of Share Premium — the entire amount standing to the credit of the share premium account of the Company was reduced to nil and the credit arising from such reduction was transferred to an existing account of the Company designated as the contributed surplus account of the Company. Thereafter, the credit of the contributed surplus account of the Company was applied in full towards offsetting the entire amount of the accumulated losses of the Company as permitted under the New Bye-laws and the Companies Act.

(ii) Capital Reduction — the par value of each of the issued existing shares of the Company was reduced from HK$1.00 to HK$0.10 per issued existing share of the Company by the cancellation of the paid up share capital of the Company to the extent of HK$0.90 per issued existing share of the Company by way of a reduction of capital, such that the par value of the issued existing shares of the Company was reduced to HK$0.10 each. The credit arising from the Capital Reduction was transferred to the contributed surplus account of the Company within the meaning of the Companies Act and was applied for such purposes as permitted by all applicable laws and the Memorandum of Continuance and the New Bye-laws of the Company and as the Board considers appropriate; and

(iii) Share sub-division — immediately following the Capital Reduction, each of the authorised but unissued existing Shares with par value of HK$1.00 each was subdivided into 10 new Shares with par value of HK$0.10 each.

The Capital Reorganisation had become effective after 9:00 a.m. (Hong Kong time) on 18 April 2019. Details of the above are set out in the announcements of the Company dated 23 January 2019, 25 January 2019, 11 March 2019, 4 April 2019 and 23 April 2019 and the circular of the Company dated 4 February 2019.

3 The Company has completed the Rights Issue on the basis of two Rights Shares for every one 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 by issuing 239,817,900 Rights Shares to the Qualifying Shareholders.

References are made to (1) the announcements of the Company dated 18 July 2019, 30 July 2019, 2 August 2019, 13 August 2019 and 18 October 2019, respectively, (2) the circular of the Company dated 21 August 2019 (the "**Circular**") and the poll result announcement of the Company dated 12 September 2019, and (3) the prospectus of the Company dated 25 September 2019 in relation to, amongst others, the Rights Issue. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

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 2019.

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 2019, 72.8% (2018: 52.5%) of the shares were in public hands.

15. LOAN NOTES

Issuer	**Date**	**Subscription amount** HK$'000	**Interest receivables** HK$'000	**Impairment loss recognised during the year** HK$'000	**Carrying amount** HK$'000	**Interest income recognised during the period** HK$'000
Zhongda International Holdings Ltd	31 December 2019	—	—	—	—	217
(LN1)	31 December 2018	3,000	357	514	2,843	255
Zhongda International Holdings Ltd	31 December 2019	—	—	—	—	217
(LN2)	31 December 2018	3,000	189	514	2,675	255
Zhongda International Holdings Ltd	31 December 2019	—	—	—	—	399
(LN3)	31 December 2018	5,500	342	943	4,899	342
深圳達隆通用包裝機械有限公司	31 December 2019	24,000	2,716	994	24,118	2,400
(LN4)	31 December 2018	24,000	316	1,604	22,712	316
深圳達隆包裝機械設備有限公司	31 December 2019	24,000	2,716	1,181	24,118	2,400
(LN5)	31 December 2018	24,000	315	1,417	22,898	315
深圳前海藍伯爵公務航空服務有限公司	31 December 2019	33,000	244	423	32,821	244
(LN6)	31 December 2018	—	—	—	—	—
Total	31 December 2019	81,000	5,675	2,598	81,057	5,877
	31 December 2018	59,500	1,519	4,992	56,027	1,483

(i) On 8 August 2016 and 5 April 2017, the Group had subscribed two trenches of HK$ denominated loan notes (the "**LN1**" and "**LN2**"), of principal value of HK$3,000,000 each issued by an independent third party, Zhongda International Holdings Limited, which is principally engaged in trading of consumer electronic products, with an aggregated amount of HK$6,000,000. On 9 April 2018, the Group had further subscribed another trench of HK$ denominated loan note (the "**LN3**"), of principal value of HK$5,500,000 issued by the issuer of LN1 and LN2. LN1, LN2 and LN3 bear fixed interest at 8.5% per annum with maturity of one year from their respective dates of issue and are measured at amortized cost. No conversion right is attached to LN1, LN2 and LN3 to be exercised by the Company. On 7 August 2017, 28 March 2018 and 7 August 2018, the Company entered into three extension agreements with the issuer, to extend the maturity dates of LN1 and LN2 to 8 August 2018, 8 August 2019 and 5 April 2019. On 8 November 2019, both LN1, LN2 and LN3 were matured and exchanged for the LN6 as defined below, resulting in a deemed disposal loss of approximately HK$2,604,000 recognised in 2019.

(ii) On 14 November 2018, the Group had subscribed HK$ denominated loan note (the "**LN4**") of principal value of HK$24,000,000 issued by an independent third party which is private entity established in PRC, 深圳達隆通用包裝機械有限公司, which is principally engaged in developing and designing mechanical equipment, maturity of three years from date of issue. LN4 bears fixed interest at 10% per annum and is measured at amortized cost.

(iii) On 14 November 2018, the Group had subscribed HK$ denominated loan note (the "**LN5**") of principal value of HK$24,000,000 issued by an independent third party which is private entity established in PRC, 深圳達隆包裝機械設備有限公司, which is principally engaged in providing integrated R&D, design, sales and after-sales service in packaging equipment, maturity of three years from dates of issue. LN5 bears fixed interest at 10% per annum and is measured at amortized cost.

(iv) On 8 November 2019, the Group had subscribed HK$ denominated loan note (the "**LN6**") of principal value of HK$33,000,000 issued by an independent third party which is private entity established in PRC, 深圳前海藍伯爵公務航空服務有限公司, which is principally engaged in aircraft leasing, with maturity of two years from dates of issue. LN6 bears fixed interest at 5% per annul and is measured at amortised cost.

	2019	2018
	HK$'000	*HK$'000*
Loan notes	**81,000**	59,500
Interest receivables	**5,676**	1,519
Impairment losses	**(5,619)**	(4,992)
At 31 December	**81,057**	56,027
Less: current portion	**(5,144)**	(10,417)
Non-current portion	**75,913**	45,610

Movement for impairment losses

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**4,992**	—
Release upon disposals	**(1,971)**	—
Provision made for the year	**2,598**	4,992
At 31 December	**5,619**	4,992

The carrying amount of the loan notes approximates to its fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loan notes.

16. FINANCIAL ASSETS AT FVTPL

	2019	2018
	HK$'000	*HK$'000*
Trading securities *(note a)*	**7,286**	31,812
Convertible bonds designated at financial assets at FVTPL *(note b)*	**19,520**	39,715
Private equity fund designated at financial assets at FVTPL *(note c)*	**—**	13,542
	26,806	85,069

Notes:

(a) Trading securities

	2019	2018
	HK$'000	*HK$'000*
Current assets:		
Equity securities held for trading at market value		
— Listed in Hong Kong	**7,286**	31,812

At the end of reporting period, details of the Group's major listed equity securities are as follows:

Stock name	As at 31 Dec	Proportion of investee's capital owned	Cost	Market value	Net assets attributable to the investment	Accumulated fair value losses on investment recognized in the consolidated financial statement during the year
			HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong						
On Real International Holdings Limited	2019	6.79%	11,100	5,421	4,075	(5,679)
	2018	6.04%	11,656	14,150	4,723	2,494
Classified Group (Holdings) Limited	2019	4.59%	4,738	1,556	3,672	(3,182)
	2018	1.62%	8,317	8,404	1,751	87
Prime Intelligence Solutions Group Limited	2019	0.31%	228	147	276	(81)
	2018	—	—	—	—	—
China Creative Digital Entertainment Limited	2019	0.49%	178	110	119	(68)
	2018	0.21%	6,404	337	4,852	(6,067)
Evershine Group Holdings Limited	2019	0.10%	66	52	113	(14)
	2018	0.00%	74	74	6	1
Kinetix System Holding Limited	2019	—	—	—	—	—
	2018	5.15%	12,490	5,973	2,103	(6,518)
Luxxu Group Limited (previously known as Time2U International Holding Limited)	2019	—	—	—	—	—
	2018	0.81%	1,290	1,178	4,374	(112)
China 33 Media Group Limited	2019	—	—	—	—	—
	2018	0.90%	1,605	1,139	4,487	(466)

No dividend income received for both years.

Unless otherwise specified, all of the above investments are directly held by the Company.

(i) On Real International Holdings Limited, incorporated in Cayman Islands, is principally engaged in the designing, manufacturing and selling of two-way radio and baby monitors on original design manufacturing basis.

(ii) Classified Group (Holdings) Limited, incorporated in Cayman Islands, is principally engaged in restaurant operations in Hong Kong.

(iii) Prime Intelligence Solutions Group Limited, incorporated in Cayman Islands, is principally engaged in sales of biometrics identification devices and other devices and accessories and provision of auxiliary and other services.

(iv) China Creative Digital Entertainment Limited, incorporated in Bermuda, is principally engaged in property and shopping mall management, to develop not less than 20 shopping malls with HMV brand.

(v) Evershine Group Holdings Limited, incorporated in Hong Kong, is principally engaged in the construction, contracting works, construction materials trade, property leasing, furniture business, cemetery business, money lending business and mobile application business.

(vi) Kinetix Systems Holdings Limited, incorporated in Cayman Islands, is principally engaged in provision of information technology ("**IT**") infrastructure solutions services, IT development solutions services and IT maintenance and support services.

(vii) Luxxu Group Limited, incorporated in Cayman Islands, is principally engaged in the manufacture and sales of own-branded watches and jewelleries, including but not limited to diamond watches, tourbillon watches and luxury jewellery watches, OEM watches and third-party watches Kinetix System is mainly engaged in provision of information technology infrastructure solution services.

(viii) China 33 Media Group Limited, incorporated in Cayman Islands, is principally engaged in the provision of advertising services of printed media for railway networks, outdoor advertising spaces on railway stations in the PRC and online platforms, film and entertainment investment in Hong Kong and the PRC and prepaid card business in Hong Kong.

As at 31 December 2019, the Group's trading securities of carrying amount of approximately HK$1,715,000 (2018: Nil) were pledged to a securities broker to secure margin loan borrowed by the Group.

(b) Convertible bonds designated at financial assets at FVTPL

At the end of reporting period, details of major unlisted convertible bonds designated at financial assets at FVTPL are as follows:

Name of investee	Place of Incorporation	As at 31 December	Cost HK$'000	Interest income recognised during the year HK$'000	Accumulated fair value losses on investment recognized in the consolidated financial statements during the year HK$'000	Fair value HK$'000
Openroad Corporate Services Limited ("**CB1**")	Hong Kong	2019	—	—	—	—
		2018	—	1,261	—	—
Profit Gain Finance Limited ("**CB2**")	Hong Kong	2019	—	1,534	—	—
		2018	20,000	1,800	3,634	19,625
Cross Consultants Limited ("**CB3**")	Hong Kong	2019	—	—	—	—
		2018	—	2,345	—	—
Openroad Professional Assurance Limited ("**CB4**")	Hong Kong	2019	—	—	—	—
		2018	—	2,345	—	—
HF Financial Group (Hong Kong) Limited ("**CB5**")	Hong Kong	2019	19,700	1,576	(2,146)	19,520
		2018	19,700	1,575	(1,856)	20,090

All the above investments are directly held by the Company.

Binomial and partial different model were used for valuation of the above convertible bonds. The inputs into the valuation models of CB5 as at 31 December 2019 were as follows:

CB5	**31 December 2019**
Subscription date	28 July 2016
Original maturity date	28 July 2019
Extended maturity date	28 July 2020
Coupon rate (per annul)	8%
Exercise price per share	HK$14,723
Risk free rate	2.12%
Expected life (years)	0.57
Expected volatility	70%
Expected dividend yield	—
Valuation methodology	Hull Model
Fair value performed by:	Ravia Global Appraisal Advisory Limited ("**Ravia**")

On 20 March 2018 and 18 July 2018, the Company entered into extension agreements with the investees, to extend the maturity dates of CB2 and CB5 to 13 April 2019 and 28 July 2019 respectively. On 8 November 2019, the Company has disposed of CB2 and exchanged for the LN6 as detailed in note 15 to the financial statements, resulting in a deemed disposal loss of approximately HK$1,844,775 recognised in 2019, Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Ravia is independent firms of professional valuers appointed by the Company to carry out the valuation of the Group's convertible bond designated at financial assets at FVTPL.

(c) Private equity fund designated at financial assets at FVTPL

On 29 June 2018, the Group had subscribed 39.25% of a private equity fund (the "**Fund Investment**") incorporated in the Cayman Islands, HF Pre-IPO Fund, of principal value of HK$19,001,000. As of 31 December 2018, the fair value of the Fund Investment was approximately HK$13,542,000. During the year ended 31 December 2018, the unrealized loss recognized of the Fund Investment approximately HK$5,459,000.

On 31 December 2019, the Company entered into a sale and purchase agreement with Hanfaith Property Agency Limited, an independent third party to the Company to dispose the entire equity interest of Fund investment held by the Company at cash consideration of HK$9,000,000, which is settled by 18 installment payments of HK$500,000 per instalment. The first instalment shall be due on the agreement date. The consideration receivable is recorded under "other receivables" at 31 December 2019. Upon the disposal date, the loss on disposal of HK$4,542,000 was recognised for the year ended 31 December 2019. In the opinion of the directors, no effects of the time value of money is taken into the account of the carrying value of consideration receivable, as it the financial impact is immaterial.

17. FINANCIAL ASSETS AT FVTOCI

	2019	2018
	HK$'000	*HK$'000*
Unlisted equity investments designated at financial assets at FVTOCI	**29,400**	35,176

On 6 June 2018 and 7 December 2018, the Group had subscribed 18.18% and 20% equity interest of a Hong Kong incorporated private entity and an Anguilla incorporated private entity, HF Finance Limited (the "**HF Finance**") and Perfect Path, which are engaged in money lending business and gold mining business at considerations of HK$8,000,000 and HK$18,500,000 respectively. As of 31 December 2018, the fair value of the equity investments was approximately HK$6,176,000 and HK$29,000,000 respectively.

Despite the Group holds 20% of the voting power in Perfect Path, however, under contractual arrangements, the other shareholders control the composition of the board of directors and have control over Perfect Path. The directors of the Company consider that the Group does not have significant influence over Perfect Path, and it is therefore the unlisted equity investments are designated at financial assets at FVTOCI.

On 8 November 2019, the Company has disposed of HF Finance and exchanged for the LN6 as detailed in note 15 to the consolidated financial statements, resulting in a deemed disposal loss of approximately HK$1,676,000 recognised in 2019.

Income approach were used for valuation of the remaining equity interests. Ravia is an independent firm of professional valuer appointed by the Company to carry out the valuations of the Group's unlisted equity investments designated at financial assets at FVTOCI. The inputs into the valuation models as at 31 December 2019 were as follows:

Perfect Path	**31 December 2019**
Subscription date	7 December 2018
Total number of shares held	200,000
Subscription price	HK$18,500,000
Proportion of investee's capital owned	20%
Dividend income received during the year	—
Net assets attributable to the investment (Note)	HK$30,697,000
Fair value gain/(loss) recognized during the year	—
Expected dividend yield	—
Discount rate	12%
Valuation methodology	Income Model
Fair value performed by:	Ravia Global Appraisal Advisory Limited ("**Ravia**")

Note: Figures were based on the management accounts as at 31 December 2019 provided by the investees.

Ravia is an independent firm of professional valuer appointed by the Company to carry out the valuations of the Group's unlisted equity investments designated at financial assets at FVTOCI.

18. 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 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

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

19. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

20. EVENTS AFTER THE REPORTING PERIOD

(a) Renewal of investment management agreement

On 28 February 2020, the Company entered into the renewal agreement with Tiger Securities Asset Management Company Limited to renew the investment management services period end from 29 February 2020 to 31 August 2020.

(b) COVID-19 outbreak

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") has spread across China and other countries and it has affected the business and economic activities of the Group as well as the Group's investees to some extent. The overall financial effect cannot be reliably estimated as of the approval date of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2019, the Group recorded a revenue of HK$8,988,000 as compared to HK$10,812,000 in the prior year, representing a decrease of approximately 16.9%. The decrease in revenue was mainly due to decrease of interest income during the year. The Group recorded a realised loss of HK$9,903,000 (2018: HK$45,350,000) and fair value loss of HK$9,025,000 (2018: HK$10,817,000) on listed securities. The Group recorded a realised loss of approximately HK$6,387,000 (2018: HK$10,770,000) and an unrealised loss of approximately HK$2,146,000 (2018: HK$3,681,000) on unlisted securities during the year. During the year, impairment losses of various loan notes of approximately HK$2,598,000 (2018: HK$4,992,000) and deposits of approximately HK$538,000 (2018: HK$351,000) were recognised. During the year, the loss on disposal of certain loan notes was approximately HK$2,064,000 (2018: Nil) and the loss on disposal of private equity interest designated at financial assets at fair value through other comprehensive income was HK$1,676,000 (2018: Nil). 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 approximately HK$35,361,000 as compared to a loss of approximately HK$78,458,000 in prior year.

As at 31 December 2019, the net assets of the Group were approximately HK$165,716,000 (2018: HK$135,391,000). The net assets significantly increased 22.4% when compared to the prior year was mainly due to the decrease in shareholder's loan and the effect of the rights issue completed during the year. The financial assets at fair value through profit or loss decreased from approximately HK$85,069,000 as at 31 December 2018 to approximately HK$26,806,000 as at 31 December 2019 and the financial assets at fair value through other comprehensive income of approximately HK$29,400,000 (2018: HK$35,176,000) was recognised during the year.

PROSPECTS AND FUTURE PLANS

The growth momentum of Hong Kong economy has slowed since the beginning of 2018. The Hong Kong economy contracted by 1.2% for 2019 as a whole, the first annual decline since 2009. In the first half of 2019, the economy growth of Hong Kong was only by 0.6% year-on-year amid softening global economic growth and the trade war between United States of America (the "**US**") and China. The economy then worsened and recorded sharp shrink of 2.8% and 2.9% respectively in the third and fourth quarters.

China posted GDP growth 6.1%, the slowest pace in 29 years but still within the government's target of 6% to 6.5%, this was the weakest growth rate since the first quarter of 1992.

During the financial year, elevated US-China trade tensions and the outbreak of coronavirus, the poor market sentiment immersed throughout the global.

In 2020, the economy of Hong Kong and China are expected to remain under pressure. Although the phase one trade deal between China and the US eased trade tensions, existing tariffs will remain in place.

The external environment is of high relevance to the economy and financial market in Hong Kong. In term of the negative growth projections of Hong Kong and slow growth projections of China, the Group expects it is full of challenges in 2020. Because of the outbreak of coronavirus in Hong Kong, the management of the Company expects there will be an adverse impact to the Group in coming months. However, our management will actively keep monitoring the performance of the Group and assessing how the impact to the Group, and will implement fitting strategy in a timely manner. Looking ahead to 2020, 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 2019, the Group had available funds of approximately HK$28,187,000 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 approximately HK$165,716,000 at 31 December 2019 compared to HK$135,391,000 at 31 December 2018, representing an increase of approximately 22.4%.

As at 31 December 2019, the Group had borrowings of approximately HK$22,268,000 (2018: HK$57,654,000). The gearing ratio for the Group was 13.4% (2018: 42.6%) 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 2019.

Save as the rights issue and the capital reorganisation mentioned under the heading of "Fund raising activities" and "Capital Reorganisation" below respectively, there was no significant change in the Group's capital structure for the year ended 31 December 2019.

Fund raising activities

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

On 21 September 2018, the Company and China Fund Securities Limited (formerly known as Hong Kong Wealthy Trade Limited) (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**"), pursuant to which the Company has appointed the Placing Agent to procure, on a best efforts basis, not less than six placees who were Professional Investors to subscribe for up to 19,980,000 ordinary shares of the Company (the "**Shares**") at a price of HK$1 per Share (the "**Placing Shares**"), representing (i) approximately 20.0% of the existing issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 21 September 2018, being the date of the Placing Agreement, was HK$0.495 per Share. The maximum net proceeds from the Placing 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 was approximately HK$0.99. Details of the Placing were set out in the announcements of the Company dated 21 September 2018 and 12 October 2018.

Rights Issue of 239,817,900 Rights Shares at HK$0.28 per Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date

Reference is made to (i) the announcements of the Company dated 18 July 2019, 30 July 2019, 2 August 2019, 13 August 2019, 13 September 2019 and 18 October 2019, respectively (the "**Announcements**"); (ii) the circular of the Company dated 21 August 2019 (the "**Circular**"); and (iii) the prospectus of the Company dated 25 September 2019 (the "**Prospectus**") in relation to, amongst others, the Rights Issue. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements, Circular and Prospectus.

On 18 July 2019, the Company and the Underwriter entered into the Underwriting Agreement in respect of the proposed Rights Issue. The Board proposed 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 by issuing 239,817,900 Rights Shares to the Qualifying Shareholders.

The estimated net proceeds from the Rights Issue would be approximately HK$65.44 million (equivalent to a net price of approximately HK$0.273 per Rights Share), among which (i) approximately HK$30.00 million would 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 would mature on 6 October 2019; (ii) approximately HK$30.00 million would be used for investment in listed securities and unlisted securities; and (iii) the remaining balance of approximately HK$5.44 million would be used for general working capital of the Group.

Details of the Rights Issue and Underwriting Arrangement were set out in the Announcements, Circular and Prospectus.

As at 31 December 2019, the net proceeds of the Rights Issue and the Placing had been utilised as follows:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
18 July 2019 (completed on 21 October 2019)	Rights Issue on the basis of two Rights Shares at the subscription price HK$0.28 per Rights Shares for every one existing Share	Approximately HK$65,440,000	(i) Repayment for approximately HK$30 million outstanding principal Shareholder's Loan with interest 8% per annum	(i) Approximately HK$33.9 million was used to settle the Shareholder's Loan
			(ii) Approximately HK$30 million for the investment in listed securities and unlisted securities	(ii) HK$30 million will be utilised as intended within next 12 months of the date of this announcement
			(iii) Approximately HK$5.44 million for general working capital of the Group	(iii) Approximately HK$5.44 million was used for operating expenses

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$9,730,000 was used for repayment of the Group's payable and operation expenses

Capital Reorganisation

On 23 January 2019, the Company announced to implement the capital reorganisation after the change of domicile becoming effective as follows:

(i) Reduction of Share Premium — the entire amount standing to the credit of the share premium account of the Company was reduced to nil and the credit arising from such reduction was transferred to an existing account of the Company designated as the contributed surplus account of the Company. Thereafter, the credit of the contributed surplus account of the Company was applied in full towards offsetting the entire amount of the accumulated losses of the Company as permitted under the New Bye-laws and the Companies Act.

(ii) Capital Reduction — the par value of each of the issued existing shares of the Company was reduced from HK$1.00 to HK$0.10 per issued existing share of the Company by the cancellation of the paid up share capital of the Company to the extent of HK$0.90 per issued existing share of the Company by way of a reduction of capital, such that the par value of the issued existing shares of the Company was reduced to HK$0.10 each. The credit arising from the Capital Reduction was transferred to the contributed surplus account of the Company within the meaning of the Companies Act and was applied for such purposes as permitted by all applicable laws and the Memorandum of Continuance and the New Bye-laws of the Company and as the Board considers appropriate; and

(iii) Share sub-division — immediately following the Capital Reduction, each of the authorised but unissued existing Shares with par value of HK$1.00 each was subdivided into 10 new Shares with par value of HK$0.10 each.

The Capital Reorganisation had become effective after 9:00 a.m. (Hong Kong time) on 18 April 2019. Details of the above were set out in the announcements of the Company dated 23 January 2019, 25 January 2019, 11 March 2019, 4 April 2019 and 23 April 2019 and the circular of the Company dated 4 February 2019.

CHANGE OF DOMICILE

The Company has been de-registered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the change of domicile became effective on 2 April 2019 (Hong Kong time) (the "**Change of Domicile**"). Details of the Change of Domicile were set out in the announcements of the Company dated 23 January 2019, 25 January 2019 and 4 April 2019 and the circular of the Company dated 4 February 2019.

INVESTMENT REVIEW

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The principal activity of the Company is investment holding and the Group is principally engaged in investments in securities listed on recognised stock exchanges and unlisted investments with potential for earning growth and capital appreciation. It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on financing future investment opportunities domestically and internationally to achieve financial growth for the Group and to maximise the shareholders' value.

The Company held ten investments as of 31 December 2019, comprising five equity securities listed in Hong Kong, one unlisted convertible bonds in Hong Kong, three loan notes issued by private entities in China and one item of interests in a private entity in Anguilla. Pursuant to the requirements stipulated in Rule 21.12 of the Listing Rules, the Company discloses its ten largest investments and all individual investments with value exceeding 5% of the Company's gross assets with brief description of the investee companies are provided in the notes 15 to 17 to the consolidated financial statements of this announcement and the section under "significant investments held and their performance".

Significant investments held and their performance

For the year ended 31 December 2019, the Group recorded revenue of approximately HK$8,988,000 as compared to approximately HK$10,812,000 in the prior year, representing a decrease of approximately 16.9%. The decrement in revenue was due to decrease of interest income from unlisted investments during the year.

With the impact of continuously unfavourable performance of certain publicly traded securities held by the Group, the Group recorded a realised loss of approximately HK$9,903,000 (2018: HK$45,350,000) and an unrealised loss of approximately HK$9,025,000 (2018: HK$10,817,000) on listed securities during the year. The Group recorded a realised loss of approximately HK$1,845,000 (2018: HK$10,770,000) and an unrealised loss of HK$2,146,000 (2018: HK$3,681,000) on unlisted convertible bonds during the year. During the year, the loss on disposal of certain loan notes was approximately HK$2,064,000 (2018: Nil) and the loss on disposal of private equity interest designated at financial assets at fair value through other comprehensive income was HK$1,676,000 (2018: Nil). Meanwhile, impairment losses of various loan notes of approximately HK$2,598,000 and deposits of approximately HK$538,000 were recognized during the year.

As at 31 December 2019, the Group held trading securities of approximately HK$7,286,000 (2018: HK$31,812,000). The decrease was mainly due to the disposal of certain trading securities during the year.

As at 31 December 2019, the Group's unlisted investments (comprised of convertible bonds designated at fair value through profit or loss, financial assets at fair value through other comprehensive income and loans and receivables) were approximately HK$129,977,000 (2018: HK$144,460,000). Other receivables, deposits and prepayments was HK$23,874,000 (2018: HK$15,764,000).

Pursuant to the requirements stipulated in Rule 21.12 of Listing Rules, the Company discloses its ten largest investments and all individual investments with value exceeding 5% of the Company's gross assets with brief description of the investee companies as follows and as disclosed in note 15 to 17 to the consolidated financial statements:

Loan Note Investment — 深圳達隆包裝機械設備有限公司 ("達隆包裝機械")

達隆包裝機械 is a private entity established in PRC, which is principally engaged in providing integrated R&D, design, sales and after-sales service in packaging equipment. In the past years, the 達隆包裝機械 was developing and producing intelligent air traffic control aircraft, which was an important tool for the development of air traffic control technology in China's civil aviation airports. The Group held a loan note issued by 達隆包裝機械 with fixed interest at 10% per annum ("**LN2**") and was measured at amortised cost. The interest income recognised of the Group from LN2 for the year ended 31 December 2019 was approximately HK$2.4 million (2018: HK$316,000). The impairment loss recognised for the year was approximately HK$917,000. Based on the latest management account of 達隆包裝機械, the unaudited net profit for the year ended 31 December 2019 was RMB1,055,000 and its net asset value as at 31 December 2019 was approximately RMB14.4 million. The packaging equipment market was set to grow from its current market value of more than US$38 billion to more than US$47 billion by 2024, according to a new research report from Global Market Insights Inc. Demand for packaging equipment is primarily driven by the development of energy-efficient equipment, increasing adoption of automated packaging machines and consumer demand for personal care goods. The Board considers that the packaging equipment industry has great potential, and the financial performance was same as the expectation and also expected that 達隆包裝機械 will keep the growth trend in future. Therefore, holding the fixed interest income from loan notes was interest of the Group to obtain a stable cash inflow.

Convertible Bond Investment — HF Financial Group (Hong Kong) Limited ("HF Group")

HF Group a private entity established in Hong Kong, which is principally engaged in securities brokerage business and asset management business. Hong Kong stock market is one of the biggest stock market of the world, total capital raised from the Hong Kong securities market through IPOs constantly stayed top three in the world for the past decade. Although the securities brokerage business was competitive, more business from launching Shanghai Connect and Shenzhen Connect to create more room and opportunities for securities brokerage business. Above-mentioned the new co-operation of Hong Kong securities market and China securities market have created opportunities for assets management business as well. The Group held a convertible bond issued by HF Group with fixed interest at 8% per annum ("**CB**"). The interest income recognised of the Group from CB for year ended 31 December 2019 was approximately HK$576,000 (2018: HK$576,000). The unrealised loss recognised for the year was approximately HK$2.1 million (2018: HK$1.9 million). Based on the latest management account of HF Group, the unaudited net loss for the year ended 31 December 2018 was HK$15.0 million and its net asset value as at 31 December 2018 was approximately HK$52.6 million. As keen competition of brokerage securities business in Hong Kong, fluctuation of Hong Kong stock market and the geopolitical environment in Hong Kong recently, a result of loss making for the year ended 31 December 2018 of HF Group. As the net asset value of HF Group was much higher than the principal amount of CB, the Group considers that the default risk of the CB was low. In addition, CB is continuing to generate interest income for the Group up to its expiry date.

Loan Note Investment — 深圳前海藍伯爵公務航空服務有限公司(“前海藍伯爵”)

The Group had subscribed a loan note issued by 前海藍伯爵 which was private entity established in the PRC, which was principally engaged in private flight service and management platform in China. 前海藍伯爵 was issued a loan note (“**LN3**”) in November 2019 to the Company and would mature after two years from date of issue. LN3 bears fixed interest at 5% per annum and is measured at amortised cost. The interest income recognised of the Group for the year from LN3 was approximately HK$244,000. The impairment loss recognised for the year was approximately HK$420,000. Based on the management account of 前海藍伯爵 as at 30 November 2019, the unaudited net profit was approximately RMB25.9 million. As at 30 November 2019, the net asset value of 前海藍伯爵 was RMB68.6 million. The Board considers the industry of private flight service in China has bright future and the Board expects that 前海藍伯爵 will keep the growth trend in the coming future. Therefore, holding the fixed interest income from the LN3 was in the interest of the Group to obtain a stable cash inflow.

Private Equity Investment — Perfect Path Limited (“Perfect Path”)

Perfect Path is a private entity incorporated in Anguilla, which principally engaged in gold mining business. The Group held 20% of equity interest of Perfect Path, despite the Group held 20% of the voting power in Perfect Path, however, under contractual arrangements, the other shareholders control the composition of the board of directors and have control over Perfect Path. Perfect Path still not deployed their business therefore no income generated during the year ended 31 December 2019. Perfect Path owns a gold mine in Thailand. No income was generated during the year ended 31 December 2019 since Perfect Path still not deployed their business. The net asset value of Perfect Path as at 31 December 2019 was approximately HK$153.5 million. The fair value gain recognised for the year was approximately HK$400,000. Perfect Path will put into production after infrastructure to be ready which is expected to be done after 3 years. The gold price has experienced a general increase over the past decade, representing a compound annual growth rate of 2.64% during 2008 to 2018. The Board considers that the gold price will be in the same trend with the past decade and therefore, the Group can enjoy the appreciation of gold mine holding by Perfect Path by gold price rising.

Listed Equity Investment — Classified Group (Holdings) Limited (“Classified”)

Classified is a company incorporated in the Cayman Islands (stock code: 8232). Classified is principally engaged in restaurant operations in Hong Kong. Based on the latest published quarterly report for the nine months ended 30 September 2019, the net loss for the period was approximately HK$10.9 million comparing with the net loss for the same period last year was approximately HK$15.6 million, the decrease of net loss of Classified was mainly due to the decrease in staff costs, property rentals and related expenses and depreciation, which were primarily attributable to the closure of the bakery business and two “Classified” restaurants in 2018. Moreover, there was no impairment loss on property, plant and equipment during the nine months ended 30 September 2019 of Classified. The net asset value of Classified as at 30 September 2019 was approximately HK$80.0 million. No dividend was received during the year ended 31 December 2019 (2018: Nil). Classified restaurants are a collection of casual European cafés specializing in artisan breads, cheeses and boutique wines, and are renowned for their breakfast and all-day dining menu. Offering casual seating areas in most locations, Classified encourages neighbourhood street-level interaction. Classified has over ten restaurants in Hong Kong mainly in commercial area. According to the interim report of Classified for the six months ended 30 June 2018, they plan to i) open four new restaurants; ii) enhance and upgrade our existing restaurant facilities and iii) enhance premium food and fine wine programme in order to entice higher spending customers to visit restaurants. The Board believes the strategy are good fit with the consumer market and the performance of Classified became better, the Group would hold the investment in Classified and will closely monitor the performance of Classified.

Listed Equity Investment — On Real International Holdings Limited (“On Real”)

On Real is a company incorporated in the Cayman Islands (stock code: 8245). On Real is a two-way radio product designer and manufacturer established in 2001. On Real derived revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis. Based on the latest published quarterly report for the nine months ended 31 December 2019 of On Real, the net loss for the six months ended 31 December 2019 was approximately HK$6.4 million comparing with the net profit of approximately HK$3.3 million for the nine months ended 31 December 2018, primarily due to the increase in administrative expenses. The net asset value of On Real as at 31 December 2019 was approximately HK$60.0 million. No dividend was received during the year ended 31 December 2019 (2018: Nil). According to the quarterly report of On Real for the nine months ended 31 December 2019, approximately 50.8% of the total revenue were derived from the US market. The US market of two-way radio and baby monitor were the largest market in the world and it was appropriate marketing strategy of On Real to focus on the US market. The Board appreciated the effective marketing strategy of On Real and would hold the investment in On Real to earn the capital appreciation and the Group will closely monitor the performance of On Real in the future.

Listed Securities Investment — Evershine Group Holdings Limited ("Evershine")

Evershine is a company incorporated in Hong Kong which is listed on GEM of the Stock Exchange (stock code: 8022). Evershine is principally engaged in trading of goods, design and trade of customized window frames, doors and wardrobes, building construction, property development, sales and leasing of properties, provision of money lending business and development of mobile games, game publishing, applications, related intellectual property platform and provision of related solutions and construction and operation of cemetery in Hong Kong, China and Republic of Turkey. Based on the quarterly report for the nine months ended 30 September 2019 of Evershine, the net loss for the period was approximately HK$20.8 million. Comparing with the net loss of approximately HK$101.0 million for the nine months ended 30 September 2018, the reduction of the net loss of Evershine was mainly attributable to (i) new furniture business in China; (ii) start its property sales in Republic of Turkey; and (iii) the fair value gain on convertible notes and derivative. The net asset value of Evershine as at 30 September 2019 was approximately HK$114.1 million. No dividend was received by the Group during the year ended 31 December 2019. The Board believes that Evershine the significant reduction of net loss was a good sight and therefore the Group would hold the investment in Evershine and will closely monitor the performance of Evershine.

Listed Securities Investment-China Creative Digital Entertainment Limited ("CCD")

CCD is a company incorporated in Bermuda which is listed on GEM of the Stock Exchange (stock code: 8078). CCD is principally engaged in cultural and entertainment business in China. Based on the interim report for the six months ended 31 December 2019 of CCD, the net loss for the period was approximately HK$145.2 million. Comparing with the net loss of approximately HK$97.1 million for the six months ended 31 December 2018, the increase of the net loss of CCD was mainly attributable to the net effect of (i) the significant increase in selling and distribution costs by approximately HK$60.0 million; (ii) the increase in finance costs by approximately HK$35.3 million; and (iii) the loss in fair value of investment at fair value through profit or loss approximately HK$5.3 million (31 December 2018: Gain HK$26.6 million). The net asset value of CCD as at 31 December 2019 was approximately HK$15.2 million. No dividend was received by the Group during the year ended 31 December 2019. The Board believes that the cultural and entertainment market in China can recover soon and the investment in CCD by the Group was not significant amount, therefore the Group would hold the investment in CCD and will closely monitor the performance of CCD.

Listed Securities Investment — Prime Intelligence Solutions Group Limited ("Prime")

Prime is a company incorporated in Cayman Islands which is listed on GEM of the Stock Exchange (stock code: 8379). Prime is principally engaged in sales of biometrics identification devices and other devices and accessories and provision of auxiliary and other services. Based on the quarterly report for the nine months ended 31 December 2019 of Prime, the net loss for the period was approximately HK$4.6 million. Comparing with the net loss of approximately HK$2.2 million for the nine months ended 31 December 2018, the increase of the net loss of Prime was mainly attributable to (i) the administrative expenses increased by approximately HK$1.5 million; and (ii) gross profit decreased by approximately HK$1.3 million. The net asset value of Prime as at 31 December 2019 was approximately HK$90.2 million. No dividend was received by the Group during the year ended 31 December 2019. The Board believes that the biometrics technology is the global trend and the investment in Prime by the Group was not significant amount and therefore the Group would hold the investment in Prime and will closely monitor the performance of Prime.

Loan Note Investment — 深圳達隆通用包裝機械有限公司 ("達隆通用包裝")

達隆通用包裝 is a private entity established in PRC, which is principally engaged in developing and designing mechanical equipment. 達隆通用包裝 has been developing and producing intelligent garbage collection systems and production equipment for nearly 10 years. The Group held a loan note issued by 達隆通用包裝 with fixed interest at 10% per annum ("**LN1**") and was measured at amortised cost. The interest income recognised of the Group from the LN1 for the year ended 31 December 2019 was approximately HK$2.4 million (2018: HK$316,000). The impairment loss recognised for the year was approximately HK$730,000. Based on the latest management account of 達隆通用包裝, the unaudited net profit for the year ended 31 December 2019 was approximately RMB212,000 and its net asset value as at 31 December 2019 was approximately RMB13.0 million. The Board considers the industry of intelligent garbage collection systems and production equipment have great prosperity and the financial performance of 達隆通用包裝 was satisfactory. The Board also expected that 達隆通用包裝 will keep the growth trend in future. Therefore, holding the fixed interest income from loan notes was interest of the Group to obtain a stable cash inflow.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of 3 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.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's trading securities of carrying amount of approximately HK$1,715,000 (2018: Nil) were pledged to a securities broker to secure margin loan borrowed by the Group.

SEGMENT INFORMATION

For management purpose, 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

EVENT AFTER REPORTING PERIOD

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") has spread across China and other countries and it has affected the business and economic activities of the Group as well as the Group's investees to some extent.

The overall financial effect cannot be reliably estimated as of the approval date of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

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 2019, 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 on The Stock Exchange of Hong Kong Limited as its own code on corporate governance practices.

The Company had met the relevant code provisions set out in the Code during the year, except the deviation from code provision A.2.1 of the Code provides that the roles and responsibilities of chairman and chief executive officer should be separated. Since 3 June 2019, the Company has rectified the deviation mentioned by the appointment of Ms. Chan Carman Wing Yan as the chief executive officer of the Company ("**CEO**"). Following the appointment of CEO, the Company complied with the requirements under code provision A.2.1 of the Code since 3 June 2019.

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 for Securities Transactions by Directors for the Listed Issuers (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 2019, 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 2020 annual general meeting, the register of members of the Company will be closed from 17 June 2020 to 22 June 2020, 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 16 June 2020.

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, 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 and the website of the Stock Exchange.

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 approval of the annual results for the year ended 31 December 2019.

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 2019 have been agreed by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by McMillian Woods (Hong Kong) 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 McMillian Woods (Hong Kong) 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, 20 March, 2020

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.