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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 are summarised as follows:

- Revenue of the Group for the year ended 31 December 2020 was approximately HK\$8,105,000 as compared to approximately HK\$8,988,000 in the last year.
- Loss attributable to owners of the Company for the year ended 31 December 2020 was approximately HK\$4,166,000 as compared to a loss of approximately HK\$35,361,000 in the last year.
- The Board (the “**Board**”) of Directors (the “**Directors**”) of the Company does not recommend payment of final dividend for the year ended 31 December 2020 (2019: nil).
- Basic loss per share was HK\$0.01 for the year ended 31 December 2020 (2019: loss per share of HK\$0.20).

The Board announces the consolidated results of the Group for the year ended 31 December 2020 together with comparative figures for the corresponding year ended 31 December 2019. 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 2020 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	2020 HK\$'000	2019 HK\$'000
Gross proceeds from disposals of trading securities		<u>5,096</u>	<u>53,057</u>
Revenue	5	8,105	8,988
Others revenue	6	175	—
Others gains and (losses)	7	<u>(4,673)</u>	<u>(34,337)</u>
		3,607	(25,349)
Other operating expenses		(6,202)	(6,283)
Finance costs	8	<u>(1,571)</u>	<u>(3,729)</u>
Loss before tax	9	(4,166)	(35,361)
Income tax	10	<u>—</u>	<u>—</u>
Loss for the year		(4,166)	(35,361)
Other comprehensive income, net of tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
— Fair value gain on financial assets at fair value through other comprehensive income (“FVTOCI”)		<u>1,200</u>	<u>400</u>
Loss and total comprehensive expense for the year attributable to owners of the Company		<u>(2,966)</u>	<u>(34,961)</u>
Loss per share			
Basic	11	<u>(HK\$0.01)</u>	<u>(HK\$0.20)</u>
Diluted		<u>(HK\$0.01)</u>	<u>(HK\$0.20)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		4	10
Right-of-use assets		197	475
Other receivables, deposits and prepayments	<i>12</i>	—	3,000
Loan notes	<i>15</i>	46,413	75,913
		46,614	79,398
Current assets			
Other receivables, deposits and prepayments	<i>12</i>	633	20,874
Loan notes	<i>15</i>	52,038	5,144
Financial assets at fair value through profit or loss ("FVTPL")	<i>16</i>	46,944	26,806
Financial assets at FVTOCI	<i>17</i>	30,600	29,400
Due from securities brokers		801	12
Bank balance		7,905	28,187
		138,921	110,423
Current liabilities			
Due to securities brokers		1,701	2,011
Other payables and accruals	<i>13</i>	732	1,347
Lease liabilities		208	282
Promissory notes		224	337
		2,865	3,977
Net current assets		136,056	106,446
Total assets less current liabilities		182,670	185,844

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		—	208
Promissory notes		19,920	19,920
		19,920	20,128
NET ASSETS		162,750	165,716
Capital and reserves			
Share capital	14	35,973	35,973
Reserves		126,777	129,743
Total equity		162,750	165,716
Net asset value per share		HK\$0.45	HK\$0.46

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 HONG KONG FINANCIAL REPORTING STANDARDS

The IASB has issued certain new and revised IFRSs and amendments that are first effective or available for early adoption for the current accounting period of the Group. Below 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.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the above in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

IFRS 17	Insurance Contracts and related Amendments ¹
Amendments to IFRS 17	Insurance Contracts ^{1,5}
Amendments to IFRS 3	Reference to Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and the related amendments to International Interpretation 5 (2020) ¹
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to IFRSs	Annual Improvements to IFRSs 2018-2020 cycle ²

^{1.} Effective for annual periods beginning on or after 1 January 2023.

^{2.} Effective for annual periods beginning on or after 1 January 2022.

^{3.} Effective for annual periods beginning on or after a date to be determined.

^{4.} Effective for annual periods beginning on or after 1 January 2021.

^{5.} As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

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 Company's revenue is solely generated from, and non-current assets and located in Hong Kong, based on the location of the relevant Group entities operations.

During the years ended 31 December 2020 and 2019, there were no dividend income from the Group's unlisted investments.

5. REVENUE

	2020 HK\$'000	2019 HK\$'000
Interest income from:		
— bank deposits	1	1
— loan notes	6,533	5,877
— convertible bonds designated at financial assets at FVTPL	1,571	3,110
	<u>8,105</u>	<u>8,988</u>

6. OTHERS REVENUE

	2020 HK\$'000	2019 HK\$'000
Government grants (<i>Note</i>)	144	—
Dividend income from the Group's listed investments	30	—
Sundry income	1	—
	<u>175</u>	<u>—</u>

Note:

Government grants in respect of the wage subsidy which was granted under The Government of Employment Support Scheme Allowance in Hong Kong were recognized at the time the Group fulfilled the relevant granting criteria.

7. OTHERS GAINS AND (LOSSES)

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Unrealised fair value (losses)/gains on financial assets at FVTPL:		
— listed securities	12,105	(9,025)
— unlisted convertible bonds designated at financial assets at FVTPL	—	(2,146)
Net realised gain (loss) on disposals of financial assets at FVTPL:		
— listed securities	728	(9,903)
— unlisted convertible bonds designated at financial assets at FVTPL	(2,075)	(1,845)
Gain (loss) on deemed disposals of certain financial assets of:		
— unlisted convertible bonds designated at financial assets at FVTPL and consideration receivable to exchange for a loan note	329	—
— a deposit on top of cash consideration amounting HK\$10,000,000 to exchange for a loan note	1,378	—
— a deposit and a loan note to exchange for securities investment listed in overseas	(3,615)	—
Loss on disposals of private equity fund designated at financial assets at FVTPL	—	(4,542)
Net gain (loss) on financial assets at FVTPL	8,850	(27,461)
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, net	(11,931)	(2,598)
Impairment losses on deposits and other receivables, net	(1,592)	(538)
	(4,673)	(34,337)

8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Imputed interest on shareholder's loan	—	2,193
Imputed interest on promissory notes	1,379	1,317
Interest on lease liabilities	18	14
Interest on other borrowings	174	205
	<u>1,571</u>	<u>3,729</u>

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging the following:

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	340	320
Management fees	1,299	1,277
Depreciation of property, plant and equipment	6	9
Depreciation of right-of-use assets	278	347
Employee benefits expenses:		
— Salaries, allowance and benefits in kind	1,505	1,591
— Contributions to defined contribution plan*	31	34
	<u>1,536</u>	<u>1,625</u>
Total employee benefits expenses	<u>1,536</u>	<u>1,625</u>

- * There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2020 and 2019 to reduce future contributions. There was no outstanding contribution to the plan at 31 December 2020 and 2019.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax	<u>(4,166)</u>	<u>(35,361)</u>
Notional tax on loss before tax, calculated at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	(687)	(5,835)
Tax effect of expenses not deductible for tax purpose	576	2,361
Tax effect of tax losses not recognised	<u>111</u>	<u>3,474</u>
Income tax	<u>—</u>	<u>—</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the purposes of basic loss per share	<u>(4,166)</u>	<u>(35,361)</u>

Number of shares

	2020 <i>'000</i>	2019 <i>'000</i>
Issued ordinary shares at the beginning of year	359,727	119,909
Effect of rights issue	<u>—</u>	<u>59,633</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>359,727</u>	<u>179,542</u>

For the year ended 31 December 2019, 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 set out in note 14(2) to the consolidated financial statement as if it had been effective on 1 January 2019.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2020 and 2019 as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Consideration receivables (<i>note a</i>)	—	8,980
Deposits paid for investments (<i>note b</i>)	—	14,631
Other deposits	54	53
Prepayments	579	210
	633	23,874
Less: non-current portion of consideration receivables	—	(3,000)
Current portion	633	20,874

Notes:

- (a) During the year ended 31 December 2020, the Company disposed the consideration receivables and the unlisted convertible bonds CB2 as defined in note 16(b) to exchange for LN2 as defined in note 15, resulting in a gain on deemed disposal of such arrangement by approximately HK\$329,000 recognised for the year ended 31 December 2020.
- (b) During the year ended 31 December 2020, the Company disposed the deposit paid for investment represent earnest money amounted to HK\$10,000,000 paid by the Group for the proposed investments to an independent third parties and paid a sum of HK\$10,000,000 in cash to exchange for the LN4 as defined in note 15, resulting a gain on deemed disposal of such arrangement by approximately HK\$1,378,000 recognised for the year ended 31 December 2020.

During the year ended 31 December 2020, the Company disposed the deposit paid for investment represent earnest money amounted to HK\$5,500,000 paid by the Group for the proposed investments to an independent third parties and LN1 as defined in note 15 to exchange for 1,120,000 shares of Winchester Holding Group, a company listed in the United States as detailed in note 16, resulting in a loss on deemed disposal of such arrangement by approximately HK\$3,615,000 recognised for the year ended 31 December 2020.

During the year ended 31 December 2020, additional provision for impairment of approximately HK\$1,267,000 (2019: HK\$518,000) and HK\$325,000 (2019: HK\$20,000) is made for 12m ECL on deposits and other receivables, respectively.

13. OTHER PAYABLES AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Other payables and accruals	728	1,343
Unclaimed dividend payables	4	4
	732	1,347

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$1 each at 1 January 2019	1,000,000,000	1,000,000
Capital reorganisation (<i>note 1</i>)	<u>9,000,000,000</u>	<u>—</u>
Ordinary shares of HK\$0.1 each at 31 December 2019, 1 January 2020 and 31 December 2020	<u><u>10,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$1 each at 1 January 2019	119,908,950	119,909
Capital reorganisation (<i>note 1</i>)	—	(107,918)
Rights issue (<i>note 2</i>)	<u>239,817,900</u>	<u>23,982</u>
Ordinary shares of HK\$0.1 each at 31 December 2019, 1 January 2020 and 31 December 2020	<u><u>359,726,850</u></u>	<u><u>35,973</u></u>

Notes:

- 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:

- 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.

- 2 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 were made to (1) the announcements of the Company dated 18 July 2019, 30 July 2019, 2 August 2019, 13 August 2019, 12 September 2019, 13 September 2019, 18 October 2019, 18 May 2020 and 25 November 2020 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 in relation to, amongst others, the Rights Issue, and (3) the prospectus of the Company dated 25 September 2019. 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 2020 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 2020, 72.8% (2019: 72.8%) of the shares were in public hands.

15. LOAN NOTES

Issuer	Date	Subscription amount <i>HK\$'000</i>	Interest receivables <i>HK\$'000</i>	Impairment loss recognised during the year <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>	Interest income recognised during the year <i>HK\$'000</i>
Shenzhen Dalong Packaging Machinery Equipment Company Limited* (“LN1”) (2019: defined as “LN4”)	31 December 2020	—	—	2,251	—	2,341
	31 December 2019	24,000	2,716	1,181	24,118	2,400
Shenzhen Huaqin Agriculture Technology Company Limited* (“LN2”)	31 December 2020	27,000	13	220	26,793	13
	31 December 2019	—	—	—	—	—
Shenzhen Qianhai Earl Lan Official Business Aviation Services Limited* (“LN3”) (2019: defined as “LN6”)	31 December 2020	33,000	1,899	2,733	31,743	1,655
	31 December 2019	33,000	244	423	32,821	244
Yun Kang Data Technology (Shanghai) Company Limited* (“LN4”)	31 December 2020	20,000	118	369	19,749	118
	31 December 2019	—	—	—	—	—
Shenzhen Da Long General Packaging Machinery Company Limited* (“LN5”) (2019: defined as “LN5”)	31 December 2020	24,000	5,122	6,358	20,166	2,406
	31 December 2019	24,000	2,716	994	24,118	2,400
Zhongda International Holdings Limited (2019: defined as “LN1”, “LN2”, and “LN3”)	31 December 2020	—	—	—	—	—
	31 December 2019	—	—	—	—	833
Total	31 December 2020	104,000	7,152	11,931	98,451	6,533
	31 December 2019	<u>81,000</u>	<u>5,676</u>	<u>2,598</u>	<u>81,057</u>	<u>5,877</u>

- (i) On 14 November 2018, the Group had subscribed HK\$ denominated loan note (the “LN1”) of principal value of HK\$24,000,000 issued by an independent third party which is private entity established in the PRC, Shenzhen Dalong Packaging Machinery Equipment Company Limited*, which is principally engaged in providing integrated R&D, design, sales and after-sales service in packaging equipment, maturity of three years from date of issue. LN1 bears fixed interest at 10% per annum and is measured at amortised cost.
- (ii) On 30 December 2020, the Group had subscribed HK\$ denominated loan note (the “LN2”) of principal value of HK\$27,000,000 issued by an independent third party which is private entity established in the PRC, Shenzhen Huaqin Agriculture Technology Company Limited*, which is principally engaged in technological development of agricultural products and biological products, with maturity of three years from date of issue. LN2 bears fixed interest at 8.5% per annum and is measured at amortised cost.
- (iii) On 8 November 2019, the Group had subscribed HK\$ denominated loan note (the “LN3”) of principal value of HK\$33,000,000 issued by an independent third party which is private entity established in the PRC, Shenzhen Qianhai Earl Lan Official Business Aviation Services Limited*, which is principally engaged in aircraft leasing, with maturity of two years from date of issue. LN3 bears fixed interest at 5% per annum and is measured at amortised cost.
- (iv) On 16 November 2020, the Group had subscribed HK\$ denominated loan note (the “LN4”) of principal value of HK\$20,000,000 issued by an independent third party which is private entity established in the PRC, Yun Kang Data Technology (Shanghai) Company Limited*, which is principally engaged in applying deep learning and artificial intelligence to analyse the big data for application and provide clinical diagnosis, with maturity of three years from date of issue. LN4 bears fixed interest at 6% per annum and is measured at amortised cost.
- (v) 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 the PRC, Shenzhen Da Long General Packaging Machinery Company Limited*, which is principally engaged in developing and designing mechanical equipment, maturity of three years from date of issue. LN5 bears fixed interest at 10% per annum and is measured at amortised cost.

	2020 HK\$'000	2019 HK\$'000
Loan notes	104,000	81,000
Interest receivables	7,152	5,676
Impairment losses	(12,701)	(5,619)
	<u>98,451</u>	<u>81,057</u>
At 31 December	<u>98,451</u>	<u>81,057</u>
Less: current portion	(52,038)	(5,144)
Non-current portion	<u>46,413</u>	<u>75,913</u>

Movement for impairment losses

	2020 HK\$'000	2019 HK\$'000
At 1 January	5,619	4,992
Release upon disposals	(4,849)	(1,971)
Provision made for the year	11,931	2,598
	<u>12,701</u>	<u>5,619</u>
At 31 December	<u>12,701</u>	<u>5,619</u>

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

	2020 HK\$'000	2019 HK\$'000
Trading securities (<i>note a</i>)	46,944	7,286
Convertible bonds designated at financial assets at FVTPL (<i>note b</i>)	—	19,520
	<u>46,944</u>	<u>26,806</u>

Notes:

(a) Trading securities

	2020 HK\$'000	2019 HK\$'000
Current assets:		
Equity securities held for trading at market value — Listed in the United States	41,059	—
Equity securities held for trading at market value — Listed in Hong Kong	5,885	7,286
	<u>46,944</u>	<u>7,286</u>

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

Stock name	As at 31 December	Proportion of investee's capital owned	Cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Net assets attributable to the investment <i>HK\$'000</i>	Accumulated fair value gains/(losses) on investment recognised in the consolidated financial statement during the year <i>HK\$'000</i>
Hong Kong						
On Real International Holdings Limited	2020	4.53%	11,100	2,223	2,165	(8,878)
	2019	6.79%	11,100	5,421	4,075	(5,679)
Classified Group (Holdings) Limited	2020	3.89%	3,679	746	2,230	(2,932)
	2019	4.59%	4,738	1,556	3,672	(3,182)
Prime Intelligence Solutions Group Limited	2020	—	—	—	—	—
	2019	0.31%	228	147	276	(81)
China Creative Digital Entertainment Limited	2020	0.49%	178	72	(3,021)	(106)
	2019	0.49%	178	110	119	(68)
Evershine Group Holdings Limited	2020	0.08%	66	21	6	(45)
	2019	0.10%	66	52	113	(14)
Tencent Holdings Limited	2020	0.00%*	1,012	1,354	161	342
	2019	—	—	—	—	—
Alibaba Group Holding Limited	2020	0.00%*	1,040	1,047	235	6
	2019	—	—	—	—	—
The People's Insurance Company (Group) of China Limited	2020	0.00%*	550	423	663	(127)
	2019	—	—	—	—	—
United States						
Winchester Holding Group	2020	1.15%	25,334	41,059	244	20,093
	2019	—	—	—	—	—

* less than 0.01%

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 Interlligence 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 cultural and entertainment business in China.
- (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) Tencent Holdings Limited, incorporated in Cayman Islands, is principally engaged in the provision of Value-added Service (“VAS”), FinTech and Business Services and Online Advertising services. 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. Net dividend (after expenses) approximately HK\$1,600 was received for the year ended 31 December 2020 (2019: Nil).
- (vii) Alibaba Group Holding Limited, incorporated in Cayman Islands, provides the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way.
- (viii) The People’s Insurance Company (Group) of China Limited, incorporated in China, mainly provide integrated financial products and services and is engaged in property and casualty insurance, life and health insurance, asset management and other businesses.
- (ix) Winchester Holding Group, incorporated in the United States, is organized for the purpose of property acquisitions. Initial operations have included organization and incorporation, target market identification, marketing plans, capital formation, property acquisitions and vehicle exclusive seller.

As at 31 December 2020, the Group’s trading securities of carrying amount of approximately HK\$2,969,000 (2019: HK\$1,715,000) 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 recognised in the consolidated financial statements during the year HK\$'000	Fair value HK\$'000
Profit Gain Finance Limited ("CB1")	Hong Kong	2020	—	—	—	—
		2019	—	1,534	—	—
HF Financial Group (Hong Kong) Limited ("CB2")	Hong Kong	2020	—	1,571	—	—
		2019	19,700	1,576	(2,146)	19,520

All the above investments are directly held by the Company.

During the year ended 31 December 2020, the Company disposed the consideration receivables as defined in note 12(a) and the unlisted convertible bonds CB2 to exchange for LN2 as defined in note 15, resulting in a gain on deemed disposal of such arrangement by approximately HK\$329,000 recognised for the year ended 31 December 2020.

17. FINANCIAL ASSETS AT FVTOCI

	2020 HK\$'000	2019 HK\$'000
Unlisted equity investments designated at financial assets at FVTOCI	<u>30,600</u>	<u>29,400</u>

On 7 December 2018, the Group had subscribed 20% equity interest of an Anguilla incorporated private entity Perfect Path, which are engaged gold mining business at a consideration of HK\$18,500,000. As of 31 December 2020, the fair value of the equity investments was approximately HK\$30,600,000 (2019: HK\$29,400,000).

Despite the Group holds 20% of the voting power in Perfect Path, however, under contractual arrangements, another single shareholder 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.

Income approach were used for valuation of the above equity interests. Ravia Global Appraisal Advisory Limited (“**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 2020 were as follows:

Perfect Path	31 December 2020
Subscription date	7 December 2018
Total number of shares held	200,000
Subscription price	HK\$18,500,000
Proportion of investee’s capital owned	20.00%
Dividend income received during the year	—
Net assets attributable to the investment (<i>Note</i>)	HK\$32,072,000
Fair value gain/(loss) recognised during the year	HK\$1,200,000
Expected dividend yield	—
Discount rate	12.00%
Valuation methodology	Income Model
Fair value performed by:	Ravia

Notes: Figures were based on the management accounts as at 31 December 2020 provided by the investee.

18. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

19. EVENTS AFTER THE REPORTING PERIOD

COVID-19 outbreak

Since early 2020, the epidemic of Coronavirus Disease 2019 (the “**COVID-19 outbreak**”) has spread across the PRC 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, PROSPECTS AND FUTURE PLAN

Since early 2020, the outbreak of Coronavirus Disease 2019 (the “**COVID-19**”) has spread throughout the world. Every countries had implemented different levels of disease prevention measures, including lockdown and quarantine policies. The COVID-19 outbreak has adversely affected business and economic activities worldwide significantly. Hang Seng Index dropped substantially from the peak of 29,174 points in January 2020 to the bottom of 21,139 points in March 2020. Nevertheless, the Hang Seng Index have dramatically ramped back up following steep declines closed at 27,231 points on the last trading day of the year 2020.

However, the external environment is of high relevance to the economy and financial market in Hong Kong. In term of the economic setback of Hong Kong and slow growth projection of China and the COVID-19 outbreak is not abated, the Group expects it is full of challenges in 2021.

The Group expected COVID-19 outbreak will continue to affect the Group’s financial performance for the coming year. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on our business, financial position and operating results.

Looking ahead to the year 2021, 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.

BUSINESS REVIEW

For the year ended 31 December 2020, the Group recorded a revenue of HK\$8,105,000 as compared to HK\$8,988,000 in the prior year, representing a decrease of approximately 9.82%. The decrease in revenue was mainly due to decrease of interest income during the year. The Group recorded a realised gain of HK\$728,000 (2019: realised loss HK\$9,903,000) and fair value gain of HK\$12,105,000 (2019: fair value loss HK\$9,025,000) on listed securities held by the Group during the year. The Group recorded a net realised loss of approximately HK\$1,746,000 (2019: HK\$1,845,000) on unlisted convertible bonds, which included disposed an unlisted convertible bond as part of consideration to acquire a loan note, which caused the Group recorded a realised gain on disposal of approximately HK\$329,000 during the year. During the year, impairment losses various loan notes of approximately HK\$11,931,000 (2019: HK\$2,598,000) and deposits of approximately HK\$1,267,000 (2019: HK\$538,000) were recognised. During the year, the loss on disposal of certain loan notes was approximately HK\$3,615,000 (2019: 2,064,000). With the favourable performance of certain publicly traded securities held by the Group and fair value gain of certain unlisted securities during the year, the Group recorded loss attributable to owners of the Company was approximately HK\$4,166,000 as compared to a loss of approximately HK\$35,361,000 in prior year.

As at 31 December 2020, the net assets of the Group were approximately HK\$162,750,000 (2019: HK\$165,716,000). The net assets slightly decreased 1.79% when compared to the prior year. The financial assets at fair value through profit or loss increased from approximately HK\$26,806,000 as at 31 December 2019 to approximately HK\$46,944,000 as at 31 December 2020 and the financial assets at fair value through other comprehensive income of approximately HK\$30,600,000 (2019: HK\$29,400,000) was recognised during the year.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

As at 31 December 2020, the Group had available funds of approximately HK\$7,905,000 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\$162,750,000 at 31 December 2020 compared to HK\$165,716,000 at 31 December 2019, representing a decrease of approximately 1.79%.

As at 31 December 2020, the Group had borrowings of approximately HK\$21,845,000 (2019: HK\$22,268,000). The gearing ratio for the Group was 13.4% (2019: 13.4%) 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 2020.

The Company has no change in the Group's capital structure for the year ended 31 December 2020.

Fund raising activity

There was no fund raising activity for the Company during the year ended 31 December 2020.

As at 31 December 2020, detailed breakdown and description of the utilisation of the net proceeds from the rights issue (the “**Rights Issue**”) completed on 21 October 2019 were as follows:

Date of announcement	Event	The unutilised net proceed as at 31 December 2019	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\$30,000,000	(i) Approximately HK\$24.5 million for the investment in listed securities and unlisted securities (ii) Approximately HK\$5.5 million for general working capital of the Group	(i) Approximately HK\$17.6 million was used to invest in listed and unlisted securities, the balance HK\$6.9 million will be utilised as intended within next 12 months of the date of this announcement (ii) Approximately HK\$3.8 million was used for operating expenses, the balance HK\$1.7 million will be utilised as intended within next 12 months of the date of this announcement

Note 1: The expected timetable for fully utilising the unutilised net proceeds is determined based on the Group's best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.

Note 2: The Company had resolved to change in use of the remaining net proceeds from the Rights Issue (the “**Remaining Proceeds**”) (a) approximately HK\$24.5 million with the intention to apply such amount towards investment in listed and unlisted securities (i) in provision of internet of things and internet services industry; (ii) high-tech industry; (iii) in life sciences industry; (iv) medical; (v) healthcare; (vi) pharmaceutical; (vii) banking and finance sector; and (viii) energy industry; and (b) approximately HK\$5.5 million for working capital of the Group. The reason for change in use of the Remaining Proceeds as the Board considered that the above-mentioned industries will be benefited from the change in social behavior and the economic environment and the market price of certain listed securities in banking and finance sector and also energy sector were comparatively low due to oversold as well. The details for change in use of the Remaining Proceeds were set out in the announcements of the Company dated 18 May 2020 and 25 November 2020.

Note 3: Details of the Rights Issue were set out in 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; the circular of the Company dated 21 August 2019; and the prospectus of the Company dated 25 September 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 thirteen investments as of 31 December 2020, comprising eight equity securities listed in Hong Kong and United States of America (the “**US**”), four loan notes issued by private entities in the PRC 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” below.

Significant investments held and their performance

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$8,105,000 as compared to approximately HK\$8,988,000 in the prior year, representing a decrease of approximately 9.82%. The decrement in revenue was due to decrease of interest income from unlisted investments during the year.

With the impact of favourable performance of certain publicly traded securities held by the Group, the Group recorded a realised gain of approximately HK\$728,000 (2019: realised loss of HK\$9,903,000) and an unrealised gain of approximately HK\$12,105,000 (2019: unrealised loss of HK\$9,025,000) on listed securities during the year. The Group recorded a net realised loss of approximately HK\$1,746,000 (2019: HK\$1,845,000) on unlisted convertible bonds, which included disposed an unlisted convertible bond as part of consideration to acquire a loan note, which caused the Group recorded a realised gain on disposal of approximately HK\$329,000 during the year. During the year, the loss on disposal of loan notes was approximately HK\$3,615,000 (2019: HK\$2,064,000) and the gain on disposal of deposits was HK\$1,378,000 (2019: Nil). Meanwhile, impairment losses of various loan notes of approximately HK\$11,931,000 and deposits and other receivable of approximately HK\$1,592,000 were recognized during the year.

As at 31 December 2020, the Group held trading securities of approximately HK\$46,944,000 (2019: HK\$7,286,000). The increase was mainly due to the purchases of certain trading securities during the year.

As at 31 December 2020, the Group's unlisted investments (comprised of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and loans and receivables) were approximately HK\$129,051,000 (2019: HK\$129,977,000). Other receivables, deposits and prepayments was HK\$633,000 (2019: HK\$20,874,000).

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 — Shenzhen Da Long General Packaging Machinery Company Limited* (“Da Long”)

Da Long is a private entity established in the PRC, which is principally engaged in developing and designing mechanical equipment. Da Long has been developing and producing intelligent garbage collection systems and production equipment for nearly 10 years. The Group held a loan note issued by Da Long 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 2020 was approximately HK\$2.4 million (2019: HK\$2.4 million). The impairment loss recognised for the year was approximately HK\$6,358,000. Based on the latest management account of Da Long, the unaudited net profit for the year ended 31 December 2020 was approximately RMB2.8 million and its net asset value as at 31 December 2020 was approximately RMB15.8 million. The Board considers the industry of intelligent garbage collection systems and production equipment have great prosperity and the financial performance of Da Long was satisfactory. The Board also expected that Da Long will keep the growth trend in future. Therefore, holding the fixed interest income from LN1 was interest of the Group to obtain stable interest income.

Loan Note Investment — Shenzhen Qianhai Earl Lan Official Business Aviation Services Limited* (“SQEL”)

The Group had subscribed a loan note issued by SQEL which was private entity established in the PRC, which was principally engaged in private flight service and management platform in China. SQEL was issued a loan note (“LN2”) in November 2019 to the Company and would mature after two years from date of issue. LN2 bears fixed interest at 5% per annum and is measured at amortised cost. The interest income recognised of the Group for the year from LN2 was approximately HK\$1,655,000. The impairment loss recognised for the year was approximately HK\$2,733,000. Based on the management account of SQEL as at 31 December 2020, the unaudited net profit was approximately RMB15.3 million. As at 31 December 2020, the net asset value of SQEL was RMB53.3 million. The Board considers the industry of private flight service in China has bright future and the Board expects that SQEL will keep the growth trend in the coming future. Therefore, holding the fixed interest income from the LN2 was in the interest of the Group to obtain stable interest income.

Loan Note Investment — Yun Kang Data Technology (Shanghai) Company Limited* (“Yun Kang Data”)

Yun Kang Data is a private entity established in the PRC, which is principally engaged in applying deep learning and artificial intelligence to analyse the big data for application and provide clinical diagnosis. Yun Kang Data issued a loan note (“LN3”) in November 2020 with fixed interest at 6% per annum to the Company and would mature after three years from the date of issue. The interest income recognised of the Group from LN3 for the year ended 31 December 2020 was approximately HK\$118,000. The impairment loss of LN3 recognised for the year ended 31 December 2020 was approximately HK\$369,000. According to the unaudited financial statements as at 31 December 2020 of Yu Kang Data, the unaudited net profit for the year ended 31 December 2020 was approximately RMB257,000 and its net asset value as at 31 December 2020 was approximately RMB5.9 million. The Board considered that the life science and big data industry is a future trend of the globe and it might a gateway to get involved in this industry by holding the LN3 and to enjoy the fixed interest income as well.

Loan Note Investment — Shenzhen Huaqin Agriculture Technology Company Limited* (“Huaqin Agriculture”)

Huaqin Agriculture is a private entity established in the PRC, which is principally engaged in technological development of agricultural and biological product, retail and wholesale of food. Huaqin Agriculture issued a loan note (“LN4”) in December 2020 with fixed interest at 8.5% per annum to the Group and would mature after three years from the date of issue. The interest income recognised of the Group from LN4 for the year ended 31 December 2020 was approximately HK\$13,000. The impairment loss of LN4 recognised for the year ended 31 December 2020 was approximately HK\$220,000. According to the unaudited financial statements as at 31 December 2020 of Huaqin Agriculture, the unaudited net profit for the year ended 31 December 2020 was approximately RMB2.0 million and its net asset value as at 31 December 2020 was approximately RMB2.1 million. The Board considered that 8.5% of fixed interest income by holding LN4 is in the interest of the Group to obtain stable interest income.

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 Group has no significant influence over Perfect Path, the another single shareholder control the composition of the board of directors and have control over Perfect Path. Perfect Path indirectly owns 45% interest in a gold mine in Thailand (the “**Gold Mine**”). According to Perfect Path, all relevant application documents for obtaining the Gold Mine licence and permits were submitted to the relevant local government authorities in Thailand, therefore Perfect Path still not deployed their business and no income generated during the year ended 31 December 2020. The net asset value of Perfect Path as at 31 December 2020 was approximately HK\$160.4 million. The fair value gain on Perfect Path recognised by the Group for the year ended 31 December 2020 was approximately HK\$1.2 million. After having taken into account all relevant factors and vigilantly verified it with Perfect Path, it is reasonably hoped that the production of the Gold Mine will be launched in or around 2023 to 2024. The Board considered that the gold price will be in the same trend with the past decade or keep in the high level, therefore, the Group expected to enjoy the appreciation of gold price or the return from the production of the Gold Mine by indirectly holding interest in the Gold Mine.

Listed Equity Investment — Tencent (Holdings) Limited (“Tencent”)

Tencent is a company incorporated in the Cayman Islands (stock code: 700). Tencent is principally engaged in the provision of value-added services, financial technology and business services and online advertising services. Based on the latest published quarterly report for the nine months ended 30 September 2020, the net profit for the period was approximately RMB100,756 million comparing with the net profit for the same period last year was approximately RMB73,516 million. The increase of net profit of Tencent was mainly due to the increase in revenue. The net asset value of Tencent as at 30 September 2020 was approximately RMB646,497 million. Net dividend (after expenses) approximately HK\$1,600 was received from Tencent during the year ended 31 December 2020 (31 December 2019: nil). According to the quarterly report for the nine months ended 30 September 2020 of Tencent, in the face of public health, macroeconomic, and geopolitical challenges, they will seek to sharpen their focus, innovate, and collaborate with their partners in order to better serve their users, customers and the society at large. The Board believed the leading position of Tencent in the market can make them to enjoy the prosperity of internet industry, the Group would hold the investment in Tencent and closely monitor its performance and may adjust the portfolio of Tencent from time to time.

Listed Equity Investment — Winchester Holding Limited (“Winchester”)

Winchester is a company incorporated in the US (stock code: WCHS) which is listing on OTC market in the US. Winchester is an exclusive seller in Hong Kong and Macau for Fiat Professional vehicle. Based on the latest unaudited financial statements for the year ended 31 December 2020, the net loss was approximately USD8.7 million. The net asset value of Winchester as at 31 December 2020 was approximately USD2.7 million. No dividend was received from Winchester during the year ended 31 December 2020 (31 December 2019: nil). Fiat Professional is an international famous car brand and it has been awarded numerous international prizes by panels of trade journalists. The Board believed Winchester obtaining the exclusive seller right of Fiat Professional is a catalyst of Winchester. The Group would hold the investment in Winchester and closely monitor its performance and may adjust the portfolio of Winchester from time to time.

Listed Equity Investment — Alibaba Group Holding Limited (“Baba”)

Baba is a company incorporated in the Cayman Islands (stock code: 9988). Baba is principally engaged in online retail platform, cloud computing, digital media and entertainment. Based on the latest published quarterly report for the three months ended 31 December 2020, the net income for the period was approximately RMB77,977 million comparing with the net income for the same period last year was approximately RMB50,132 million, the adjusted EBITDA was RMB68,380 million comparing with the adjusted EBITDA for the same period last year was approximately RMB55,880 million. No dividend was received from Baba during the year ended 31 December 2020 (31 December 2019: nil). According to the quarterly report for the three months ended 31 December 2020 of Baba, demand for digitalization in the restaurant and service industry remains strong after the impact of the COVID-19 pandemic in the PRC. They continued to increase penetration in less developed areas, reflecting their success in broadening product for the PRC Retail Marketplaces. The Board believed the leading position of Baba in the market can make them to enjoy the prosperity of internet industry, the Group would hold the investment in Baba and closely monitor its performance and may adjust the portfolio of Baba from time to time.

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 annual results for the year ended 31 December 2020, the net loss for the year was approximately HK\$16.4 million comparing with the net loss for the last year was approximately HK\$17.2 million, the decrease of net loss of Classified was mainly due to the decrease in staff costs, property rentals and the increment of other income. The net asset value of Classified as at 31 December 2020 was approximately HK\$57.3 million. No dividend was received by the Group during the year ended 31 December 2020 (2019: 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 eight restaurants in Hong Kong and three franchised restaurants in Indonesia. According to the quarterly report of Classified, Classified currently plans to expand the take-away product line and open more new restaurants at lower costs. The Board believes the operating environment of Classified will become 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 2020 of On Real, the net loss for the nine months ended 31 December 2020 was approximately HK\$19.4 million comparing with the net loss of approximately HK\$6.4 million for the nine months ended 31 December 2019, primarily due to the gross profit decreased. The net asset value of On Real as at 31 December 2020 was approximately HK\$47.8 million. No dividend was received by the Group during the year ended 31 December 2020 (2019: Nil). According to the quarterly report of On Real for the nine months ended 31 December 2020, approximately 32.6% 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 3 full-time employees, including the executive Directors. 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 recognises 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 has not established an internal audit, but has engaged an external professional consultant to perform the work of internal audit function and during the year, the external professional consultant had reviewed and assessed the Group's risk management and internal control systems and reported to the audit committee of the Board (the "**Audit Committee**"). The review would identify the risks associated with the business of the Group by considering both internal and external factors and events which include politics, economy, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results.

The external consultant, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2020 and is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers that the current internal control systems of the Company are effective and adequate and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under C.2.1 to C.2.5 and C.3.3 of the Code relating to risk management and internal control.

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.

The Board has received a confirmation from the management of the Company on the effectiveness of the risk management and internal control system.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's trading securities of carrying amount of approximately HK\$2,969,000 (2019: HK\$1,715,000) 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 final dividend for the years ended 31 December 2020 and 2019.

EVENT AFTER REPORTING PERIOD

Details of significant events occurring after the Reporting period are set out in note 19 to the consolidated financial statement.

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 2020, the Group had no significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance in everything we do.

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

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

The Company had met the relevant code provisions set out in the Code during the year. 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 2020, 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 2021 annual general meeting, the register of members of the Company will be closed from 11 June 2021 to 17 June 2021, 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 10 June 2021.

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 2020.

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 2020 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 2020. The work performed by McMillan 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 McMillan 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, 30 March 2021

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.

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* For identification purpose only