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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)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE AT
THE SUBSCRIPTION PRICE OF HK\$2.00 PER RIGHTS SHARE FOR
EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

Financial adviser to the Company

AmCap

Ample Capital Limited

豐盛融資有限公司

Underwriter of the Rights Issue



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Hercules

Hercules Capital Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$78.12 million, before expenses, by issuing 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 by the Qualifying Shareholders on the Record Date.

The estimated net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$75 million. The net price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$1.92. The Company intends to apply the net proceeds from the Rights Issue as to (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; (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 (iii) the remaining balance for general working capital of the Group for the coming year.

Pursuant to the Underwriting Agreement dated 21 April 2016, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares on the terms and conditions set out in the Underwriting Agreement.

LISTING RULES IMPLICATIONS

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM on which any controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, there is no controlling Shareholder (as defined in the Listing Rules) and chief executive. Accordingly, the Directors (excluding independent non-executive Directors) and their respective associates will abstain from voting in favour of the resolution(s) approving the Rights Issue and the transactions contemplated under at the EGM.

GENERAL

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue. With the approval of the Independent Board Committee, Hercules Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the proposed Rights Issue. The Circular containing, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before Tuesday, 3 May 2016.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Rights Shares will be dealt in on an ex-right basis commencing from Monday, 30 May 2016 and that dealing in the Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 27 June 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing any Shares or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$78.12 million, before expenses, by way of the Rights Issue, details of which are set out as follows:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$2.00 per Rights Share
Number of existing Shares in issue as at the date of this announcement	:	39,058,614 Shares
Number of Rights Shares	:	39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date)

Number of Rights Shares : 39,058,614 Rights Shares (assuming no Shares being underwritten by the Underwriter issued or repurchased by the Company on or before the Record Date)

Number of Shares in issue : 78,117,228 Shares upon completion of the Rights Issue

The Rights Shares

As at the date of this announcement, there are outstanding Convertible Bonds in the aggregate principal amount of HK\$17,500,000 convertible into 1,400,000 Shares at the prevailing Conversion Price of HK\$12.50 per Share (subject to adjustment). However, since the conversion period of the Convertible Bonds commences from 19 August 2016 (inclusive), being the first anniversary of the date of issue of the Convertible Bonds, the Convertible Bonds will not be convertible into new Shares before the Record Date. Save as disclosed above, the Company has no other derivatives, outstanding convertible securities, options and warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Assuming that there is no change to the issued share capital of the Company from the date of this announcement up to the Record Date, the 39,058,614 Rights Shares proposed to be allotted and issued represent: (i) 100.0% of the Company's issued share capital as at the Record Date; and (ii) 50.0% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The Rights Issue is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08 of the Listing Rules.

As at the date of this announcement, the Board has not received any information from any Substantial Shareholders of their intention to take up the provisional pro-rata entitlements under the Rights Issue.

Subscription Price

The Subscription Price is HK\$2.00 per Rights Share, which will be payable in full upon application.

The Subscription Price represents:

- (i) a discount of approximately 15.25% to the closing price of HK\$2.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 15.04% to the average closing price of approximately HK\$2.354 per Share as quoted on the Stock Exchange for the last five consecutive trading days ending on the Last Trading Day;

- (iii) a discount of approximately 14.38% to the average closing price of approximately HK\$2.336 per Share as quoted on the Stock Exchange for the last ten consecutive trading days ending on the Last Trading Day; and
- (iv) a discount of approximately 8.26% to the theoretical ex-rights price of approximately HK\$2.180 per Share, calculated based on the closing price of HK\$2.360 per Share as quoted on the Stock Exchange on the Last Trading Day.

After deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share will be approximately HK\$1.92.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the current market price of the Shares; and (ii) the capital needs of the Group. It has been indicated to the Company that the discount of the Subscription Price to the closing prices of the Shares is necessary to induce the Underwriter to participate in the underwriting of the Rights Shares, which is an essential part of the Rights Issue. The Directors are of the view that in the event that the Subscription Price is increased and the allotment ratio is lowered, the attractiveness to the Qualifying Shareholders to subscribe for the Rights Shares will likely decrease. The Directors also consider that each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Given that the Company has funding needs and the discount of the Subscription Price and the basis of one (1) Rights Share for every one (1) existing Share can (i) provide an incentive for the Qualifying Shareholders to subscribe for the Rights Shares; and (ii) induce the Underwriter to participate in the underwriting of the Rights Shares, the Directors are of the view that the current structure of the Rights Issue is fair and reasonable.

In addition, the Board considered and noted that the discount structure of the Rights Issue is a commercial decision of the Company which is required to be approved, as part of the terms of the Rights Issue, by the Independent Shareholders at the EGM. The Shareholders' interests are safeguarded by the fact that the Independent Shareholders, before exercising their respective voting rights, will be advised by the Independent Board Committee (comprising all independent non-executive Directors) and the Independent Financial Adviser. The Independent Shareholders can then make an informed decision as to whether to vote in favour of the Rights Issue on the terms proposed. If the Rights Issue is approved at the EGM, it is unlikely that those Independent Shareholders voting in favour of the Rights Issue would subsequently choose not to subscribe for their provisional entitlements of the Rights Issue.

The Directors have approached four other underwriters regarding a proposed rights issue for the Company to raise the required funds, however no positive feedback was received from the other four underwriters. The Directors have considered, among other factors, the terms of the Rights Issue and the underwriting arrangement proposed by the underwriters, including but not limited to the underwriting commission, in selecting the underwriters.

Basis of provisional allotment

The basis of the provisional allotment will be one (1) Rights Share (in nil-paid form) for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Qualifying Shareholders

Subject to the passing of the resolution approving the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be Excluded Shareholders.

Beneficial owners whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers documents of Shares (together with the relevant share certificates) for registration with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 31 May 2016.

Closure of register of members

The Company's register of members will be closed from Wednesday, 18 May 2016 to Thursday, 26 May 2016, both days inclusive, to determine the identity of the Shareholders entitled to attend and vote at the EGM. The Company's register of members will be closed from Wednesday, 1 June 2016 to Tuesday, 7 June 2016, both days inclusive, for the purpose of determining the eligibility for the Rights Issue. No transfers of Shares will be registered during the book closure period.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue as explained below.

The Company will make enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places, the Rights Issue will not be available to such Overseas Shareholders and no provisional allotment of nil-paid Rights Shares will be made to them. Further information in this connection will be set out in the Prospectus. The Company will send copies of the Prospectus (without the PAL and EAF) to the Excluded Shareholders for their information only.

The Company will provisionally allot the Rights Shares which represent the entitlements of the Excluded Shareholders to a nominee of the Company in nil-paid form and the Company will procure that such nominee will endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium. If and to the extent that such rights can be so sold, the nominee will account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any). The Company shall distribute to the Excluded Shareholders the net proceeds after deducting the expenses of sale (if any) attributable to the sale of the nil-paid Rights Shares that would otherwise have been allotted to the Excluded Shareholders pro rata to their shareholdings as at the Record Date (but rounded down to the nearest cent) provided that individual amounts of HK\$100 or less shall be retained by the Company for its own benefit. Any of such nil-paid Rights Shares which are not sold as aforesaid will be dealt with as Rights Shares not accepted and in accordance with the terms of the Underwriting Agreement.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Tuesday, 5 July 2016. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Tuesday, 5 July 2016 by ordinary post at such Shareholders' own risk.

Application for the Rights Shares

The PAL in respect of the provisional allotment of the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form and lodging the same with a remittance for the Rights Shares being taken up with the Registrar by the Latest Time for Acceptance.

Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold allotments of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Board will allocate the excess Rights Shares to Qualifying Shareholders who have applied for excess application on a pro-rata basis on the excess Rights Shares applied by them, without involving allocation of any fractional Rights Share.

No preference will be given to topping up odd lots to whole board lots. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares. No reference will be made to the Rights Shares comprised in applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Beneficial owners with their Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owners prior to the Record Date.

For the beneficial owners whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents for completion of the relevant registration with the Registrar by 4:30 p.m. on Tuesday, 31 May 2016.

Any Rights Shares not taken up by the Qualifying Shareholders and not taken up by excess applications will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Fractions of the Rights Shares

On the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date, no fractional Share will arise under the Rights Issue.

Application for listing

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 2,000 Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

UNDERWRITING AGREEMENT

Date of the Underwriting Agreement : 21 April 2016 (after trading hours)

Underwriter : Gransing Securities

Number of Rights Shares to be underwritten : 39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date).

The Directors (other than the independent non-executive Directors whose view will be formed after considering the opinion of the Independent Financial Adviser regarding the Rights issue) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable as compared to the market practice and commercially reasonable as agreed between the parties to the Underwriting Agreement.

Under the Underwriting Agreement, the Rights Issue is fully underwritten by the Underwriter and the Underwriter shall procure that any subscribers procured by them shall be Independent Third Parties and shall not become Substantial Shareholders holding 10% or more shareholding in the Company immediately after completion of the Rights Issue.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and their ultimate beneficial owners are Independent Third Parties. As at the date of the Underwriting Agreement, the Underwriter is not interested in any Shares.

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance any of the Rights Shares have not been taken up ("Untaken Shares"), the Company shall as soon as practicable thereafter notify or procure the branch share registrar and transfer office of the Company in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Rights Shares not taken up. Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares:

- (i) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to be 10.0% or more of the then issued share capital of the Company;

- (ii) the Underwriter shall use all reasonable endeavours to procure that none of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) will become a Substantial Shareholder of the Company as a result of such subscription and such subscriber, together with parties acting in concert with each of them, shall not be holding 10.0% or more of the voting rights of the Company upon the allotment and issue of the Rights Shares;
- (iii) the Underwriter shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) shall be third party independent of, not acting in concert with and shall not be connected with, the Directors, chief executive or Substantial Shareholders of the Company or any of its subsidiaries and their respective associates; and
- (iv) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules.

Underwriting commission

The Company will pay the Underwriter an underwriting commission at the rate of 2.0% of the aggregate Subscription Price in respect of the number of Rights Shares agreed to be underwritten by the Underwriters as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and expected market condition.

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Latest Time for Termination if:–

- (A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (B) there shall be:
 - (i) any enactment of new law or regulation, or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

- (ii) any change in local, national or international financial, political, industrial or economic conditions;
- (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
- (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 5 trading days (as defined in the Listing Rules); or
- (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which is or are, in the reasonable opinion of the Underwriter:–

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue.

Upon the giving of notice by the Underwriter to the Company to terminate the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties to the Underwriting Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of any antecedent breaches and claims).

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the passing by the Independent Shareholders at the EGM on or prior to the Posting Date of the relevant resolution(s) to approve, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares;

- (ii) the delivery to the Stock Exchange for authorisation and the registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies (WUMP) Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (WUMP) Ordinance and the Listing Rules;
- (iii) the posting on the Posting Date of the Prospectus Documents to the Qualifying Shareholders;
- (iv) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms by no later than the Posting Date and the Listing Committee not having withdrawn or revoked such listings and permission on or before the Latest Time for Termination; and
- (v) compliance with and performance of all the undertakings and obligations by the Company under the terms of the Underwriting Agreement.

None of the above conditions is capable of being waived by the Underwriter and the Company other than condition (v) above. The Underwriter may waive condition (v) above in whole or in part by written notice to the Company.

In the event that the above conditions are not fulfilled or waived on or before the Posting Date or in the event that condition (iv) in respect of fully-paid Rights Shares has not been satisfied on or before the Latest Time for Termination (or in each case such other date or dates as may be agreed between the Company and the Underwriter in writing) or if the Underwriting Agreement shall be terminated pursuant to the terms in the Underwriting Agreement, all obligations and liabilities of the parties thereunder shall cease and determine and none of the parties shall have any claim against the other (save in respect of any antecedent breaches and claims).

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Listing Rules. The principal activity of the Company is investment holding and the Group is principally engaged in investments in securities listed on recognised stock exchanges and unlisted investments.

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.

As disclosed in the annual results announcement of the Company for the year ended 31 December 2015, the Group will continue to focus on investments in listed securities, private equity funds, real property projects and private enterprises with potential prospect. It will also seek opportunities to invest in the PRC, Hong Kong and overseas thereby implement its risk management policy with an aim to achieve stable returns on investments for the Shareholders.

For the year ended 31 December 2015, the Group recorded a revenue of approximately HK\$6.1 million as compared to approximately HK\$3.5 million in the prior year, representing an increase of approximately 74.3%. In addition, the Group recorded a realised gain of approximately HK\$29.0 million on listed securities for the year ended 31 December 2015 as compared to approximately HK\$0.8 million for the year ended 31 December 2014, representing an approximately 3,525.0% increase. With the impact of favourable performance of certain publicly traded securities held by the Group during the year ended 31 December 2015, the Group recorded an unrealised gain of approximately HK\$281.5 million on its publicly traded securities and the derivative financial instruments as compared to an unrealised loss of approximately HK\$35.9 million in the previous year.

The Group expects the stock market and economy of the PRC will continue to struggle with continuation of uncertainty in 2016 after the stock market crash and economy slowdown in the PRC. The PRC is the top principal trading partner of Hong Kong, so its economy will definitely affect Hong Kong's economy. Nevertheless, the PRC still is a big market with rapid growth.

Owing to the business nature of the Group, being an investment company, the Group requires extensive cash to grow. Unlike other companies with constant cash income from operations, investment of investment companies under Chapter 21 of the Listing Rules do not necessarily generate extensive cash income. With a view of increasing the size of its investment portfolio and taking into account the net cash position of the Group of approximately HK\$13.3 million as at 31 March 2016, the Board considers that it will be insufficient for the Group to capture suitable investment opportunities which may arise from time to time for expanding its investment portfolio and business and continue the growing performance without funding. As such, the Group would like to raise additional capital to equip itself with a healthier and stronger capital base to further invest in both securities market and for future strategic investment when suitable opportunities arise to produce a satisfactory result.

The gross proceeds of the Rights Issue will be HK\$78,117,228 (assuming no Shares being issued or repurchased by the Company on or before the Record Date) before expenses. The estimated net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$75 million. The net price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$1.92. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (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;
- (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
- (iii) the remaining balance for general working capital of the Group for the coming year.

As at the date of this announcement, the Group has not entered into any definitive investment agreement in relation to any specific investment target.

Other fund raising alternatives

The Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, bank loans and placing of new Shares.

Debt financing or bank loans would result in additional interest burden to and higher gearing ratio of the Group. The Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them without any asset pledge or at favourable terms. Therefore, given the fund raising size and the business scale of the Company, the Directors consider it not feasible for the Company to obtain the required amount from bank financing at favourable terms.

Placing of new Shares would only be available to certain placees who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company.

The objective of the Rights Issue is to enable the Shareholders to maintain their proportionate interests in the Company should they wish to do so, ensuring stability in the Company's shareholders' base, and to participate in the Company's future growth and development. The Board therefore considers the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company.

Having considered other fund raising alternatives for the Group as disclosed above, and taking into account the benefits and cost of each of the alternatives, the Directors (including the independent non-executive Directors) are of the view that the Rights Issue is the most appropriate fund raising option to the Company and is in the interest of the Company and the Shareholders as a whole since it offers the Qualifying Shareholders the opportunity to maintain their pro-rata shareholding interests in the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Rights Issue:

	As at the date of this announcement		Immediately after completion of the Rights Issue			
			Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Seize Minute Limited (<i>Note</i>)	8,517,465	21.8	17,034,930	21.8	8,517,465	10.9
The Underwriter	–	–	–	–	39,058,614	50.0
Public Shareholders	30,541,149	78.2	61,082,298	78.2	30,541,149	39.1
	<u>39,058,614</u>	<u>100.0</u>	<u>78,117,228</u>	<u>100.0</u>	<u>78,117,228</u>	<u>100.0</u>

Note: Seize Minute Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by MK Investments Limited. MK Investments Limited, a company incorporated in St. Kitts with limited liability, is wholly and beneficially owned by Mr. Kor Sing Mung Michael. Accordingly, Mr. Kor Sing Mung Michael and MK Investments Limited are deemed to be interested in the Shares held by Seize Minute Limited under the SFO.

As at the date of this announcement, the existing public Shareholders hold approximately 78.2% of the entire issued share capital of the Company. Upon completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders), the existing public Shareholders will hold approximately 39.1% of the enlarged issued share capital of the Company.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe for the Rights Shares is approximately 50.0%.

As discussed with the Underwriter, in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules.

FUND RAISING EXERCISES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement:

Date of announcement(s)	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
17 July 2015, 30 July 2015 and 19 August 2015	Placing of Convertible Bonds to not less than six places under the General Mandate. A maximum amount of 1,400,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds at the Conversion Price of HK\$12.5 per Share.	Approximately HK\$17.0 million	To finance future investment opportunities and/or as general working capital of the Group.	Fully utilised as to approximately (i) HK\$15.0 million for investment in listed securities; and (ii) HK\$2.0 million for working capital.

POSSIBLE ADJUSTMENT TO THE CONVERTIBLE BONDS

The conversion period of the Convertible Bonds is the period commencing from the first anniversary of the date of issue of the Convertible Bonds (being 19 August 2016) and ending on the second anniversary of the date of issue of the Convertible Bonds (being 19 August 2017).

As a result of the Rights Issue, the Conversion Price of the outstanding Convertible Bonds may be adjusted in accordance with the terms and conditions of the Convertible Bonds. The Company will make further announcements on the appropriate adjustments (if any) and the date they are expected to take effect in due course.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Event	2016 (Hong Kong time)
Expected date of despatch of the Circular and the notice of the EGM	Tuesday, 3 May
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 17 May
Register of members of the Company closes for the EGM (both days inclusive)	Wednesday, 18 May to Thursday, 26 May
Latest time for lodging proxy form for the EGM	9:30 a.m. on Wednesday, 25 May
Date and time of the EGM	9:30 a.m. on Thursday, 26 May
Announcement of the results of the EGM	Thursday, 26 May
Register of members of Company re-opens.....	Friday, 27 May
Last day of dealings in Shares on a cum-rights basis	Friday, 27 May
First day of dealings in Shares on an ex-rights basis.....	Monday, 30 May
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 31 May

Event **2016 (Hong Kong time)**

Register of members of the Company closes
for the transfer of Shares (both days inclusive) from Wednesday, 1 June
to Tuesday, 7 June

Record Date for the Rights Issue. Tuesday, 7 June

Register of members of Company re-opens. Wednesday, 8 June

Despatch of the Prospectus Documents. Friday, 10 June

First day of dealings in nil-paid Rights Shares 9:00 a.m. on Tuesday, 14 June

Latest time for splitting of nil-paid Rights Shares. 4:30 p.m. on
Thursday, 16 June

Last day of dealings in nil-paid Rights Shares 4:00 p.m. on Tuesday, 21 June

Latest time for acceptance of and payment
for Rights Shares and for application
and payment for excess Rights Shares. 4:00 p.m. on Friday, 24 June

Latest Time for Termination and Underwriting
Agreement becoming unconditional 4:00 p.m. on Monday, 27 June

Announcement of results of allotment
of the Rights Issue. Monday, 4 July

Despatch of certificates for fully-paid Rights
Shares and refund cheques (if any) on or before Tuesday, 5 July

Commencement of dealings in fully-paid Rights Shares 9:00 a.m. on
Wednesday, 6 July

All times and dates stated in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

Effect of bad weather on the Latest Time for Acceptance

The Latest Time for Acceptance will not take place at 4:00 p.m. on Friday, 24 June 2016 if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning, if such circumstances is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place at 4:00 p.m. on the date of the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place on the date of the Latest Time for Acceptance, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on Friday, 24 June 2016, the dates mentioned in the above section headed “Expected Timetable” in this announcement may be affected. An announcement will be made by the Company in such event.

LISTING RULES IMPLICATIONS

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM on which any controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, there is no controlling Shareholder (as defined in the Listing Rules) and chief executive. Accordingly, the Directors (excluding independent non-executive Directors) and their respective associates will abstain from voting in favour of the resolution(s) approving the Rights Issue and the transactions contemplated under at the EGM.

GENERAL

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue. With the approval of the Independent Board Committee, Hercules Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the proposed Rights Issue. The Circular containing, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before Tuesday, 3 May 2016.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Rights Shares will be dealt in on an ex-right basis commencing from Monday, 30 May 2016 and that dealing in the Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 27 June 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing any Shares or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

DEFINITIONS

In this announcement, following expressions have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular containing, among other things, further details of the proposed Rights Issue and a notice convening the EGM to be despatched to the Shareholders
“Company”	Huge China Holdings Limited (匯嘉中國控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
“Conversion Price”	HK\$12.50 per Conversion Share, subject to adjustments as set out and in accordance with terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the Share(s) to be issued upon exercise of the conversion rights attaching to the Convertible Bonds

“Convertible Bonds”	the convertible bonds issued by the Company in the aggregate principal amount of HK\$17,500,000 which entitled the holders to convert up to a maximum of 1,400,000 Shares at the Conversion Price of HK\$12.50 per Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“EAF”	the application form(s) for excess Rights Shares proposed to be issued to the Qualifying Shareholders
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and to approve the Rights Issue
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose registered address(es) is/are in a place outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Overseas Shareholders
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 26 June 2015 to allot, issue and deal with up to 7,811,722 Shares, being approximately 20% of the issued share capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Rights Issue

“Independent Financial Adviser” or “Hercules Capital”	Hercules Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	the Shareholder(s) other than the controlling Shareholder(s) (as defined in the Listing Rules) of the Company and their respective associates or, where there are no controlling Shareholder(s), the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	any party who is independent of, not connected with or acting in concert with any Directors, chief executive or Substantial Shareholder(s) of the Company or any of its subsidiaries or their respective associates
“Last Trading Day”	Thursday, 21 April 2016, being the last trading day for the Shares immediately prior to the release of this announcement
“Latest Time for Acceptance”	the latest time for acceptance for the Rights Shares at 4:00 p.m., on Friday, 24 June 2016 or such other time as the Underwriter may agree in writing with the Company
“Latest Time for Termination”	the latest time for terminating the Underwriting Agreement at 4:00 p.m., on Monday, 27 June 2016, being the next Business Day following the Latest Time for Acceptance or such later time or date as the Underwriter and the Company may agree in writing
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	the Shareholder(s) whose name appear on the register of members of the Company on the Record Date and with registered address(es) as shown on such register in a place outside Hong Kong

“PAL(s)”	the renounceable provisional allotment letter(s) representing the Rights Shares proposed to be issued to the Qualifying Shareholders under the Rights Issue
“Posting Date”	Friday, 10 June 2016 or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Prospectus”	the prospectus containing details of the Rights Issue to be despatched to the Shareholders
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	the Shareholder(s) whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Tuesday, 7 June 2016, or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlement to the Rights Issue are to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Rights Issue”	the proposed issue by way of Rights Issue to the Qualifying Shareholders on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	39,058,614 Shares to be allotted and issued pursuant to the Rights Issue;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$2.00 per Rights Share
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Underwriter” or “Gransing Securities”	Gransing Securities Co., Ltd., a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purpose of the SFO
“Underwriting Agreement”	the underwriting agreement dated 21 April 2016 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 21 April 2016

As at the date hereof, the Board of directors of the Company comprises three executive directors, namely Mr. Chau Wai Hing, Mr. Chu To Jonathan 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.