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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 2021**

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 2021 (the “**Reporting Period**”) are summarised as follows:

- Revenue of the Group and gross proceeds from disposals of trading securities for the year ended 31 December 2021 was approximately HK\$7,696,000 and HK\$9,629,000 as compared to approximately HK\$8,135,000 and HK\$5,096,000 in the last year respectively.
- Loss attributable to owners of the Company for the year ended 31 December 2021 was approximately HK\$28,643,000 as compared to a loss of approximately HK\$4,166,000 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 2021 (2020: nil).
- Basic loss per share was HK\$0.07 for the year ended 31 December 2021 (2020: loss per share of HK\$0.01).

The Board announces the consolidated results of the Group for the year ended 31 December 2021 together with comparative figures for the corresponding year ended 31 December 2020. 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 2021 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	2021 HK\$'000	2020 HK\$'000
Gross proceeds from disposals of trading securities		<u>9,629</u>	<u>5,096</u>
Revenue	5	7,696	8,135
Others revenue	6	—	145
Other gains and (losses)	7	<u>(28,708)</u>	<u>(4,673)</u>
		(21,012)	3,607
Other operating expenses		(5,979)	(6,202)
Finance costs	8	<u>(1,652)</u>	<u>(1,571)</u>
Loss before tax	9	(28,643)	(4,166)
Income tax	10	<u>—</u>	<u>—</u>
Loss for the year		(28,643)	(4,166)
Other comprehensive income, net of tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
— Fair value (lose) gain on financial assets at fair value through other comprehensive income (“FVTOCI”)		<u>(5,055)</u>	<u>1,200</u>
Loss and total comprehensive income for the year attributable to owners of the Company		<u>(33,698)</u>	<u>(2,966)</u>
Loss per share (HK\$)			
Basic	11	<u>(0.07)</u>	<u>(0.01)</u>
Diluted		<u>(0.07)</u>	<u>(0.01)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

		As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		1	4
Right-of-use assets		486	197
Goodwill		—	—
Loan notes	15	74,800	46,413
		<u>75,287</u>	<u>46,614</u>
Current assets			
Other receivables, deposits and prepayments	12	282	633
Loan notes	15	3,437	52,038
Financial assets at fair value through profit or loss ("FVTPL")	16	61,938	46,944
Financial assets at FVTOCI	17	25,545	30,600
Due from securities brokers		145	801
Bank balance		1,635	7,905
		<u>92,982</u>	<u>138,921</u>
Current liabilities			
Due to securities brokers		1,087	1,701
Other payables and accruals	13	2,066	732
Lease liabilities		282	208
Promissory notes		6,723	224
		<u>10,158</u>	<u>2,865</u>
Net current assets		<u>82,824</u>	<u>136,056</u>
Total assets less current liabilities		<u>158,111</u>	<u>182,670</u>

		As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		208	—
Promissory notes		13,500	19,920
		13,708	19,920
NET ASSETS		144,403	162,750
Capital and reserves			
Share capital	14	43,167	35,973
Reserves		101,236	126,777
TOTAL EQUITY		144,403	162,750
Net asset value per share		HK\$0.33	HK\$0.45

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 HM 11, 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 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.

Application of new and revised IFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform — phase 2

In addition, the Group has early applied Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, which is effective for annual periods beginning on or after 1 April 2021.

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs 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

Other than the amendments to IFRS 16, COVID-19 Related Rent Concessions, the Group has not applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised IFRSs include the following which may be relevant to the Group.

IFRS 17	Insurance Contracts and related Amendments ²
Amendments to IFRS 3	Reference to Conceptual Framework ¹
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 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle ¹

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

^{2.} Effective for annual periods beginning on or after 1 January 2023.

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

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

During the years ended 31 December 2021 and 2020, there were no dividend income from the Group's unlisted investments.

5. REVENUE

	2021 HK\$'000	2020 HK\$'000
Interest income from:		
— bank deposits	—	1
— loan notes	7,525	6,533
— convertible bonds designated at financial assets at FVTPL	—	1,571
Dividend income from trading securities designated at FVTPL	171	30
	<u>7,696</u>	<u>8,135</u>

6. OTHERS REVENUE

	2021 HK\$'000	2020 HK\$'000
Government grants (<i>Note</i>)	—	144
Sundry income	—	1
	<u>—</u>	<u>145</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. OTHER GAINS AND (LOSSES)

	2021 HK\$'000	2020 HK\$'000
Unrealised fair value (loss) gain on financial assets at FVTPL:		
— listed securities	(12,937)	12,105
Net realised (loss) gain on disposals of financial assets at FVTPL:		
— listed securities	(80)	728
— unlisted convertible bonds designated at financial assets at FVTPL	—	(2,075)
Net (loss) gain on financial assets at FVTPL	(13,017)	10,758
Gain (loss) on disposals of certain financial assets of:		
— unlisted convertible bonds designated at financial assets at FVTPL and consideration receivable in exchange for a loan note	—	329
— a deposit on top of cash consideration amounting HK\$10,000,000 in exchange for a loan note	—	1,378
— a deposit and a loan note in exchange for trading securities investment listed in overseas	—	(3,615)
— a loan note in exchange for trading securities investment (<i>note 15(v)</i>)	(10,507)	—
— a loan note in exchange for a loan note (<i>note 15(iii)</i>)	(3,383)	—
Impairment losses on loan notes, net	(1,801)	(11,931)
Impairment losses on deposits and other receivables, net	—	(1,592)
	(15,691)	(15,431)
	(28,708)	(4,673)

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Imputed interest on promissory notes	1,456	1,379
Interest on lease liabilities	13	18
Interest on other borrowings	183	174
	<u>1,652</u>	<u>1,571</u>

9. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	350	340
Management fees	1,309	1,299
Depreciation of property, plant and equipment	3	6
Depreciation of right-of-use assets	280	278
Employee benefits expenses:		
— Salaries, allowance and benefits in kind	1,416	1,505
— Contributions to defined contribution plan*	33	31
	<u>1,449</u>	<u>1,536</u>
Total employee benefits expenses	<u>1,449</u>	<u>1,536</u>

* There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2021 and 2020 to reduce future contributions. There was no outstanding contribution to the plan at 31 December 2021 and 2020.

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:

	2021 HK\$'000	2020 HK\$'000
Loss before tax	<u>(28,643)</u>	<u>(4,166)</u>
Notional tax on loss before tax, calculated at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	(4,726)	(687)
Tax effect of expenses not deductible for tax purpose	2,432	576
Tax effect of tax losses not recognised	<u>2,294</u>	<u>111</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

	2021 HK\$'000	2020 HK\$'000
Loss for the purposes of basic loss per share	<u>(28,643)</u>	<u>(4,166)</u>

Number of shares

	2021 '000	2020 '000
Issued ordinary shares at the beginning of year	359,727	359,727
Effect of shares issued on placement (note 14(i))	<u>36,268</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>395,995</u>	<u>359,727</u>

For the purpose of diluted loss per share, no adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2021 and 2020 as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Other deposits	54	54
Prepayments	228	579
	<hr/>	<hr/>
	282	633
Less: non-current portion of consideration receivables	—	—
	<hr/>	<hr/>
Current portion	282	633
	<hr/> <hr/>	<hr/> <hr/>

13. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Other payables and accruals	2,062	728
Unclaimed dividend payables	4	4
	<hr/>	<hr/>
	2,066	732
	<hr/> <hr/>	<hr/> <hr/>

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at		
1 January 2020, 31 December 2020,		
1 January 2021 and 31 December 2021	10,000,000,000	1,000,000
	<hr/>	<hr/>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at		
1 January 2020, 31 December 2020 and 1 January 2021	359,726,850	35,973
Issue of shares on placement (<i>note i</i>)	71,945,370	7,194
	<hr/>	<hr/>
Ordinary shares of HK\$0.1 each at		
31 December 2021	431,672,220	43,167
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) On 27 May 2021, the Company and a placing agent entered into a placing agreement in respect of the placement of 71,945,370 ordinary shares of HK\$0.1 each at a price of HK\$0.215 per share under general mandate, to not less than six placees who are independent third parties to the Group (the “**Placement**”). The Placement was completed on 17 June 2021.

The net proceeds from the Placement amounted to approximately HK\$15.3 million after deducting expense of approximately HK\$117,000, approximately HK\$7,194,000 and HK\$8,157,000 were credited to share capital and share premium respectively upon the issue of the new shares. The anticipated net proceeds from the Placement would be utilised for investment in the listed and/or unlisted securities in the aggregate amount of approximately HK\$5.5 million, repayment of short term loan and payment of interest in the aggregate amount of approximately HK\$6.8 million and the remaining balance would be used as the Group's general working capital.

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 2021 and 2020.

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 2021, 74.95% (2020: 72.8%) 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 year HK\$'000
Shenzhen Dalong Packaging Machinery Equipment Company Limited* ("LN1") (2020: defined as "LN1")	31 December 2021 31 December 2020	— —	— —	— 2,251	— —	— 2,341
Shenzhen Huaqin Agriculture Technology Company Limited* ("LN2") (2020: defined as "LN2")	31 December 2021 31 December 2020	27,000 27,000	2,307 13	1,091 220	27,996 26,793	2,294 13
Shenzhen Qianhai Earl Lan Official Business Aviation Services Limited* ("LN3") (2020: defined as "LN3")	31 December 2021 31 December 2020	— 33,000	— 1,899	— 2,733	— 31,743	1,642 1,655
Yun Kang Data Technology (Shanghai) Company Limited* ("LN4") (2020: defined as "LN4")	31 December 2021 31 December 2020	20,000 20,000	1,318 118	629 369	20,320 19,749	1,200 118

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 year HK\$'000
Shenzhen Da Long General Packaging Machinery Company Limited*	31 December 2021	—	—	—	—	2,387
(“LN5”) (2020: defined as “LN5”)	31 December 2020	24,000	5,122	6,358	20,166	2,406
D5 Investment B.V. (“LN6”)	31 December 2021	30,000	2	81	29,921	2
	31 December 2020	—	—	—	—	—
Total	31 December 2021	77,000	3,627	1,801	78,237	7,525
	31 December 2020	<u>104,000</u>	<u>7,152</u>	<u>11,931</u>	<u>98,451</u>	<u>6,533</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 a private entity established in 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, with maturity period of three years from dates 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 a 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 period of three years from dates 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 a private entity established in the PRC, Shenzhen Qianhai Earl Lan Official Business Aviation Services Limited*, which is principally engaged in aircraft leasing, with maturity period of two years from dates of issue. LN3 bears fixed interest at 5% per annum and is measured at amortised cost.

During the year ended 31 December 2021, LN3 of principal amount HK\$33,000,000 which constitutes a deemed disposal of LN3 were in exchange for LN6 as defined below, resulting a loss on deemed disposal of LN3 of approximately HK\$3,383,000 recognised in profit or loss for the year ended 31 December 2021.

- (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 a 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 period of three years from dates 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 a private entity established in the PRC, Shenzhen Da Long General Packaging Machinery Company Limited*, which is principally engaged in developing and designing mechanical equipment, with maturity period of three years from date of issue. LN5 bears fixed interest at 10% per annum and is measured at amortised cost.

During the year ended 31 December 2021, LN5 was in exchange for 28,600,000 shares of Readlen Holding Corporation, which shares are listed in the United States as detailed in note 16 to the consolidated financial statements, which constitutes a deemed disposal of LN5 and resulting a loss of such arrangement by approximately HK\$10,507,000 recognised in profit or loss for the year ended 31 December 2021.

- (vi) On 31 December 2021, the Group had subscribed HK\$ denominated loan note (the “LN6”) of principal value of HK\$30,000,000 issued by an independent third party, D5 Investment B.V., which is a private entity incorporated in the Netherlands and principally engaged in storage service, with maturity period of two years from dates of issue. LN6 bears fixed interest at 3% per annum and is measured at amortised cost.

	2021 HK\$'000	2020 HK\$'000
Loan notes	77,000	104,000
Interest receivables	3,627	7,152
Impairment losses	(2,390)	(12,701)
	<u>78,237</u>	<u>98,451</u>
At 31 December	<u>78,237</u>	<u>98,451</u>
Less: current portion	(3,437)	(52,038)
Non-current portion	<u>74,800</u>	<u>46,413</u>

Movement for impairment losses

	2021 HK\$'000	2020 HK\$'000
At 1 January	12,701	5,619
Release upon disposals	(12,112)	(4,849)
Provision made for the year	1,801	11,931
	<u>2,390</u>	<u>12,701</u>
At 31 December	<u>2,390</u>	<u>12,701</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 FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

Trading securities

	2021 HK\$'000	2020 HK\$'000
Equity securities held for trading at market value — Listed in the United States	45,070	41,059
Equity securities held for trading at market value — Listed in Hong Kong	16,868	5,885
	<u>61,938</u>	<u>46,944</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 HK\$'000	Market value HK\$'000	Net assets attributable to the investment HK\$'000	Accumulated fair value gains/(losses) on investment recognised in the consolidated financial statement during the year HK\$'000
Hong Kong						
On Real International Holdings Limited	2021	4.52%	11,083	1,218	301	(1,001)
	2020	4.53%	11,100	2,223	2,165	(8,878)
Classified Group (Holdings) Limited	2021	—	—	—	—	—
	2020	3.89%	3,679	746	2,230	(2,932)
China Creative Digital Entertainment Limited	2021	—	—	—	—	—
	2020	0.49%	178	72	(3,021)	(106)
Evershine Group Holdings Limited	2021	0.08%	66	—	(51)	(21)
	2020	0.08%	66	21	6	(45)
Tencent Holdings Limited	2021	0.00%*	9,052	7,994	1,850	(1,400)
	2020	0.00%*	1,012	1,354	161	342
Alibaba Group Holding Limited	2021	0.00%*	1,040	535	276	(512)
	2020	0.00%*	1,040	1,047	235	6

Stock name	As at 31 December	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Net assets attributable to the investment HK\$'000	Accumulated fair value gains/(losses) on investment recognised in the consolidated financial statement during the year HK\$'000
PICC Property and Casualty Company Limited	2021 2020	— 0.00%*	— 550	— 423	— 663	— (127)
China Mobile Limited	2021 2020	0.00%* —	2,017 —	2,246 —	3,314 —	229 —
Ming Yuan Cloud Group Holding	2021 2020	0.00%* —	964 —	284 —	63 —	(680) —
Semiconductor Manufacturing International Corporation	2021 2020	0.00%* —	6,106 —	4,590 —	5,133 —	(1,515) —
United States						
Winchester Holding Group	2021 2020	1.05% 1.15%	20,966 25,334	35,031 41,059	(19) 244	(6,028) 20,093
Readen Holding Corporation	2021 2020	8.64% —	12,046 —	10,039 —	10,760 —	(2,008) —

* Less than 0.01%

Dividends of approximately HK\$171,000 (2020: HK\$30,000) was recognised in consolidated profit or loss during the year ended 31 December 2021.

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) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) China Mobile Limited, incorporated in Hong Kong, provides full communications services in all 31 provinces, autonomous regions and directly-administered municipalities throughout the mainland of China and in Hong Kong Special Administrative Region, and boasts a world-class telecommunications operator with the world’s largest network and customer base, a leading position in profitability and market value ranking. Its businesses primarily consist of mobile voice and data business, wireline broadband and other information and communications services.

- (ix) Ming Yuan Cloud Group Holdings, incorporated in the Cayman Islands with limited liability, specializes in providing enterprise-grade SaaS products and ERP solutions for property developers and other industry participants in the real estate value chain in China, to help them achieve delicate and digital operation of their businesses.
- (x) SMIC, incorporated in Cayman Islands, principally provides its customers with IC wafer foundry services and supporting services covering technology nodes ranging from 0.35 micron to 14 nanometer based on different process technology platforms.
- (xi) 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, car seller, marketing plans, capital formation and property acquisitions.
- (xii) Readlen Holding Corporation, incorporated in the United States, a Venture Capital Corporation which is active in the Fintech, Online Payment and E-commerce industries. IT Star Limited, wholly-owned subsidiary of the Company, holds this investment.

As at 31 December 2021, the Group's trading securities of carrying amount of approximately HK\$1,218,000 (2020: HK\$2,969,000) were pledged to a securities broker to secure margin loan borrowed by the Group.

17. FINANCIAL ASSETS AT FVTOCI

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unlisted equity investments designated at financial assets at FVTOCI	<u>25,545</u>	<u>30,600</u>

On 7 December 2018, the Group had subscribed 20% equity interest of an Anguilla incorporated private entity Perfect Path, engaged in gold mining business at a consideration of HK\$18,500,000.

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.

As of 31 December 2021, the fair value of the equity investments was approximately HK\$25,545,000 (2020: HK\$30,600,000).

As mentioned before, the Group neither has control nor significant influence over Perfect Path and therefore in assessing the fair value of Perfect Path at the end of each reporting period, the Group would take into account the investment strategy of the controlling shareholders of Perfect Path as well as the determination of the valuation techniques thereon.

Having carefully considered the uncertainty of COVID-19 Pandemic outbreak since 2020 which led to uncertainties over the economic and the operating environment where the gold mine of Perfect Path locates and operates, during the year ended 31 December 2021, the shareholders of Perfect Path had reached the consensus, to proactively approach potential buyer in realising the investment of the gold mine development so benefited by the increasing of gold price these years so that alternative investment opportunities can be identified to reduce investment risk due to uncertainties.

In this circumstance, the valuation techniques adopted for fair value measurement of Perfect Path as at 31 December 2021 has been changed from income approach to market approach which the management of the Company considers the changes in investment strategy and circumstance would be appropriately addressed and reflected. The inputs into the valuation model as at 31 December 2020 and 2021 were as follows:

Perfect Path	31 December 2020	31 December 2021
Subscription date	7 December 2018	7 December 2018
Total number of shares held	200,000	200,000
Subscription price	HK\$18,500,000	HK\$18,500,000
Proportion of investee's capital owned	20.00%	20.00%
Dividend income received during the year	—	—
Net assets attributable to the investment	32,072,000	HK\$25,886,000
Fair value gain (loss) recognised during the year	HK\$1,200,000	(HK\$5,055,000)
Expected dividend yield	—	—
Discount rate	12.00%	—
Gold resource contained	—	8.6ton
% of Gold Price	—	7.00%
Cost of Disposal	—	0.3% of fair value of the equity interest
Valuation methodology	Income Model	Market Approach
Fair value performed by:	Ravia	Access Partner

18. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

19. EVENTS AFTER THE REPORTING PERIOD

(a) 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.

- (b) On 11 March 2022, the Group has entered into a non-legally binding memorandum of understanding (“**MOU**”) with JPEX Technical Support Co. Pty Ltd (“**JPEX**”). Pursuant to the MOU, JPEX will seek to utilise its artificial intelligence program trading and arbitrage trading technologies for securities trading and other forms of transactions within 6 months with the Company to expand its business using blockchain technology in the hope of achieving a mutually beneficial win-win situation. The Company and JPEX aim to explore investments of up to US\$10 million in various areas of blockchain technology, including but not limited to non-homogenised tokens, trading marketplaces, decentralised autonomous organisations and others. Details of above are set out in the Company’s announcement dated 11 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the Reporting Period comprised dividend income, interest earned from bank deposits and loans and receivables. For the year ended 31 December 2021, the Group recorded a revenue approximately of HK\$7,696,000 as compared to approximately HK\$8,135,000 in the prior year, representing a decrease of approximately 7.16%. The decrease in revenue was mainly due to decrease of interest income during the year. Gross proceeds from disposals of trading securities for the Reporting Period was recorded of approximately HK\$9,629,000 as compared to approximately HK\$5,096,000 for the year ended 31 December 2020. The Group recorded a realised loss of approximately HK\$80,000 (2020: realised gain HK\$728,000) and fair value loss of approximately HK\$12,937,000 (2020: fair value gain HK\$12,105,000) on listed securities held by the Group during the Reporting Period. The Group recorded a net realised loss of approximately HK\$13,890,000 (2020: HK\$1,746,000) on unlisted loan notes, which included disposed two unlisted loan notes as part of consideration to acquire a loan note and a listed securities trading at OTC market in United States of America (the "US"), which caused the Group recorded a realised loss on such disposal accordingly during the Reporting Period. During the Reporting Period, impairment losses of various loan notes of approximately HK\$1,801,000 (2020: HK\$11,931,000) and no impairment loss of deposits and other receivables (2020: HK\$1,592,000) were recognised. With the unfavourable performance of certain publicly traded securities held by the Group and fair value loss of certain unlisted securities during the Reporting Period, the Group recorded loss attributable to owners of the Company was approximately HK\$28,643,000 as compared to a loss of approximately HK\$4,166,000 in prior year.

As at 31 December 2021, 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\$103,782,000 (2020: HK\$129,051,000). Other receivables, deposits and prepayments was approximately HK\$282,000 (2020: HK\$633,000).

As at 31 December 2021, the net assets of the Group were approximately HK\$144,403,000 (2020: HK\$162,750,000). The net assets decreased 11.27% when compared to prior year. The financial assets at fair value through profit or loss increased from approximately HK\$46,944,000 as at 31 December 2020 to approximately HK\$61,938,000 as at 31 December 2021 and the financial assets at fair value through other comprehensive income of approximately HK\$25,545,000 (2020: HK\$30,600,000) was as at 31 December 2021.

Liquidity, financial resources and capital structure

As at 31 December 2021, the Group had available funds of approximately HK\$1,780,000 which were mainly placed in banks and licensed securities firms as general working capital. Bank balances and cash balance in licensed securities firms held by the Group were mainly denominated in Hong Kong dollars.

The Group had shareholders' funds of approximately HK\$144,403,000 at 31 December 2021 compared to HK\$162,750,000 at 31 December 2020, representing a decrease of approximately 11.27%.

As at 31 December 2021, the Group had borrowings of approximately HK\$21,310,000 (2020: HK\$21,845,000). The gearing ratio for the Group was 14.8% (2020: 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 2021.

Fund raising activity

Save as the placing of new shares as disclosed in note 14 to the consolidation financial statement and under the heading of "Placing of New Shares" below, there was no significant change in the Group's capital structure for the Reporting Period.

Placing of New Shares

Reference is made to the announcements of the Company dated 27 May 2021 and 17 June 2021, respectively (the "**Announcements**") in relation to, amongst others, the Placing. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

After trading hours on 27 May 2021, the Company and Sorrento Securities Limited entered into the Placing Agreement pursuant to which the Company has appointed the Placing Agent to procure, on a best efforts basis, placees to subscribe for up to 71,945,370 new shares at a price of HK\$0.215 per Placing Share. The gross proceeds from the Placing were approximately HK\$15.5 million and the net proceeds were approximately HK\$15.3 million. It was intended that the net proceeds from the Placing would be utilised for investment in the listed and/or unlisted securities in the aggregate amount of approximately HK\$5.5 million, repayment of short term loan and payment of interest in the aggregate amount of approximately HK\$6.8 million and the remaining balance would be used as the Group's general working capital.

Details of the Placing and Placing Agreement were set out in the Announcements.

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

Date of announcement	Event	The unutilised net proceed as at 31 December 2020	Intended use of net proceeds (<i>Note 2</i>)		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 (<i>Note 3</i>)	Approximately HK\$0.2 million	(i)	Approximately HK\$0.2 million for general working capital of the Group	(i)	Approximately HK\$0.2 million was used for operating expenses

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds		Actual use of proceeds and expected timeline for fully utilising the unutilised amount (<i>Note 1</i>)	
27 May 2021 (completed on 17 June 2021)	Placing new shares under general mandate	Approximately HK\$15.3 million	(i)	Approximately HK\$5.5 million for the investment in listed securities and unlisted securities	(i)	Approximately HK\$5.5 million was used to invest in listed securities
			(ii)	Approximately HK\$6.8 million for repayment of short term loan and payment of interest	(ii)	Approximately HK\$6.8 million was used to repay short term loan
			(iii)	Approximately HK\$3.0 million for general working capital of the Group	(iii)	Approximately HK\$2.7 million was used for operating expenses, the balance approximately HK\$0.3 million would utilised as intended on or before 31 August 2022

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**”). The reason for change in use of the Remaining Proceeds as the Board considered that the industries mentioned in the announcements of the Company dated 18 May 2020 and 25 November 2020 (the “**Remaining Proceeds' Announcements**”) would 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 Remaining Proceeds' Announcements.

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 of Hong Kong Limited (the “**Stock Exchange**”) under Chapter 21 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. 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 twelve investments as of 31 December 2021, comprising eight equity securities listed in Hong Kong and the US, two loan notes issued by private entities in the PRC, one loan note issued by private entity in Netherlands 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

Details of the performance of the significant investments held by the Group as at 31 December 2021 were disclosed under the heading of “Financial Review” above and in note 15 to 17 to the consolidated financial statement.

The ten largest investments and all individual investments with value exceeding 5% of the Company’s gross assets as at 31 December 2021 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 — 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 (“LN1”) 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 LN1 for the year ended 31 December 2021 was approximately HK\$1.2 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 LN1 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 (“LN2”) 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 LN2 for the year ended 31 December 2021 was approximately HK\$2.3 million. According to the unaudited financial statements as at 30 November 2021 of Huaqin Agriculture, the unaudited net loss for the period ended 30 November 2021 was approximately RMB0.7 million. The Board considered that 8.5% of fixed interest income by holding LN2 is in the interest of the Group to obtain stable interest income.

Loan Note Investment — D5 Investments B.V.

D5 Investments B.V. (“**D5**”) is a private entity established in Netherlands, which is principally engaged in storage business. D5 issued a loan note (“**LN3**”) in December 2021 with fixed interest at 3% per annum to the Group and would mature after two years from the date of issue. The interest income recognised of the Group from LN3 for the year ended 31 December 2021 was approximately HK\$3,000. According to the unaudited financial statements as at 30 June 2021 of D5, the unaudited net profit for the period ended 30 June 2021 was approximately EUR0.4 million. The Board considered that 3% of fixed interest income by holding LN3 is in the interest of the Group to obtain stable interest income and can diversify the investment portfolio of the Group and to enter into European market.

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, another single shareholder control the composition of the board of directors and have control over Perfect Path. Perfect Path indirectly owns 9% interest in a gold mine in Thailand (the “**Gold Mine**”). According to Perfect Path, all relevant application documents for obtaining the Gold Mine licences and permits were submitted to the relevant local government authorities in Thailand, as the relevant application is still in process, Perfect Path still not deployed their business and no income generated during the year ended 31 December 2021. The net asset value of Perfect Path as at 31 December 2021 was approximately HK\$129.4 million. Due to the COVID-19 pandemic has been raging in much of the world since early 2020, including Thailand, after having taken into account all relevant factors and vigilantly verified it with Perfect Path, during the year ended 31 December 2021, the shareholders of Perfect Path had reached the consensus, to proactively approach potential buyer in realising the investment of the gold mine development so benefited by the increasing of gold price these years so that alternative investment opportunities can be identified to reduce investment risk due to uncertainties.

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 2021 of Tencent, the net profit for the period was approximately RMB132,105 million comparing with the net profit for the same period last year was approximately RMB100,756 million. The increase of net profit of Tencent was mainly due to the increase in revenue and other gains. The net asset value of Tencent as at 30 September 2021 was approximately RMB931,376 million. Net dividend (after expenses) approximately HK\$3,800 was received from Tencent during the year ended 31 December 2021 (31 December 2020: 1,600). The Board believed the leading position of Tencent in the market can make them to enjoy the prosperity of internet industry, the Group treats the investment in Tencent as the long term.

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

Winchester is a company incorporated in the US (OTC Pink: 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 2021, the net loss was approximately US\$10.5 million. The net liabilities of Winchester as at 31 December 2021 was approximately US\$0.2 million. No dividend was received from Winchester during the year ended 31 December 2021 (31 December 2020: 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 — Readen Holding Corporation (“RHCO”)

RHCO is a company incorporated in the US (OTC Pink: RHCO) which is listing on OTC market in the US. RHCO is a venture capital corporation which is active in the Fintech, Online Payment and E-commerce industries. RHCO has growth engines which are projected to have significant growth on the revenue in coming years as the business becomes mature. Based on the latest unaudited financial statements for the three months ended 30 September 2021, the net loss was approximately US\$0.2 million. The net asset value of RHCO as at 30 September 2021 was approximately US\$16.7 million. No dividend was received from RHCO during the Reporting Period (2020: n/a). The Board expects RHCO has growth engines making positive to its financial performance. The Group would closely monitor its performance and may adjust the portfolio of RHCO timely.

Listed Equity Investment — China Mobile Limited (“China Mobile”)

China Mobile is a company incorporated in Hong Kong (stock code: 941). China Mobile is principally engaged in telecommunications services provider in the PRC and Hong Kong. Based on the latest published quarter report for the nine months ended 30 September 2021 of China Mobile, the operating revenue for the period was approximately RMB648.6 billion and the profit attributable to equity shareholders for the period was RMB87.2 billion. Net dividend (after expenses) approximately HK\$145,000 was received from China Mobile during the Reporting Period (2020: n/a). The Board believed the leading position of China Mobile in the market can make them to enjoy the prosperity of launching 5G, the Group treats the investment in China Mobile as long term and closely monitor its performance and may adjust the portfolio of China Mobile timely.

Listed Equity Investment — Semiconductor Manufacturing International Corporation (“SMIC”)

SMIC is a company incorporated in the Cayman Islands (stock code: 981). SMIC is principally engaged in the different business activities, such as the computer-aided design, sales and marketing, technical research and development, manufacturing, testing, packaging and trading of integrated circuits and other services, as well as designing and manufacturing semiconductor masks, respectively. Based on the latest published interim report for the six months ended 30 June 2021 of SMIC, the revenue for the period was approximately USD2,447 million, the profit for the period was USD824 million. No dividend was received from SMIC during the Reporting Period (2020: n/a). The Board believed the leading position of SMIC in the market can make them to enjoy the growth of customer demand, the Group would hold the investment in SMIC and closely monitor its performance and may adjust the portfolio of SMIC from time to time.

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 2021 of On Real, the net loss for the nine months ended 31 December 2021 was approximately HK\$34.0 million comparing with the net loss of approximately HK\$19.4 million for the nine months ended 31 December 2021, the net loss increase primarily due to the gross profit decreased. The net liabilities of On Real as at 31 December 2021 was approximately HK\$2.5 million. No dividend was received by the Group during the year ended 31 December 2021 (2020: Nil). The Group 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 2021, 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.

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 has adopted all the code provisions in the old 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 and now adopted new Code on 1 January 2022 onwards. The code provision numbers of the Code referred in this announcement are those of the old Code.

The Company had met the relevant code provisions set out in the Code during the Reporting Period. The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

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 Reporting Period, the external professional consultant had reviewed and assessed the Group's risk management and internal control systems (the “**Systems**”) and reported to the Audit Committee (the “**Review**”). The Review would identify the risks associated with the business of the Group by considering both internal and external factors and events which may 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, type of risk management strategy has been listed as follow:

- Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;
- Risk avoidance: change business process or objective so as to avoid the risk;
- Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;
- Risk transfer: transfer ownership and liability to a third party.

Audit Committee has reviewed and discussed the Systems with the management annually to ensure that the management has performed its duty to have effective Systems.

The external consultant, has conducted a review of the effectiveness of the Group's Systems for the year ended 31 December 2021 and made recommendations to improve the effectiveness of the Group's Systems. After the Review, the management provided an action plan so as to mitigate those identified deficiencies in a timely manner. All internal control findings would be followed up closely to ensure that the action plan is implemented accordingly.

During the Reporting Period, the Board was satisfied 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, 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 2021, the Group's trading securities of carrying amount of approximately HK\$1.2 million (2020: HK\$3.0 million) 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 2021 and 2020.

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 2021, 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 Reporting Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the Reporting Period.

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, all the Directors confirmed that in respect of the year ended 31 December 2021, they 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 2022 annual general meeting, the register of members of the Company will be closed from 14 June 2022 to 17 June 2022, 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 13 June 2022.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee (the “**Audit Committee**”) of the Company’s 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 2021.

SCOPE OF WORK OF EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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, 28 March 2022

As at the date hereof, the Board of directors of the Company comprises three executive Directors, namely Mr. Wu Ming Gai, Ms. Chan Carman Wing Yan and Mr. Chau Wai Hing; two non-executive Directors, namely Mr. William Keith Jacobsen and Mr. Wong Chung Yan Sammy; and three independent non-executive Directors, namely Ms. Chan Man Yi, Ms. Leung Yin Ting and Mr. Wong Sze Lok.

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

* *For identification purpose only*