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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)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2016**

FINANCIAL HIGHLIGHTS

The financial highlights of Huge China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2016 are summarised as follows:

- Revenue of the Group for the six months ended 30th June, 2016 was HK\$4,254,000 as compared to HK\$1,771,000 in the same period last year.
- Loss attributable to owners of the Company for the six months ended 30th June, 2016 was HK\$125,665,000 as compared to the profit of HK\$156,357,000 in the same period last year.
- Basic loss per share of the Group was HK\$3.22 for the six months ended 30th June, 2016 as compared to the basic earnings of HK\$4.00 per share in the same period last year.

The Board of Directors (the “Board”) of the Company presents the unaudited condensed consolidated interim results of the Group for the six months ended 30th June, 2016 with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2016

		Six months ended 30th June,	
		2016	2015
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Gross proceeds from disposal of trading securities		<u>6,825</u>	<u>77,778</u>
Revenue	2	4,254	1,771
Other revenue	2	5	–
Other gains and (losses)	2	<u>(122,545)</u>	<u>160,998</u>
		(118,286)	162,769
Employee benefits expenses		(1,303)	(1,879)
Depreciation of property, plant and equipment		(89)	(79)
Finance costs	3	(747)	–
Other operating expenses		<u>(5,240)</u>	<u>(4,454)</u>
(Loss) profit before income tax expense	4	(125,665)	156,357
Income tax expense	5	<u>–</u>	<u>–</u>
(Loss) profit for the period attributable to owners of the Company		<u>(125,665)</u>	<u>156,357</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Losses on fair value changes on available-for-sale financial assets		–	(3)
Items reclassified to profit or loss:			
Transfer of fair value losses to profit or loss upon disposal of available-for-sale financial assets		<u>–</u>	<u>(2,192)</u>
Other comprehensive income for the period		<u>–</u>	<u>(2,195)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>(125,665)</u>	<u>154,162</u>
		HK\$	HK\$
(Loss) earnings per share	7		
Basic		(3.22)	4.00
Diluted		<u>(3.22)</u>	<u>4.00</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2016

		As at 30th June, 2016 (Unaudited) <i>HK\$'000</i>	As at 31st December 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		<u>93</u>	<u>157</u>
Current assets			
Accounts receivable and prepayments	8	18,396	11,580
Financial assets at fair value through profit or loss		367,903	444,710
Bank balances and cash		<u>4,093</u>	<u>53,749</u>
		<u>390,392</u>	<u>510,039</u>
Current liabilities			
Accounts payable and accruals	9	<u>9,864</u>	<u>5,334</u>
Net current assets		<u>380,528</u>	<u>504,705</u>
Total assets less current liabilities		<u>380,621</u>	<u>504,862</u>
Non-current liabilities			
Convertible bonds		18,340	17,681
Promissory notes		<u>765</u>	<u>–</u>
		<u>19,105</u>	<u>17,681</u>
Net assets		<u><u>361,516</u></u>	<u><u>487,181</u></u>
Capital and reserves			
Share capital		39,059	39,059
Reserves		<u>322,457</u>	<u>448,122</u>
Total equity		<u><u>361,516</u></u>	<u><u>487,181</u></u>
Net asset value per share		<u><u>HK\$9.26</u></u>	<u><u>HK\$12.47</u></u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group (“interim financial statements”) are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. In addition, the interim financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial statements do not include all the information and disclosures required in the annual financial statements of the Group and should be read in conjunction with the annual financial statements of the Group for the year ended 31st December, 2015. Except as described below, the accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31st December, 2015.

Adoption of new or revised International Financial Reporting Standards (“IFRSs”) – effective 1st January, 2016:

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements

The adoption of these new or revised IFRSs has no significant impact on the Group’s interim financial statements.

The Group has not early adopted any new or revised IFRSs that have been issued but are not yet effective.

2. REVENUE, OTHER REVENUE AND OTHER GAINS AND (LOSSES)

The Group principally invests in securities listed on recognised stock exchanges and unlisted securities, including equity securities and convertible bonds issued by corporate entities. Revenue, other revenue and other gains and losses recognised during the period are as follows:

	Six months ended 30th June,	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue:		
Interest income from		
– bank deposits	2	19
– loans receivable & convertible bond	4,252	1,715
Dividend income from		
– listed investments	–	37
	<u>4,254</u>	<u>1,771</u>
Other revenue:		
Sundry income	<u>5</u>	<u>–</u>
Other gains and (losses):		
Exchange loss, net	–	(191)
Fair value (losses) gains on financial assets		
at fair value through profit or loss		
– trading securities	(122,582)	146,590
Net realised gain on disposals of financial assets		
at fair value through profit or loss		
– trading securities	37	6,913
Gain on disposal of available-for-sale financial assets	–	3,913
Recovery of impairment loss on loans and		
receivables previously recognised	–	500
Gain on disposal of subsidiaries	–	3,273
	<u>(122,545)</u>	<u>160,998</u>
	<u>(118,286)</u>	<u>162,769</u>

Management considered the Group has only one operating segment i.e. investment holding. Accordingly, the Group's revenue, other revenue, other gains and losses, (loss) profit for the period, and total assets are attributable to the segment of investment holding.

3. FINANCE COSTS

	Six months ended 30th June,	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Convertible bonds interest	659	–
Interest paid	73	–
Promissory note interest	15	–
	<u>747</u>	<u>–</u>

4. (LOSS) PROFIT BEFORE INCOME TAX EXPENSE

(Loss) profit before income tax expense has been arrived at after charging the following:

	Six months ended 30th June,	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Management fees	1,759	1,657
Pension costs – contributions to defined contribution plan	32	58
Operating lease in respect of land and buildings	<u>1,406</u>	<u>977</u>

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profit during the period.

6. DIVIDEND

The board does not declare any interim dividend for the six months ended 30th June, 2016 (six months ended 30th June, 2015: HK\$nil).

7. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is as follows:

	Six months ended 30th June,	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	<u>(125,665)</u>	<u>156,357</u>
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>39,059</u>	<u>39,059</u>
	HK\$	HK\$
Basic (loss) earnings per share	(3.22)	4.00
Diluted (loss) earnings per share	<u>(3.22)</u>	<u>4.00</u>

The calculation of basic (loss) earnings per share is based on the Group's (loss) profit attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the period.

The computation of diluted loss per share does not assume the conversion of the Company's convertible bond since its exercise would result in a decrease in loss per share for the six months ended 30th June, 2016.

Diluted (loss) earnings per share is the same as the basic (loss) earnings per share as there is no potential dilutive share in issue during the six months period ended 30th June, 2015.

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	As at 30th June, 2016 (Unaudited) <i>HK\$'000</i>	As at 31st December, 2015 (Audited) <i>HK\$'000</i>
Accounts receivable	–	240
Other receivables	<u>221</u>	<u>652</u>
Receivables after allowance for impairment losses	221	892
Deposits	17,786	10,350
Prepayments	<u>389</u>	<u>338</u>
	<u>18,396</u>	<u>11,580</u>

The ageing analysis of the receivables (after allowance for impairment losses) based on due date is as follows:

	As at 30th June, 2016 (Unaudited) <i>HK\$'000</i>	As at 31st December, 2015 (Audited) <i>HK\$'000</i>
Balances neither past due nor impaired	<u>221</u>	<u>892</u>

9. ACCOUNTS PAYABLE AND ACCRUALS

	As at 30th June, 2016 (Unaudited) <i>HK\$'000</i>	As at 31st December, 2015 (Audited) <i>HK\$'000</i>
Accruals and other payables	9,860	5,330
Unclaimed dividend payable	<u>4</u>	<u>4</u>
	<u>9,864</u>	<u>5,334</u>

The ageing analysis of the accounts payable and accruals is as follows:

	As at 30th June, 2016 (Unaudited) <i>HK\$'000</i>	As at 31st December, 2015 (Audited) <i>HK\$'000</i>
Current	9,860	5,330
Over 1 year	<u>4</u>	<u>4</u>
	<u>9,864</u>	<u>5,334</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30th June, 2016, the Group recorded a revenue of HK\$4,254,000 as compared to HK\$1,771,000 in the same period last year representing approximately 140.2% increase.

For the six months ended 30th June, 2016, the Group recorded other gains and losses in a net loss of HK\$122,545,000 as compared to a net gain of HK\$160,998,000 in the same period last year.

For the six months ended 30th June, 2016, the loss before income tax expense was HK\$125,665,000 as compared to the profit of HK\$156,357,000 in the same period last year. The loss attributable to owners of the Company was HK\$125,665,000 as compared to the profit of HK\$156,357,000 in the same period last year. The loss for the six months ended 30th June, 2016 was mainly due to fair value loss on trading securities.

Prospects and future plan

The last six months were a trying period, after the Mainland stock market crash in September 2015 and economic slowdown in China in last year, China's economy growth further decreased to an annual of 6.7% in the first and second quarter of 2016. It was the slowest quarterly growth in the Chinese economy in last seven years.

In June 2016, the result of the United Kingdom voted to leave European Union ("EU") was to increase the uncertainty of global financial market. As markets woke up on 24th June, 2016 to news of the vote to leave the EU, the pound fell to a 31-year low against the U.S. dollar. In Hong Kong, Hang Seng Composite Index plummeted as Britain voted to leave EU in referendum result. The Hang Seng Composite Index had the immediate effect that tumbled 609 points with a decrease of 2.92 percent as the result of the vote on 24th June, 2016. An expected slowdown of China's economic growth, further impact from United Kingdom decided to quit EU and uncertainty of global economy, these factors made a strong influence on the stock market of Hong Kong as well as stock market of China.

Looking ahead to second half of 2016, the Company will stay in focus to invest in listed securities, private equity funds, financial industry, electronic payment development and private enterprises with potential prospect. Our approach will keep timely and appropriate investment strategies in response to the volatile market, in order to enhance our investment portfolio and achieve net asset appreciation. The Board will pay close attention to the macro trends and seek opportunities to invest in China, Hong Kong and overseas. The Company will continue to implement its risk management policy with an aim to achieve stable returns on investments for our shareholders.

Financial review

Liquidity and financial resources

The Group had available bank balances and cash of HK\$4,093,000 (31st December, 2015: HK\$53,749,000) which were mainly placed in banks as general working capital. Bank balances and cash held by the Group are mainly denominated in Hong Kong dollars.

The Group had shareholders' funds of HK\$361,516,000 as at 30th June, 2016 compared to HK\$487,181,000 at 31st December, 2015, representing approximately 25.8% decrease.

At present, the Group does not has any banking facilities (six months ended 30th June, 2015: nil).

As at 30th June, 2016, the Group had no borrowing.

The Group did not have any capital expenditure commitment as at 30th June, 2016.

Capital Structure

At the extraordinary general meeting held on 10th June, 2016, the ordinary resolution approving the rights issue was duly passed by independent shareholders by way of poll. 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 held on the record date were allotted and issued pursuant to the rights issue. The allotment of rights shares had been completed on 19th July, 2016.

There was no other significant change in the Group's capital structure for the six months ended 30th June, 2016.

Significant investments held and their performance

For the six months ended 30th June, 2016, the Group recognised interest income in the aggregate amount of HK\$4,254,000 as compared to HK\$1,734,000 in the same period last year, representing approximately 145.3% increase. The interest income comprises HK\$2,000 earned from bank deposits and HK\$4,252,000 earned from convertible bonds. Dividend income generated from listed securities was HK\$nil (six months ended 30th June, 2015: HK\$37,000). Revenue was HK\$4,254,000 as compared to HK\$1,771,000 in the same period last year, representing approximately 140.2% increase.

For the six months ended 30th June, 2016, the Group disposed of certain publicly traded securities and realised net gain of HK\$37,000 as compared to HK\$6,913,000 in the same period last year, representing approximately 99.5% decrease. With the inferior performance of Hong Kong stock market in the first half of 2016, the Group recorded a significant unrealised loss of HK\$122,582,000 (six months ended 30th June, 2015: unrealised gain of HK\$146,590,000) on publicly trading securities and the derivative financial instruments.

Gain on disposals of available-for-sale financial assets (“AFS”) was HK\$nil (six months ended 30th June, 2015: HK\$3,913,000). Recovery of impairment loss on loans and receivables was HK\$nil (six months ended 30th June, 2015: HK\$500,000). Net exchange loss was HK\$nil (six months ended 30th June, 2015: net loss of HK\$191,000). No provision of impairment losses was made on loans and receivables (six months ended 30th June, 2015: HK\$nil). Gain on disposal of subsidiary of HK\$nil was received from sale proceeds of that subsidiary (six months ended 30th June, 2015: HK\$3,273,000).

As at 30th June, 2016, the Group’s unlisted investments (comprised of convertible bonds) were HK\$111,893,000 as compared to HK\$107,641,000 as at 31st December, 2015, representing approximately 3.95% increase. Such increase was mainly due to increase interest receivable for convertible bonds.

As at 30th June, 2016, accounts receivable and prepayments was HK\$18,396,000 as compared to HK\$11,580,000 as at 31st December, 2015, representing approximately 58.9% increase. Such increase was primarily the result of net increase in other receivables, deposits and prepayment of HK\$7,000,000.

As at 30th June, 2016, the Group held trading securities and convertible bonds designated as at fair value through profit or loss in an aggregate amount of HK\$367,903,000, as compared to HK\$444,710,000 as at 31st December, 2015, representing approximately 17.3% decrease. The decrease was primarily due to: (1) purchases of securities during the six months ended 30th June, 2016 for an aggregate amount of HK\$48,293,000; (2) disposals of certain securities which had a cost of HK\$6,770,000; and (3) net decrease in market value in the amount of HK\$122,582,000 of the listed securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company did not redeem any of its listed shares during the six months ended 30th June, 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed shares during the period.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2016 (six months ended 30th June, 2015: HK\$nil).

CORPORATE GOVERNANCE

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

The Company has complied with the code provisions as set in the Code during the six months ended 30th June, 2016, 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 divided.

The chief executive officer of the Company has been vacant following the resignation of Dr. Chow Pok Yu Augustine on 26th 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.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Interim Financial Statements for the six months ended 30th June, 2016 with the directors.

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

Hong Kong, 26th August, 2016

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