Huge China Holdings Limited
匯嘉中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 428)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

The financial highlights of Huge China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 are summarised as follows:

– The Group recorded a loss of HK$181,252,000 in revenue, other revenue, other gains and losses as compared to a profit of HK$331,017,000 in the last year.

– Loss attributable to owners of the Company was HK$194,959,000 as compared to a profit of HK$316,286,000 in the last year.

– The Board of Directors of the Company (the "Board") does not recommend payment of dividend for the year ended 31 December 2016 (2015: nil).

– Basic loss per share was HK$3.28 (2015: earnings per share of HK$7.57 (Restated)).

The Board announces the consolidated results of the Group for the year ended 31 December 2016 together with comparative figures for the corresponding year ended 31 December 2015. 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 2016 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	**2016** **_HK$'000_**	2015 HK$'000
Gross proceeds from disposals of trading securities		**41,698**	137,186
Revenue	*5*	**9,331**	6,017
Other revenue	*6*	**30**	140
Other (losses) and gains	*7*	**(190,613)**	324,860
		(181,252)	331,017
Other operating expenses		**(11,754)**	(14,339)
Finance costs	*8*	**(1,953)**	(421)
(Loss) Profit before tax	*9*	**(194,959)**	316,257
Income tax credit	*10*	**–**	29
(Loss) Profit for the year attributable to owners of the Company		**(194,959)**	316,286
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss, net of tax:			
Items reclassified to profit or loss:			
Net fair value gain reclassified to profit or loss upon disposals of available-for-sale financial assets		**–**	(1,921)
Net fair value reclassified to profit or loss upon disposals of subsidiaries		**–**	(273)
Other comprehensive income for the year		**–**	(2,194)
Total comprehensive income for the year attributable to owners of the Company		**(194,959)**	314,092
			(Restated)
(Loss) Earnings per share			
Basic	*11*	**(HK$3.28)**	HK$7.57
Diluted		**(HK$3.28)**	HK$7.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**47**	157
Goodwill		**38**	–
		85	157
Current assets			
Other receivables, deposits and prepayments	*12*	**8,381**	10,928
Loans and receivables		**3,102**	–
Financial assets at fair value through profit or loss		**398,172**	444,710
Due from securities brokers		**257**	652
Bank balances		**5,660**	53,749
		415,572	510,039
Current liabilities			
Due to a securities broker		**10,547**	–
Other payables and accruals	*13*	**5,456**	5,334
Convertible bonds		**17,832**	–
		33,835	5,334
Net current assets		**381,737**	504,705
Total assets less current liabilities		**381,822**	504,862
Non-current liabilities			
Convertible bonds		**–**	17,681
Promissory notes		**1,580**	–
		1,580	17,681
Net assets		**380,242**	487,181
Capital and reserves			
Share capital	*14*	**85,929**	39,059
Reserves		**294,313**	448,122
Total equity		**380,242**	487,181
Net asset value per share		**HK$4.43**	HK$12.47

Notes:

1. GENERAL

Huge China Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Unit 1615, 16th Floor, Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") 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 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 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.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

In current year, the Group has adopted all the new and revised IFRSs that are first effective for annual periods beginning on 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	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 the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

IFRS 9 Financial Instruments

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from IAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

IFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in IAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in IAS 39 are carried forward largely unchanged.

IFRS 9 substantially overhauls the hedge accounting requirements in IAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in IFRS 9 may result in the earlier recognition of impairment losses on the Group's financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting IFRS 15 on the consolidated financial statements and is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or finance leases.

The Group's office leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 15, the Group's future minimum lease payments under non-cancellable operating leases for its office amounted to HK$889,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in IFRS 16 and the effects of discounting.

4. SEGMENT INFORMATION

(a) Operating segment information

For management purposes, the Group's business activity is organised into a single operating segment, being investments in securities listed on recognised stock exchanges and unlisted investments with a potential for earnings growth and capital appreciation. Accordingly, no operating segment information to be presented.

(b) Geographical information

The following table provides an analysis of the Group's revenue, other revenue and other (losses) and gains by geographical location which is based on the country of domicile or place of listing of the investees and counterparties as appropriate:

	2016	2015
	HK$'000	*HK$'000*
Revenue and other revenue		
Hong Kong	**9,361**	6,157

	2016	2015
	HK$'000	*HK$'000*
Other (losses) and gains		
Hong Kong	**(190,613)**	324,860

During the years ended 31 December 2016 and 2015, there were no dividend income from the Group's unlisted investments.

Non-current assets are not presented in the geographical information as they are all located in Hong Kong.

5. REVENUE

	2016	2015
	HK$'000	*HK$'000*
Interest income from:		
– bank deposits	**2**	20
– loans and receivables	**102**	–
– convertible bonds designated at fair value through profit or loss	**9,227**	5,960
	9,331	5,980
Dividends income from:		
– listed investments	**–**	37
	9,331	6,017

6. OTHER REVENUE

	2016	2015
	HK$'000	*HK$'000*
Sundry income	**30**	140

7. OTHER (LOSSES) AND GAINS

	2016	2015
	HK$'000	*HK$'000*
Unrealised fair value (losses) gains on financial assets at fair value through profit or loss:		
– listed securities	**(114,389)**	281,453
– unlisted convertible bonds designated at fair value through profit or loss	**(21,292)**	6,681
Net realised (loss) gain on disposals of financial assets at fair value through profit or loss:		
– listed securities	**(54,932)**	29,025
Net (loss) gain on financial assets at fair value through profit or loss	**(190,613)**	317,159
Reversal of impairment losses on loans and receivables	**–**	500
Realised gain on disposals of available-for-sale financial assets	**–**	3,913
Net exchange loss on financial instruments not at fair value through profit or loss	**–**	(285)
Gain on disposals of subsidiaries	**–**	3,273
Gain on disposals of property, plant and equipment	**–**	300
	(190,613)	324,860

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Imputed interest on convertible bonds	**1,289**	421
Imputed interest on promissory notes	**50**	–
Interest on other borrowings	**614**	–
	1,953	421

9. (LOSS) PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration		
– Current year	**210**	200
– Under-provision for prior year	**9**	–
Management fees	**2,659**	4,676
Exchange loss, net	**4**	–
Depreciation of property, plant and equipment	**138**	159
Employee benefits expenses:		
– Salaries, allowance and benefits in kind	**2,550**	2,865
– Contributions to defined contribution plan*	**65**	90
	2,615	2,955
Operating leases in respect of land and buildings	**2,323**	1,955

* There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2016 and 2015 to reduce future contributions. There was no outstanding contribution to the plan at 31 December 2016 and 2015.

10. INCOME TAX CREDIT

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Over-provision in prior years	**–**	(29)
	–	(29)

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 year. Hong Kong Profits Tax for the year ended 31 December 2015 has not been provided as the Group has sufficient tax losses brought forward to set off against its assessable profit for that year.

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

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit before tax	**(194,959)**	316,257
Notional tax on (loss) profit before tax, calculated at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**(32,168)**	52,182
Tax effect of income not taxable for tax purpose	**–**	(47,897)
Tax effect of expenses not deductible for tax purpose	**22,617**	58
Tax effect of tax losses not recognised	**9,536**	–
Utilisation of tax losses not previously recognised	**–**	(4,405)
Tax effect of temporary differences not recognised	**15**	62
Over-provision in prior years	**–**	29
Income tax credit	**–**	29

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

(Loss) Earnings

	2016	2015
	HK$'000	*HK$'000*
(Loss) Earnings for the purposes of basic (loss) earnings per share	**(194,959)**	316,286
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds (net of tax)	**1,076**	352
(Loss) Earnings for the purposes of diluted (loss) earnings per share	**(193,883)**	316,638

Number of shares

	Note	2016	2015
		'000	*'000*
			(Restated)
Weighted average number of ordinary shares in issue during the year		**58,033**	39,059
Effect of rights share issued	*(a)*	**1,489**	2,725
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share		**59,522**	41,784
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding		**1,400**	644
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	*(b)*	**60,922**	42,428

(a) The weighted average number of ordinary shares during the year ended 31 December 2015 have been retrospectively adjusted for the rights issue taken place on 19 July 2016 (note 14(a)).

(b) No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Other receivables *(note a)*	**24**	240
Deposits paid for investments *(note b)*	**7,500**	10,000
Other deposits	**428**	350
Prepayments	**429**	338
	8,381	10,928

Notes:

(a) At the end of reporting period, the balance of other receivables was neither past due nor impaired. No ageing analysis to be disclosed in respect of other receivables. In the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the Group's business nature.

(b) Deposits paid for investment represent earnest money amounted to HK$2,000,000 (“Deposit 1”) and HK$5,500,000 (“Deposit 2”) paid by the Group for the proposed subscription of convertible notes to be issued by two independent third parties.

Deposit 1

On 18 May 2016, the Company entered into a subscription agreement with an independent third party (“Issuer 1”) pursuant to which the Company agreed to pay the Deposit 1 to the Issuer 1 as an earnest money for the proposed subscription of convertible notes in the principal amount of HK$10,000,000 to be issued by the Issuer 1 (the “Proposed Subscription 1”). The completion of the Proposed Subscription 1 is subject to the fulfillment of conditions precedent of the subscription agreement including satisfaction of due diligence works on Issuer 1.

On 31 October 2016 and 22 December 2016, the Company entered into two extension agreements with the Issuer 1, to extend the completion date of the Proposed Subscription 1 to 31 December 2016 and 31 March 2017 respectively.

Deposit 2

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

On 4 October 2016 and 30 December 2016, the Company entered into a subscription agreement and a supplemental subscription agreement with the Issuer 2, to extend the completion date of the Proposed Subscription 2 to 31 December 2016 and 31 March 2017 respectively.

The amount of deposits paid for investments is unsecured, interest-free and repayable within 7 days to 10 days upon request in the event that the Proposed Subscriptions is not completed.

13. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$’000	*HK$’000*
Other payables and accruals	**5,452**	5,330
Unclaimed dividend payables	**4**	4
	5,456	5,334

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$1 each, at 1 January 2015 31 December 2015, 1 January 2016 and 31 December 2016	100,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$1 each at 1 January 2015, 31 December 2015 and 1 January 2016	39,058,614	39,059
Issue of shares upon rights issue *(note a)*	39,058,614	39,059
Issue of shares on placement *(note b)*	7,811,722	7,811
Ordinary shares of HK$1 each at 31 December 2016	85,928,950	85,929

Notes:

a. On 21 April 2016, the Company announced to raise approximately HK$78.12 million before expenses by way of rights issue on the basis of one rights share ("Rights Share") for every one existing share in issue and held on the record date at the subscription price of HK$2.00 per Rights Share ("Rights Issue"). The completion of the Rights Issue took place on 19 July 2016. 39,058,614 Rights Shares were allotted and issued pursuant to the Rights Issue and the net proceeds after deduction of expenses from the Rights Issue are approximately HK$75.48 million.

   Details and the results of the Rights Issue are set out in the announcements of the Company dated 21 April 2016 and 18 July 2016 and the prospectus of the Company dated 24 June 2016 respectively.

b. On 20 October 2016, the Company and a placing agent entered into a placing agreement in respect of the placement of 7,811,722 ordinary shares of HK$1 each to independent investors at a price of HK$1.67 per share. The placement was completed on 3 November 2016 and the premium on the issue of shares, amounting to approximately HK$4,731,000, net of share issue expenses of HK$502,000, was credited to the Company's share premium account.

   Details and the results of the placing are set out in the announcements of the Company dated 20 October 2016 and 3 November 2016 respectively.

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 2016 and 2015.

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 2016, 80% (2015: 78%) of the shares were in public hands.

15. OPERATING LEASES

The Group leases an office under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease after that date at which time all terms are renegotiated.

At 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**857**	1,710
In the second to fifth years inclusive	**32**	–
	889	1,710

16. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2016 and 2015.

17. EVENTS AFTER THE REPORTING PERIOD

As of the approval date on these financial statements, the Group had no significant events after the reporting period which need to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded a revenue of HK$9,331,000 as compared to HK$6,017,000 in the prior year, representing an increase of 55%. The increment in revenue was due to higher interest income recognised during the year. The Group recorded a realised loss of HK$54,932,000 (2015: realised gain of HK$29,025,000) on listed securities. With the impact of unfavourable performance of certain publicly traded securities held by the Group during the year, the Group posted an aggregate loss of HK$181,252,000 with the inclusion of revenue, other revenue, other gains and losses as compared to a gain of HK$331,017,000 in the prior year.

After deducting of finance costs and other operating expenses totaling to HK$13,707,000 (2015: HK$14,760,000), the Group recorded a loss before income tax credit of HK$194,959,000 as compared to a profit of HK$316,257,000 in the prior year. Loss attributable to owners of the Company was HK$194,959,000 as compared to a profit of HK$316,286,000 in 2015.

PROSPECTS AND FUTURE PLANS

The year 2016 was a trial. After the crashing of stock market in September 2015 and the economic slowdown in China in 2016, China's economy growth further decreased to an annual rate of 6.7% in the first three quarters of 2016. However, the steady growth of 6.7% in 2016 means that economy growth of China in 2017 may further be affected by the new policies against United States of America ("U.S.") after the inauguration of the new U.S. president, resulting in property slowdown, financial fragility and a foreseeable hostile trade environment.

The U.S. Federal Reserve slashed its interest rates to zero in 2008 – in the midst of the financial crisis – yet increased its key interest rate by 0.25% in December 2016. It was the second time in a decade that the U.S. Federal Reserve raises interest rates. The first was in December 2015. It is expected that the U.S. Federal Reserve may increase interest rates two to three times in 2017. Rising U.S. interest rates will affect millions of Americans, including home buyers, savers and investors. Hong Kong dollar is pegged with U.S. dollar. Therefore, rising U.S. interest rates may trigger an increase in Hong Kong's interest rates as well, impacting property market and the cost of funding. Furthermore, Hong Kong dollar may become stronger due to the strengthened U.S. currency caused by rising interest rates. It may trigger a capital outflow from the Hong Kong stock market and even affecting the overall economy of Hong Kong.

The Group expects the stock market and economy of China to continue to struggle between the continuation of uncertainty in 2016 and economy slowdown. Looking ahead to the year 2017, the Group will stay in focus to invest in listed securities and unlisted securities in various industries, including but not limited to private equity funds with potential prospect, financial, electronic payment service providers, energy and property development, including the markets of Hong Kong, China, Northern America and Europe. The Group will implement its risk management policy with an aim to achieve stable returns on investments for the shareholders of the Company.

Financial review

Liquidity and financial resources

As at 31 December 2016, the Group had available funds of HK$5,660,000 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 HK$380,242,000 at 31 December 2016 compared to HK$487,181,000 at 31 December 2015, a decrease of approximately 22.0%.

As at 31 December 2016, the Group had borrowing HK$29,959,000 (2015: HK$17,681,000). The gearing ratio for the Group was 7.9% (2015: 3.6%) which represents the ratio of the Group's borrowings to the net asset value of the Group.

The Group did not have any capital expenditure commitment as at 31 December 2016.

Capital Structure

On 19 July 2016, the Company has raised approximately HK$75.5 million, net of expense, by way of rights issue of 39,058,614 rights shares at the subscription price of HK$2.00 per rights share on the basis of one (1) rights share for every one (1) existing share in issue and held on the record date. Details of the rights issue and the results of rights issue are set out in the announcements of the Company dated 21 April 2016 and 18 July 2016 and the prospectus of the Company dated 24 June 2016 respectively.

On 3 November 2016, the Company had acquired additional capital by completion of placing of new shares under general mandate. It had raised approximately HK$12.5 million, net of expenses and a total of 7,811,722 new shares have been successfully placed and issued to not less than six placees at HK$1.67 per new share. Details of the placing and the results of the placing are set out in the announcements of the Company dated 20 October 2016 and 3 November 2016 respectively.

FUND RAISING ACTIVITIES

In order to meet the needs of business development, the Company had successfully completed equity fund raising activities during the financial year 2016, as detailed below:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
21 April 2016 (completed on 19 July 2016)	Rights issue on the basis of one rights share at the subscription price of HK$2.00 per rights share for every one existing share	Approximately HK$75.5 million	(i) approximately HK$36.0 million for investment in listed securities in various industries including but not limited to energy, real estate property, electronic products, media and manufacturing;	(i) approximately HK$52.0 million was used for investment in listed securities in various industries;
			(ii) approximately HK$35.0 million for investment in unlisted securities in various industries including but not limited to financial, beauty and electronic payment service providers; and	(ii) approximately HK$15.0 million was used for investment in unlisted securities in various industries; and
			(iii) the remaining balance for general working capital of the Group for the coming year.	(iii) the remaining balance of approximately HK$8.5 million was maintained at the Group's bank account and will be utilised as intended.
20 October 2016 (completed on 3 November 2016)	Placing of shares under general mandate	Approximately HK$12.5 million	approximately HK$12.5 million for investment in unlisted securities in real estate industry.	approximately HK$12.5 million was used for investment in listed security in the business of mattress and soft bed products, securities investment, property investment and money lending.

Significant investments held and their performance

For the year ended 31 December 2016, the Group recorded a revenue of HK$9,331,000 as compared to HK$6,017,000 in the prior year, representing an increase of approximately 55%. The increment in revenue was due to higher interest income recognised from unlisted investment during the year.

The Group recorded a realised loss of HK$54,932,000 (2015: realised gain of HK$29,025,000) on listed securities. With the impact of unfavourable performance of certain publicly traded securities held by the Group during the year, the Group recorded an unrealised loss of HK$114,389,000 (2015: unrealised gain of HK$281,453,000) on its publicly traded securities.

No impairment losses were made on loans and receivables and no realised gain or loss on disposals of unlisted investments during the year. For the year ended 31 December 2015, recovery of impairment loss on loans and receivables and realised gain on disposals of unlisted investments was HK$500,000 and HK$3,913,000 respectively. As a result, the Group posted an aggregate loss of HK$181,252,000 with the inclusion of revenue, other revenue, other gains and losses as compared to a gain of HK$331,017,000 in the prior year.

For the year ended 31 December 2016, the total operating expenses was HK$11,754,000 (2015: HK$14,339,000). For the year ended 31 December 2016, the loss before income tax credit was HK$194,959,000 as compared to a gain of HK$316,257,000 in the prior year. Loss attributable to owners of the Company was HK$194,959,000 as compared to a profit of HK$316,286,000 in 2015.

As at 31 December 2016, the Group's unlisted investments (comprised of convertible bonds designated at fair value through profit or loss and loans and receivables) were HK$118,378,000 at (2015: HK$107,641,000). The increase in value of unlisted investments comprised the following activities: (1) subscription of loan note issued by a listed company of HK$3,000,000; and (2) subscriptions of convertible bonds issued by private entity of HK$19,700,000; (3) interest income from loans and receivables of HK$102,000; (4) interest income from convertible bonds of HK$9,227,000; and (5) fair value loss on convertible bonds of HK$21,292,000.

As at 31 December 2016, other receivables, deposits and prepayments was HK$8,381,000 (2015: HK$10,928,000). The net decrease was the result of (1) net decrease in deposits paid for investments by HK$2,500,000 due from last year; and (2) a net decrease in other receivables, deposits and prepayment of HK$47,000.

As at 31 December 2016, the Group held trading securities of HK$282,896,000 (2015: HK$337,069,000). The decrease was primarily due to: (1) purchases of trading securities for an aggregate amount of HK$156,846,000; (2) the disposals of certain trading securities which had an aggregate amount of HK$41,698,000; (3) net realised loss on disposals of trading securities of HK$54,932,000; and (4) fair value loss on trading securities of HK$114,389,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed a total of 5 full-time employees, including the executive directors of the Company. Employees' remuneration are fixed and determined with reference to the market remuneration.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management, is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates, or executive is involved in deciding his own remuneration.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has certain exposure to foreign currency risk as certain of the Group's bank balances are denominated in United State dollar ("US$").

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group considers the risk exposure to foreign currency fluctuation is limited as long as the HK$ remains pegged to the US$. This analysis is performed on the same basis for 2015.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

CORPORATE GOVERNANCE

The Company had met the relevant code provisions set out in the Corporate Governance Code (the "Code") based on the principles set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the year, except the following deviation:

Code provision A.2.1 of the Code provides that the roles and responsibilities of chairman and chief executive officer should be separated.

The Chief Executive Officer of the Company has been vacant following the resignation of Dr. Chow Pok Yu Augustine on 26 May 2015. Until the appointment of new chief executive officer, the executive directors of the Company continue to oversee the day-to-day management of the business and operations of the Group.

AUDIT COMMITTEE

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 approve the annual results for the year ended 31 December 2016. The Audit Committee has approved the Group's annual results for the year ended 31 December 2016.

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 2016 have been agreed by the Company's auditor, World Link CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by World Link 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 World Link CPA Limited on the preliminary announcement.

By Order of the Board
Huge China Holdings Limited
Chau Wai Hing
Chairman

Hong Kong, 30 March 2017

As at the date hereof, the Board comprises two executive directors, namely Mr. Chau Wai Hing and Mr. Wu Ming Gai; two non-executive directors, namely Mr. Mak Hing Keung Thomas and Mr. William Keith Jacobsen; and three independent non-executive directors, namely Mr. Wong Ching Wan, Mr. Sio Chan In Devin and Mr. Law Siu Hung Paul.