汇嘉中国
Huge China

# 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 2017

**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 2017 are summarised as follows:

– The Group recorded a loss of HK$191,585,000 in revenue, other revenue, other gains and losses as compared to a loss of HK$181,252,000 in the last year.

– Loss attributable to owners of the Company was HK$205,508,000 as compared to a loss of HK$194,959,000 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 2017 (2016: nil).

– Basic loss per share was HK$2.39 (2016: loss per share of HK$3.28).

The Board announces the consolidated results of the Group for the year ended 31 December 2017 together with comparative figures for the corresponding year ended 31 December 2016. 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 2017 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 | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Gross proceeds from disposals of trading securities | | **66,938** | 41,698 |
| **Revenue** | *5* | **10,570** | 9,331 |
| Other revenue | *6* | **5,109** | 30 |
| Other losses | *7* | **(207,264)** | (190,613) |
| | | **(191,585)** | (181,252) |
| Other operating expenses | | **(10,627)** | (11,754) |
| Finance costs | *8* | **(3,296)** | (1,953) |
| **Loss before tax** | *9* | **(205,508)** | (194,959) |
| Income tax | *10* | **–** | – |
| **Loss and total comprehensive income for the year attributable to owners of the Company** | | **(205,508)** | (194,959) |
| **Loss per share** | | | |
| Basic | *11* | **(HK$2.39)** | (HK$3.28) |
| Diluted | | **(HK$2.39)** | (HK$3.28) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 31 December*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **29** | 47 |
| Goodwill | | **–** | 38 |
| | | **29** | 85 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | *12* | **7,945** | 8,381 |
| Loans and receivables | | **6,546** | 3,102 |
| Financial assets at fair value through profit or loss | | **201,399** | 398,172 |
| Due from securities brokers | | **461** | 257 |
| Bank balances | | **3,888** | 5,660 |
| | | **220,239** | 415,572 |
| **Current liabilities** | | | |
| Due to a securities broker | | **1,814** | 10,547 |
| Other payables and accruals | *13* | **1,310** | 5,456 |
| Convertible bonds | | **12,564** | 17,832 |
| Promissory notes | | **9,626** | – |
| | | **25,314** | 33,835 |
| **Net current assets** | | **194,925** | 381,737 |
| **Total assets less current liabilities** | | **194,954** | 381,822 |
| **Non-current liabilities** | | | |
| Promissory notes | | **20,220** | 1,580 |
| **Net assets** | | **174,734** | 380,242 |
| **Capital and reserves** | | | |
| Share capital | *14* | **85,929** | 85,929 |
| Reserves | | **88,805** | 294,313 |
| **Total equity** | | **174,734** | 380,242 |
| **Net asset value per share** | | **HK$2.03** | HK$4.43 |

*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 1601, 16th Floor, South 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 International Financial Reporting Standards ("**IFRSs**"), which in collective term includes all applicable International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for current and prior accounting periods reflected in these consolidated financial statements.

## 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

### (a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

*Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

*Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses, for example, those on debt instruments measured at fair value. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

*Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 (Annual Improvements Cycle 2014-2016)*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments had no impact on the Group's financial statements.

**(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 2017. These new and revised IFRSs include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| IFRS 9 Financial Instruments | On or after 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | On or after 1 January 2018 |
| IFRS 16 Leases | On or after 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | On or after 1 January 2019 |

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. While the assessment has been substantially completed for IFRS 9, IFRS 15 and IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are first adopted in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

*IFRS 9 Financial Instruments*

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

*(a) Classification and measurement*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised costs, fair value through profit or loss and fair value through other comprehensive income. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and fair value through profit or loss will continue with their classification and measurements upon the adoption of IFRS 9.

*(b) Impairment*

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's other receivables and other financial assets.

Based on historical experience of the Group, the default rate of the outstanding balances with counterparties is low. Hence, the directors of the Company anticipate that the application of IFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 31 December 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In June 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group has assessed the impact of this standard and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

*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 financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and where applicable 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 property amounted to HK$760,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

*IFRIC 23 Uncertainty over Income Tax Treatments*

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

## 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 by geographical location which is based on the country of domicile or place of listing of the investees and counterparties as appropriate:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue and other revenue | | |
| Hong Kong | **15,679** | 9,361 |

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other losses | | |
| Hong Kong | **(207,264)** | (190,613) |

During the years ended 31 December 2017 and 2016, 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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income from: | | |
| – bank deposits | **1** | 2 |
| – loans and receivables | **444** | 102 |
| – convertible bonds designated at fair value through profit or loss | **10,125** | 9,227 |
| | **10,570** | 9,331 |

## 6. OTHER REVENUE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other payables written back | **5,108** | – |
| Sundry income | **1** | 30 |
| | **5,109** | 30 |

## 7. OTHER LOSSES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unrealised fair value losses on financial assets at fair value through profit or loss: | | |
| – listed securities | **(108,461)** | (114,389) |
| – unlisted convertible bonds designated at fair value through profit or loss | **(14,328)** | (21,292) |
| Net realised loss on disposals of financial assets at fair value through profit or loss: | | |
| – listed securities | **(84,437)** | (54,932) |
| Net loss on financial assets at fair value through profit or loss | **(207,226)** | (190,613) |
| Impairment losses on goodwill | **(38)** | – |
| | **(207,264)** | (190,613) |

## 8. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Imputed interest on convertible bonds | **805** | 1,289 |
| Imputed interest on promissory notes | **1,215** | 50 |
| Interest on other borrowings | **1,276** | 614 |
| | **3,296** | 1,953 |

## 9. LOSS BEFORE TAX

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | | |
| – Current year | **225** | 210 |
| – Under-provision for prior year | **–** | 9 |
| | **225** | 219 |
| Management fees | **2,980** | 2,659 |
| Exchange (gain)/loss, net | **(5)** | 4 |
| Depreciation of property, plant and equipment | **18** | 138 |
| Impairment losses on goodwill | **38** | – |
| Employee benefits expenses: | | |
| – Salaries, allowance and benefits in kind | **2,038** | 2,550 |
| – Contributions to defined contribution plan* | **54** | 65 |
| | **2,092** | 2,615 |
| Operating leases in respect of land and buildings | **945** | 2,323 |

* There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2017 and 2016 to reduce future contributions. There was no outstanding contribution to the plan at 31 December 2017 and 2016.

## 10. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has no estimated assessable profit for the year (2016: nil).

## 11. LOSS PER SHARE

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

**Loss**

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the purposes of calculation of basic loss per share | **(205,508)** | (194,959) |
| Effect of dilutive potential ordinary shares: | | |
| Imputed interest on convertible bonds (net of tax) | **672** | 1,076 |
| Loss for the purposes of calculation of diluted loss per share | **(204,836)** | (193,883) |

**Number of shares**

| | **2017** | 2016 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares in issue during the year | **85,929** | 58,033 |
| Effect of rights shares issued | **–** | 1,489 |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | **85,929** | 59,522 |
| Effect of dilutive potential ordinary shares arising from convertible bonds outstanding | **1,217** | 1,400 |
| Weighted average number of ordinary shares for the purpose of calculating diluted loss per share | **87,146** | 60,922 |

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2017 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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other receivables | **17** | 24 |
| Deposits paid for investments | **7,500** | 7,500 |
| Other deposits | **149** | 428 |
| Prepayments | **279** | 429 |
| | **7,945** | 8,381 |

## 13. OTHER PAYABLES AND ACCRUALS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other payables and accruals | **1,306** | 5,452 |
| Unclaimed dividend payables | **4** | 4 |
| | **1,310** | 5,456 |

## 14. SHARE CAPITAL

| | **Number of shares** | **Amount** |
|---|---|---|
| | | *HK$'000* |
| **Authorised:** | | |
| Ordinary shares of HK$1 each, at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017 | 100,000,000 | 100,000 |
| **Issued and fully paid:** | | |
| Ordinary shares of HK$1 each at 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, 1 January 2017 and 31 December 2017 | 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 2017 and 2016.

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.

## 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 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **480** | 857 |
| In the second to fifth years inclusive | **280** | 32 |
| | **760** | 889 |

## 16. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2017 and 2016.

## 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 2017, the Group recorded a revenue of HK$10,570,000 as compared to HK$9,331,000 in the prior year, representing an increase of 13%. The increment in revenue was mainly due to increase of interest income during the year. The Group recorded a realised loss of HK$84,437,000 (2016: HK$54,932,000) and fair value change of HK$108,461,000 (2016: HK$114,389,000) on listed securities. With the impact of unfavourable performance of certain publicly traded securities held by the Group during the year, the Group recorded loss attributable to owners of the Company was HK$205,508,000 as compared to a loss of HK$194,959,000 in prior year.

As at 31 December 2017, the net assets of the Group were approximately HK$174,734,000 (2016: HK$380,242,000). The net assets significantly decreased 54% when compared last year is mainly due to the decrease in fair value of the listed shares. The financial assets at fair value through profit or loss decreased from HK$398,172,000 on last year to HK$201,399,000 during the year.

### PROSPECTS AND FUTURE PLANS

The year 2017 was a year of challenge and uncertainty. The global markets had experienced intense volatility and it was mainly due to uncertain political and economic events such as rising geopolitics conflicts in the Middle East and North Asia, the Federal Reserve decisions on increasing interest rate and United States's tax reform. In 2017, the Hang Seng Index ("HSI") rebounded sharply from 22,000.56 as at the end of December 2016 to 29,919.15 as at the end of December 2017, which representing a year-on-year increase of 36%. Although, HSI rose nearly 8,000 points during the year, the rising stocks in Hong Kong mainly focused on certain blue-chipped stocks. Many small-mid cap stocks were not performing well. In such diverging market environment, the Group's listed securities, mainly small-mid cap stocks, did not perform well during the year.

The global economy expected to maintain stable recovery in 2018. The International Monetary Fund forecasts that the world economy growth will edge up to 3.9% in 2018, after a stronger-than-expected growth in 2017. However, the global markets are influenced by uncertain political events, such as protectionism policies implemented by the United States President Donald Trump, policy change after Brexit, the unstability of the geopolitics in the Middle East and North Asia, it is expected the global financial market remain volatile for the coming 2018. For the PRC, the fundamental problems of excess industrial capacity, debt overhang, and a housing glut have remained unresolved. The PRC government will continue to address these problems through the "Supply Side Structural Reform" program in the near-to-medium term. These structural problems and the government's policy response will be a drag on the economy, in general, and investment demand, in particular. The PRC economy will remain stable and healthy development in 2018.

The external environment is of high relevance to the economy and financial market in Hong Kong. With the introduction emphasis of relevant national development strategies such as the "Belt and Road Initiative" and "Development of Guangdong-Hong Kong-Macau Big Bay Area", it is expected that PRC will accelerate its overseas investments and further expand its trading network in the Asian countries. Hong Kong will continue be crucial in providing a business platform and a link between overseas companies and the PRC. Looking forward to the year 2018, the Group expects the Hong Kong and global investment environment will be better than those in prior years. The Group will stay focus to invest in listed securities and unlisted securities in various industries, including but not limited to private equity fund with potential prospect, financial, electronic payment service providers, property development, including the markets of Hong Kong, PRC, Northern America and Europe. Accordingly, the Group will continue to implement its risk management policy with an aim to achieve stable return on Group's investment portfolio for the shareholders of the Company.

## FINANCIAL REVIEW

*Liquidity and financial resources*

As at 31 December 2017, the Group had available funds of HK$3,888,000 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$174,734,000 at 31 December 2017 compared to HK$380,242,000 at 31 December 2016, a decrease of approximately 54.0%.

As at 31 December 2017, the Group had borrowings of HK$44,224,000 (2016: HK$29,959,000). The gearing ratio for the Group was 25.3% (2016: 7.9%) 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 2017.

*Capital structure*

There was no significant change in the Group's capital structure for the year ended 31 December 2017.

*Fung raising activities*

There was no fund raising activities for the Group during the financial year 2017.

*Significant investments held and their performance*

For the year ended 31 December 2017, the Group recorded revenue of HK$10,570,000 as compared to HK$9,331,000 in the prior year, representing an increase of approximately 13%. The increment in revenue was due to increase of interest income from unlisted investments during the year.

Since the impact of unfavourable performance of certain publicly traded securities held by the Group during the year. The Group recorded a realised loss of HK$84,437,000 (2016: HK$54,932,000) and an unrealised loss of HK$108,461,000 (2016: HK$114,389,000) on listed securities.

As at 31 December 2017, the Group held trading securities of HK$90,326,000 (2016: HK$282,896,000). The decrease was mainly due to the net realised loss on disposal of trading securities of HK$84,437,000 and fair value loss on trading securities of HK$108,461,000.

As at 31 December 2017, the Group's unlisted investments (comprised of convertible bonds designated at fair value through profit or loss and loans and receivables) were HK$117,619,000 (2016: HK$118,378,000). Other receivables, deposits and prepayments was HK$7,945,000 (2016: HK$8,381,000). No impairment losses were made on loans and receivables and no realised gain or loss on disposals of an unlisted investments during the year.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total of 4 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.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2018 annual general meeting, the register of members of the Company will be closed from 25th June, 2018 to 28th June, 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the aforementioned meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 22nd June, 2018.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control systems. The Group's risk management and internal control systems are designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's risk management and internal controls covering major financial, operational and compliance controls, as well as risk management functions. The risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the Audit Committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

In addition to the review of risk management and internal controls undertaken by the external professional consultants, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

## EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not employ any financial instruments to hedge such exposures.

## CONTINGENT LIABILITIES

As at 31 December 2017, 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 office of the Chief Executive Officer of the Company was vacant since 26 May 2015. The executive directors of the Company will continue to oversee the day-to-day management of the business and operations of the Group until the appointment of a new chief executive officer.

## 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 2017. The Audit Committee has approved the Group's annual results for the year ended 31 December 2017.

## 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 2017 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 2017. 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, 28 March 2018

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