THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Candy Holdings Limited,** you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

好來屋

Ever Maple Flavors and Fragrances Holdings Limited

(incorporated in the British Virgin Islands with limited liability)

CHINA CANDY HOLDINGS LIMITED
中國糖果控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8182)

COMPOSITE DOCUMENT RELATING TO VOLUNTARY CONDITIONAL CASH OFFER BY SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF EVER MAPLE FLAVORS AND FRAGRANCES HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF CHINA CANDY HOLDINGS LIMITED

Financial Adviser to the Offeror

SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee of China Candy Holdings Limited

AKRON
Akron Corporate Finance Limited
亚贝隆资本有限公司

Capitalised terms used on this cover shall have the same meanings as those defined in this Composite Document unless the content requires otherwise.

A letter from Somerley Capital, containing among other things, the details of the terms and conditions of the Offer, is set out on pages 5 to 13 of this Composite Document. A letter from the Board is set out on pages 14 to 21 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 22 to 23 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 24 to 39 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on pages 40 to 49 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Thursday, 13 July 2017, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the section headed "Overseas Independent Shareholders" in the "Letter from Somerley Capital" and Appendix I to this Composite Document before taking any action. It is the responsibility of the Overseas Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions. Overseas Independent Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

22 June 2017

CONTENT

Expected Timetable

The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer *(Note 1)*	Thursday, 22 June 2017
Latest time and date for acceptance of the Offer on the first Closing Date *(Note 3)*	4:00 p.m. on Thursday, 13 July 2017
First Closing Date *(Note 3)*	Thursday, 13 July 2017
Announcement of the results of the Offer as at the first Closing Date, to be posted on the website of the Stock Exchange	no later than 7:00 p.m. on Thursday, 13 July 2017
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the first Closing Date assuming the Offer becomes or is declared unconditional on the first Closing Date *(Note 4)*	Monday, 24 July 2017
Latest time and date for the Offer remaining open for acceptance assuming the Offer becomes or is declared unconditional on the first Closing Date *(Note 5)*	4:00 p.m. on Thursday, 27 July 2017
Latest time and date by which the Offer can become or be declared unconditional as to acceptances *(Note 6)*	no later than 7:00 p.m. on Monday, 21 August 2017

Notes:

1. The Offer is open for acceptance on and from 22 June 2017, being the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.

2. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

3. The Offer will initially remain open for acceptances until 4:00 p.m. on 13 July 2017 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next Closing Date or, if the Offer is at that time unconditional as to acceptances, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Shareholders who have not accepted the Offer.

4. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration for the Offer Shares tendered under the Offer will be despatched to the accepting Shareholder(s) (to the address specified on the relevant Shareholder's Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and the date on which the Offer becomes or is declared unconditional in all respects.

5. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as the Offeror determines or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue a press announcement in relation to any extension of the Offer, which will state the next closing date or, if the Offer has become or is at that time unconditional, that the Offer will remain open until further notice.

6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on 21 August 2017, being the 60th day after the day this Composite Document is posted. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse on 21 August 2017 unless extended with the consent of the Executive and in accordance with the Takeovers Code. In addition, unless the Offer becomes or is declared unconditional in all respects within 21 days of the Offer becoming or is being declared unconditional as to acceptances, the Offer will lapse. Therefore, the last day by which the Offer can become or be declared unconditional in all respects is 11 September 2017.

7. The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning", in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead the latest time for acceptance of the Offer and the posting of remittances 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.

All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

NOTICE TO THE OVERSEAS INDEPENDENT SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements.

It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction.

The Offeror and the parties acting in concert with it, the Company, Somerley Capital, Akron, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed "Overseas Independent Shareholders" in the "Letter from Somerley Capital" in this Composite Document.

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
"Closing Date"	13 July 2017, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code
"Company"	China Candy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8182)
"Composite Document"	this composite document to be issued, in accordance with the Takeovers Code and the GEM Listing Rules, jointly by the Offeror and the Company in relation to the Offer
"Conditions"	the conditions to the Offer, as set out in the section sub headed "Conditions to the Offer" of "Letter from Somerley Capital" of this Composite Document
"controlling shareholder"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

"Form of Acceptance"	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee, comprising all independent non-executive Directors, namely Mr. Ong King Keung, Mr. Chu Wai Wa Fangus and Mr. Chiu Sai Chuen Nicholas, established for the purpose of making a recommendation to the Independent Shareholders in relation to the Offer
"Independent Financial Adviser" or "Akron"	Akron Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in respect of the Offer
"Independent Shareholder(s)"	holder(s) of the Shares, other than the Offeror and the parties acting in concert with it
"Initial Announcement"	the announcement made by the Company dated 31 March 2017 pursuant to Rule 3.7 of the Takeovers Code
"Irrevocable Undertakings"	the Jia Qing Irrevocable Undertaking and the Noble Core Irrevocable Undertaking
"Jia Qing"	Jia Qing Developments Limited, a company incorporated in the British Virgin Islands, being a Shareholder interested in 150,000,000 Shares as at the Latest Practicable Date
"Jia Qing Irrevocable Undertaking"	the irrevocable undertaking given by Jia Qing in favour of the Offeror to accept the Offer in respect of the Shares held by it

"Joint Announcement"	the joint announcement issued by the Offeror and the Company dated 12 May 2017 in relation to, among other things, the Offer and the Irrevocable Undertakings
"Last Trading Day"	10 May 2017, being the last trading day immediately prior to suspension of trading in the Shares pending the release of the Joint Announcement
"Latest Practicable Date"	19 June 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
"Ms. Zong"	Ms. Zong Fuli, the sole ultimate beneficial owner and the sole director of the Offeror
"Noble Core"	Noble Core Limited, a company incorporated in the British Virgin Islands, being a substantial Shareholder interested in 268,200,000 Shares as at the Latest Practicable Date
"Noble Core Irrevocable Undertaking"	the irrevocable undertaking given by Noble Core in favour of the Offeror to accept the Offer in respect of the Shares held by it
"Offer"	a voluntary conditional cash offer made by Somerley Capital for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in this Composite Document
"Offer Period"	the period commencing from 31 March 2017, being the date of the Initial Announcement until the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
"Offer Price"	the price at which the Offer is being made, being HK$0.3565 per Offer Share
"Offer Share(s)"	any and all of the issued Share(s)
"Offeror"	Ever Maple Flavors and Fragrances Holdings Limited, a company incorporated in the British Virgin Islands with the address of its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands

"Overseas Independent Shareholder(s)"	Independent Shareholder(s) whose address(es) as stated in the register of members of the Company is (are) outside Hong Kong
"PRC"	the People's Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, with its address at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period commencing on 30 September 2016, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Somerley Capital"	Somerley Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and acting as the financial adviser to the Offeror in respect of the Offer
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC
"'%"	per cent.

SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

22 June 2017

To the Independent Shareholders,

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED
FOR AND ON BEHALF OF
EVER MAPLE FLAVORS AND FRAGRANCES HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
CHINA CANDY HOLDINGS LIMITED

INTRODUCTION

On 12 May 2017, the Offeror and the Company jointly announced in the Joint Announcement that, among other things, the voluntary conditional cash offer would be made by Somerley Capital, for and on behalf of the Offeror to acquire all of the Shares in the entire issued share capital of the Company.

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures for acceptance are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

THE OFFER

Somerley Capital, for and on behalf of the Offeror, hereby makes the voluntary conditional cash offer to all Independent Shareholders to acquire all of the Shares in the entire issued share capital of the Company on the following basis:

The Offer

For each Offer Share . . . . HK$0.3565 in cash

The Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date. Any dividends or other distributions the record date of which is before the Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

As at the Latest Practicable Date, there are 1,608,000,000 Shares in issue, and the Offeror and the parties acting in concert with it are not interested in any Share (other than as a result of the execution of the Irrevocable Undertakings).

Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Further details of the terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Offer Price

The Offer Price of HK$0.3565 per Offer Share represents:

(i) a discount of approximately 31.44% below the closing price of HK$0.520 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 14.92% below the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK$0.419 per Share;

(iii) a discount of approximately 13.89% below the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK$0.414 per Share;

(iv) a premium of approximately 2.94% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK$0.346 per Share;

(v) a discount of approximately 48.33% below the closing price of HK$0.690 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 507.91% over the audited consolidated net asset value per Share as at 31 December 2016 of approximately HK$0.059 (which was calculated by dividing the sum of the audited consolidated net asset value of the Group as at 31 December 2016 of approximately HK$94,299,402 by 1,608,000,000 Shares in issue as at the Latest Practicable Date).

Highest and lowest Share prices

The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK$0.86 on 22 May 2017 and the lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK$0.10 on 30 September 2016, 3 October 2016 and 5 October 2016.

Value of the Offer

As at the Latest Practicable Date, there are 1,608,000,000 Shares in issue. There are no outstanding warrants, options, derivatives or securities convertible into Shares and the Company has not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into Shares as at the Latest Practicable Date.

Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK$0.3565 per Offer Share, the entire issued share capital of the Company would be valued at HK$573,252,000.

Confirmation of financial resources

The Offeror intends to finance the consideration payable with the Offeror's internal financial resources.

Somerley Capital, as the financial adviser to the Offeror in respect of the Offer, are satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration in respect of full acceptance of the Offer.

Conditions to the Offer

The Offer is conditional upon the satisfaction of the following Conditions:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and the parties acting in concert with it together holding more than 50% of the voting rights of the Company;

(b) the Shares remaining listed and traded on the GEM up to the Closing Date save for any temporary suspension(s) of trading in the Shares as a result of the Offer and no indication being received on or before the Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the GEM is or is likely to be withdrawn, other than as a result of the Offer; and

(c) no events, up to the Closing Date, having occurred which would make the Offer or the acquisition of any of the Shares under the Offer void, unenforceable or illegal or their implementation being prohibited or which would impose material conditions, limitations or obligations with respect to the Offer.

The Offeror reserves the right to waive, in whole or in part, Condition (b). Conditions (a) and (c) cannot be waived.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke Conditions (b) or (c) so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke any such Conditions are of material significance to the Offeror in the context of the Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer become unconditional in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Independent Shareholders should note that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

WARNING: Shareholders and/or potential investors of the Company should note that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Effect of accepting the Offer

Acceptance of the Offer will constitute a warranty to the Offeror by each person accepting it that the Shares acquired under the Offer and sold by such person are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Overseas Independent Shareholders

The Offeror intends to make the Offer available to all Independent Shareholders, including those who are residents outside Hong Kong. As the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdictions, Overseas Independent Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer.

It is the responsibility of the Overseas Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions).

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

IRREVOCABLE UNDERTAKINGS

On 10 May 2017 (after trading hours), Jia Qing and Noble Core executed the Jia Qing Irrevocable Undertaking and the Noble Core Irrevocable Undertaking respectively in favour of the Offeror, pursuant to which, among other things, each of Jia Qing and Noble Core has irrevocably undertaken to the Offeror to accept the Offer in respect of all the Shares beneficially owned by Jia Qing and Noble Core by no later than 1:00 p.m. on the fifth Business Day after the despatch of this Composite Document and shall not withdraw such acceptance.

As at the Latest Practicable Date, (i) Jia Qing is interested in 150,000,000 Shares, representing approximately 9.33% of the issued share capital of the Company; and (ii) Noble Core is interested in 268,200,000 Shares, representing approximately 16.68% of the issued share capital of the Company, respectively.

Prior to the closing, lapse or withdrawal of the Offer, each of Jia Qing and Noble Core has undertaken, among other things, not to sell or transfer or otherwise dispose of (or permit any such action to occur in respect of) any interest in any Shares held by Jia Qing and Noble Core.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and its sole ultimate beneficial owner is Ms. Zong.

Ms. Zong is a PRC national. She has over 10 years of experience in the food and beverage business. Ms. Zong is the chairwoman and chief executive officer of Hangzhou Hongsheng Beverage Co., Ltd. (宏勝飲料集團有限公司)[#] ("**Hongsheng**"). Established in 2003, Hongsheng is based in Hangzhou, China, with sales across the PRC. Hongsheng is a beverage producer with an annual turnover of approximately RMB5 billion.

[#] *The English translation of Chinese names or words in this Composite Document, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the Latest Practicable Date, Ms. Zong is the sole director of the Offeror.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror intends to continue the existing businesses of the Group.

Subject to the close of the Offer, the Offeror is in the process of reviewing the financial position and operations of the Group in order to formulate a long-term strategy for the Group and explore other business, investment and/or acquisition opportunities for enhancing its future development and strengthening its revenue bases.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change of the Board composition as detailed in the section sub-headed "Proposed change to the board composition of the Company" below) or to dispose of, redeploy or re-allocate the Group's fixed assets which are not in the ordinary and usual course of business of the Group.

Reasons for the Offer

The Offeror believes that if the Offer becomes unconditional, it would allow the Offeror to become a controlling shareholder of the Company and the Group would be able to leverage on Ms. Zong's extensive commercial network and to promote and support the Group's existing business and/or able to procure investors with solid background and experience. In addition, it is believed that upon the Offeror becoming the single largest shareholder of the Company, the incentive for the Offeror to play a greater role in directing the future development of the Group would increase significantly, which will create greater value for the Shareholders in long term perspective. The Offeror further believes that the Offer provides an opportunity for the Shareholders to realise some or all of their Shares in return for immediate cash.

Proposed change to the board composition of the Company

It is intended that all existing Directors will resign after the Closing Date and with effect only after the earliest time permitted under the Takeovers Code. Upon closing of the Offer, the Offeror intends to nominate new Directors to the Board with effect only after the earliest time permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors.

Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcements will be made as and when appropriate.

Maintaining the listing status of the Company

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the GEM. The Offeror will undertake to the Stock Exchange to take appropriate steps after the close of the Offer to ensure that not less than 25% of the total number of issued Shares will continue to be held by the public at all times.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the total number of issued Shares, are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the Shares; or

(ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

ACCEPTANCE OF THE OFFER

Procedures for acceptance

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Offer.

The duly completed and signed Form of Acceptance, should be sent, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "China Candy Offer" on the envelope, in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to "Further terms and procedures of acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Settlement of the Offer

Subject to the Offer becoming unconditional, remittances in respect of the cash consideration for the Offer Shares tendered under the Offer will be despatched to the accepting Shareholder(s) (to the address specified on the relevant Shareholder's Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar (in the case of Offer Shares) of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional in all respects.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder (as the case may be) who accepts the Offer will be rounded up to the nearest cent.

Nominee registration

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and the parties acting in concert with it, the Company, Somerley Capital, Akron, the Registrar and their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it under the provisions of the laws of the Cayman Islands to compulsorily acquire any outstanding Offer Shares not acquired pursuant to the Offer after the close of the Offer.

GENERAL

All documents and remittances will be sent to the Shareholders by ordinary post at such Shareholder's own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror and the parties acting in concert with it, the Company, Somerley Capital, Akron, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offer will be responsible for any loss in postage or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" contained in this Composite Document.

Yours faithfully,
For and on behalf of
Somerley Capital Limited
David Ching
Director

CHINA CANDY HOLDINGS LIMITED
中國糖果控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8182)

Executive Directors:
Mr. Xu Jinpei *(Chairman)*
Ms. Hong Yinzhi *(Chief Executive Officer)*
Ms. Li Yuna
Ms. Yvonne Hung

Independent non-executive Directors:
Mr. Chu Wai Wa Fangus
Mr. Chiu Sai Chuen Nicholas
Mr. Ong King Keung

Principal Place of Business in Hong Kong:
Room 1603, 16/F
China Building
29 Queen's Road Central
Central, Hong Kong

Registered office in the Cayman Islands:
P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

22 June 2017

To the Shareholders,

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFER BY SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF EVER MAPLE FLAVORS AND FRAGRANCES HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF CHINA CANDY HOLDINGS LIMITED

INTRODUCTION

Reference is made to the Joint Announcement whereby the Offeror and the Company jointly announced that, among other things, a voluntary conditional cash offer would be made by Somerley Capital, for and on behalf of the Offeror, to acquire all of the Shares in the entire issued share capital of the Company.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) further information relating to the Group, the Offeror and the Offer; (ii) the "Letter from Somerley Capital" containing details of the Offer; (iii) the "Letter from the Independent Board Committee" containing its recommendations to the

Independent Shareholders in relation to the Offer; and (iv) the "Letter from the Independent Financial Adviser" containing its advice to the Independent Board Committee on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer.

Unless the context otherwise requires, terms defined in this Composite Document shall have the same meanings when used in this letter.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance.

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Ong King Keung, Mr. Chu Wai Wa Fangus and Mr. Chiu Sai Chuen Nicholas, has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. The above-named independent non-executive Directors have no direct or indirect interest or involvement in the Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

Akron, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

THE OFFER

As disclosed in the "Letter from Somerley Capital", Somerley Capital, for and on behalf of the Offeror, makes the voluntary conditional cash offer to all Independent Shareholders to acquire all the issued Shares on the following basis:

For each Offer Share .... HK$0.3565 in cash

Comparison of value

The Offer Price of HK$0.3565 per Offer Share represents:

(i) a discount of approximately 48.33% below the closing price of HK$0.690 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 31.44% below the closing price of HK$0.520 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 14.92% below the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK$0.419 per Share;

(iv) a discount of approximately 13.89% below the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK$0.414 per Share;

(v) a premium of approximately 2.94% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK$0.346 per Share; and

(vi) a premium of approximately 507.91% over the audited consolidated net asset value per Share as at 31 December 2016 of approximately HK$0.059 (which was calculated by dividing the sum of the audited consolidated net asset value of the Group as at 31 December 2016 of approximately HK$94,299,402 by 1,608,000,000 Shares in issue as at the Latest Practicable Date).

Highest and lowest Share prices

The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK$0.860 on 22 May 2017 and the lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK$0.100 on 30 September 2016, 3 October 2016 and 5 October 2016.

Conditions to the Offer

The Offer is conditional upon the satisfaction of the following Conditions:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and the parties acting in concert with it together holding more than 50% of the voting rights of the Company;

(b) the Shares remaining listed and traded on the GEM up to the Closing Date save for any temporary suspension(s) of trading in the Shares as a result of the Offer and no indication being received on or before the Closing Date from the SFC and/ or the Stock Exchange to the effect that the listing of the Shares on the GEM is or is likely to be withdrawn, other than as a result of the Offer; and

(c) no events, up to the Closing Date, having occurred which would make the Offer or the acquisition of any of the Shares under the Offer void, unenforceable or illegal or their implementation being prohibited or which would impose material conditions, limitations or obligations with respect to the Offer.

As at the Latest Practicable Date, no events have occurred which would make the Offer or the acquisition of any of the Shares under the Offer void, unenforceable or illegal or their implementation being prohibited or which would impose material conditions, limitations or obligations with respect to the Offer.

The Offeror reserves the right to waive, in whole or in part, Condition (b). For the avoidance with doubt, Conditions (a) and (c) cannot be waived.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke Conditions (b) or (c) so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke any such Conditions are of material significance to the Offeror in the context of the Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Independent Shareholders should note that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

WARNING: Shareholders and/or potential investors of the Company should note that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

IRREVOCABLE UNDERTAKINGS

On 10 May 2017 (after trading hours), Jia Qing and Noble Core executed the Jia Qing Irrevocable Undertaking and the Noble Core Irrevocable Undertaking respectively in favour of the Offeror, pursuant to which, among other things, each of Jia Qing and Noble Core has irrevocably undertaken to the Offeror to accept the Offer in respect of all the Shares beneficially owned by Jia Qing and Noble Core by no later than 1:00 p.m. on the fifth Business Day after the despatch of this Composite Document and shall not withdraw such acceptance.

As at the Latest Practicable Date, (i) Jia Qing is interested in 150,000,000 Shares, representing approximately 9.33% of the issued share capital of the Company; and (ii) Noble Core is interested in 268,200,000 Shares, representing approximately 16.68% of the issued share capital of the Company, respectively.

Prior to the closing, lapse or withdrawal of the Offer, each of Jia Qing and Noble Core has undertaken, among other things, not to sell or transfer or otherwise dispose of (or permit any such action to occur in respect of) any interest in any Shares held by Jia Qing and Noble Core.

INFORMATION ON THE GROUP

Principal activities

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the GEM. The Group is principally engaged in the manufacturing of various types of candies in PRC which include jelly drops candies, aerated candies, hard candies and chocolate-made products.

Financial Information

Set out below is a summary of the financial information of the Group for the three financial years ended 31 December 2016, 2015 and 2014, which is extracted from the annual reports of the Company for the two financial years ended 31 December 2016 and 2015, and the three months ended 31 March 2017, which is extracted from the first quarterly results report of the Company for the three months ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

	For the three months ended 31 March 2017	**For the year ended 31 December**		
		2016	**2015**	**2014**
	(unaudited)	(audited)	(audited)	(audited)
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue	11,471	75,757	81,224	70,159
Profit/(loss) before taxation	(5,124)	(2,127)	(187)	6,842
Profit/(loss) after taxation and attributable to owners of the Company	(5,366)	(3,291)	(4,886)	2,016

The audited consolidated total equity of the Group was approximately RMB83,621,000, RMB86,492,000 and RMB46,991,000 as at 31 December 2016, 2015 and 2014, respectively.

Further details of the financial information of the Group are set out in Appendix II to this Composite Document.

Shareholding structure of the Company

As at the Latest Practicable Date, there were 1,608,000,000 Shares in issue, details of which are set out in the section headed "Share capital of the Company" in Appendix III to this Composite Document.

The shareholding structure of the Company as at the Latest Practicable Date was as follows:

Shareholders	As at the Latest Practicable Date	
	No. of Shares	*%*
Jia Qing	150,000,000	9.33
Noble Core	268,200,000	16.68
Sub-total	**418,200,000**	**26.01**
Public Shareholders	1,189,800,000	73.99
Total	**1,608,000,000**	**100.00**

As at the Latest Practicable Date, the Company has no outstanding options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

As stated in the "Letter from Somerley Capital", the Offeror intends to continue the existing businesses of the Group.

Subject to the close of the Offer, the Offeror is in the process of reviewing the financial position and operations of the Group in order to formulate a long-term strategy for the Group and explore other business, investment and/or acquisition opportunities for enhancing its future development and strengthen its revenue bases.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change of the Board composition as detailed in the section sub-headed "Proposed change to the Board composition of the Company" below) or to dispose of, redeploy or re-allocate the Group's fixed assets which are not in the ordinary and usual course of business of the Group.

Proposed change to the Board composition of the Company

As stated in the "Letter from Somerley Capital", it is intended that all existing Directors will resign after the Closing Date and with effect only after the earliest time permitted under the Takeovers Code. Upon closing of the Offer, the Offeror intends to nominate new Directors to the Board with effect only after the earliest time permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors.

Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcements will be made as and when appropriate.

The Board is aware of the Offeror's intention regarding the Group and its employees and the proposed change of Board composition, and is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

Maintaining the listing status of the Company

As stated in the "Letter from Somerley Capital", the Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the GEM. The Offeror will undertake to the Stock Exchange to take appropriate steps after the close of the Offer to ensure that not less than 25% of the total number of issued Shares will continue to be held by the public at all times.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the total number of issued Shares, are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the Shares; or

(ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

Your attention is drawn to the section sub-headed "Information on the Offeror" in the "Letter from Somerley Capital" for information on the Offeror.

COMPULSORY ACQUISITION

As stated in the "Letter from Somerley Capital", the Offeror does not intend to exercise any right which may be available to it under the provisions of the laws of the Cayman Islands to compulsorily acquire any outstanding Offer Shares not acquired pursuant to the Offer after the close of the Offer.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" as set out on pages 22 to 23 of this Composite Document, which contains its recommendations to the Independent Shareholders in respect of the Offer, and (ii) the "Letter from the Independent Financial Adviser" as set out on pages 24 to 39 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,
By order of the Board
China Candy Holdings Limited
Xu Jinpei
Chairman

CHINA CANDY HOLDINGS LIMITED
中國糖果控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8182)

22 June 2017

To the Independent Shareholders,

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFER BY SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF EVER MAPLE FLAVORS AND FRAGRANCES HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF CHINA CANDY HOLDINGS LIMITED

We refer to Composite Document dated 22 June 2017 issued jointly by the Offeror and the Company of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to give recommendations to the Independent Shareholders as to whether, in our opinion, the terms of the Offer is fair and reasonable so far as they are concerned and as to the acceptance of the Offer. Akron has been appointed as the Independent Financial Adviser to advise us in this respect. Detail of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the "Letter from the Independent Financial Adviser" on pages 24 to 39 of the Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from Somerley Capital" and the additional information set out in the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders.

RECOMMENDATIONS

Having considered the terms of the Offer and the advice from Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the "Letter from the Independent Financial Adviser", we concur with the view of the Independent Financial Adviser and consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendations, the Independent Shareholders are reminded that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Chu Wai Wa Fangus	**Mr. Chiu Sai Chuen Nicholas**	**Mr. Ong King Keung**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, and is prepared for inclusion in this Composite Document.

Akron Corporate Finance Limited
亚贝隆资本有限公司

22 June 2017

To: The Independent Board Committee

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER BY SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF EVER MAPLE FLAVORS AND FRAGRANCES HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF CHINA CANDY HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 22 June 2017 jointly issued by the Offeror and the Company to the Independent Shareholders of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 12 May 2017, the Offeror and the Company jointly announced that Somerley Capital will, for and on behalf of the Offeror, make the Offer.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising of all independent non-executive Directors, namely, Mr. Ong King Keung, Mr. Chu Wai Wa Fangus and Mr. Chiu Sai Chuen Nicholas, has been established by the Board to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

We, Akron Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the existing engagement in connection with the Offer, we do not and did not have any relationship (business, financial or otherwise) amounted to a significant connection (as referred to in Rule 2.6 of the Takeovers Code) with the Company or the Offeror within the past two years for us of a kind necessary likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the management of the Company. We have assumed that all information and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continue to be true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material change in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinions and recommendations. The Directors have declared in a responsibility statement set out in the Appendix III to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and the parties acting in concert with it). We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinions, we have not considered the tax implication on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as at the Latest Practicable Date. The Independent Shareholders will be informed should there be any material changes to the information contained or referred to herein and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinions expressed herein which may come or be brought to our attention after the end of the period for the acceptance of the Offer. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Offer, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the Independent Board Committee solely in respect of the Offer and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS CONSIDERED

In giving our recommendation to the Independent Board Committee in respect of the Offer, we have taken into consideration the following factors and reasons:

1. The Offer

Pursuant to Composite Document, the Offer is made by Somerley Capital, for and on behalf of the Offeror, on the following basis:

For each Offer Share . . . . HK$0.3565 in cash

The Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date. Any dividends or other distributions the record date of which is before the Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

As at the Latest Practicable Date, there are 1,608,000,000 Shares in issue, and the Offeror and the parties acting in concert with it are not interested in any Share (other than as a result of the execution of the Irrevocable Undertakings). Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

2. General information of the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the GEM. The Group is principally engaged in the manufacturing of various types of candies in the PRC which include jelly drops candies, aerated candies, hard candies and chocolate-made products.

3. Financial information of the Group

Set out below is a summary of the financial information of the Group for the two financial years ended 31 December 2015 and 2016 as extracted from the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"):

	For the year ended 31 December	
	2016	**2015**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Revenue	75,757	81,224
Gross profit	15,983	20,466
Loss for the year and attributable to shareholders	(3,291)	(4,886)

For the year ended 31 December 2016 (the "**FY2016**"), revenue dropped by approximately 6.7% as compared to the year ended 31 December 2015 (the "**FY2015**"). As revealed in the 2016 Annual Report, such decrease was mainly due to the drop in the sales to some of the Group's main customers in South East Asia. According to the 2016 Annual Report, South East Asia and China are the two largest geographical market of the Group in terms of revenue. Revenue contributed by the aforesaid two region shrank from approximately RMB70.0 million in FY2015 to approximately RMB60.3 million in FY2016. As advised by the management of the Company, we understand that the drop in sales was mainly caused by the sluggish growth rate of the Chinese economy and the keen competitive environment in particularly in South East Asia.

The gross profit for FY2016 decreased by approximately 21.9% as compared to FY2015. The gross profit margin decreased from approximately 25.2% in FY2015 to approximately 21.1% in FY2016, which is mainly due to (i) the lowered selling price from the intense competition of the Group's competitors in Philippines; (ii) reduction in gross profit margin for orders in the European and American market segments in order to capture new market share and entice new customers; and (iii) rising raw materials costs faced by the Group during the last quarter of 2016.

Despite there is a decrease in loss for the year by approximately 32.6% from approximately RMB4.9 million in FY2015 to approximately RMB3.3 million in FY2016, the Group continued to be loss-making. In FY2015, the Group recognized non-recurring listing expenses of approximately RMB10.8 million. In FY2016, the reduction in loss for the year was mainly attributable to the absence of the listing expenses but was partially offset by (i) decrease in revenue and gross profit due to weaker market sentiment and higher raw material costs; and (ii) decrease in other income of approximately RMB4.5 million mainly due to decrease in government grants and subsidies. As the absence of the listing expenses is not related to the business operations of the Company, it is uncertain whether the Group will continue to record reduction in loss going onward.

4. Prospects of the Group

As stated in the 2016 Annual Report, the Group has to face fierce competition from other candies manufacturer. Upon discussion with the Directors, we are given to understand that the Group has to cope with various challenges in its operation in a competitive business environment stemming from (i) increasing health awareness of consumers; (ii) inflating market price of raw materials; and (iii) stringent food safety law and standards.

(i) Increasing health awareness of consumers

As stated in World Health Organization's (**"WHO"**) global status report on non-communicable diseases (**"NCDs"**) in 2014, 11% of men and 15% of women aged 18 years and older were obese from figures in 2014 and more than 42 million children under the age of 5 years were overweight in 2013. WHO indicated that excessive consumption in sugar was one of the elements causing overweight and obesity globally and approximately 9% of the global population suffered from diabetes in 2014. WHO published a guideline on sugars intake for adults and children in 2015 (the **"Guideline"**), which stated that a high level of free sugars intake is of concern, because of its association with poor dietary quality, obesity and risk of NCDs. According to the Guideline, WHO recommended a reduced intake of free sugars.

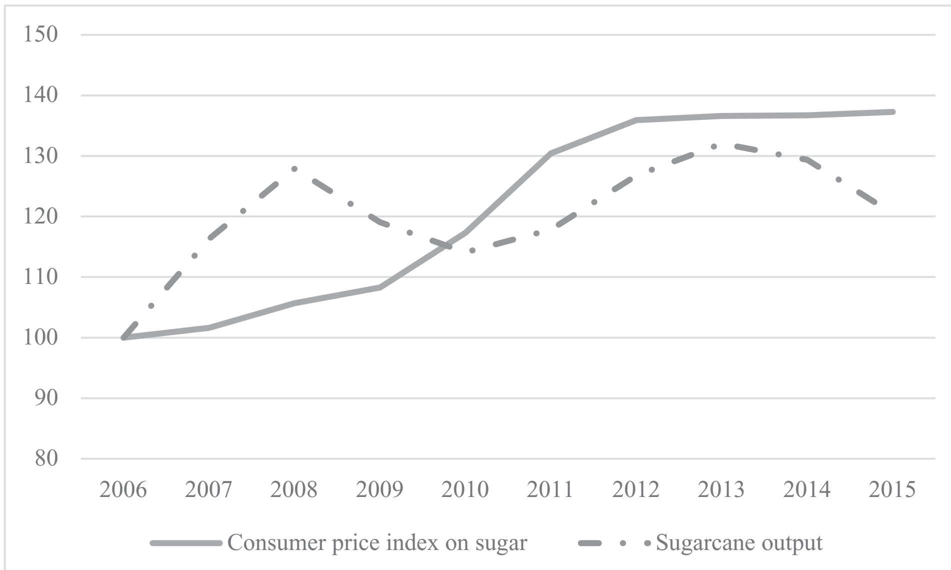
The PRC government also raised public attention towards lower consumption of sugar. The National Health and Family Planning Commission of the PRC has launched a series of activities to strengthen the health education and have released a Chinese Residents' Dietary Guidelines (2016)（中國居民膳食指南(2016)) on 13 May 2016 to promote the balance of diet such as recommended amount of sugar intake. Furthermore, the Communist Party of China Central Committee and the State Council has published "Heathy China 2030" Plan（「健康中國2030」規劃綱要）on 25 October 2016 in order to promote healthy lifestyles.

In light of the aforesaid, with the rising health awareness of the public coupled with the efforts made by the PRC government in promoting a healthier lifestyles and balanced diets, it will influence customers' preferences in choosing confectionary and/ or daily products with less containment of sugar related ingredients. It may result in a transition in consumer preferences towards confectionary products.

(ii) Inflating market price of raw materials

As stated in the 2016 Annual Report, the Group encountered rising raw material costs since the last quarter in 2016. Sugar is a major raw material for the Group's candy products. With reference to the statistics published by Guangxi Sugar（廣西糖網）, sugar price index surged from 6,602 on 11 October 2016 to 6,999 on 30 December 2016, representing a growth rate of approximately 6% during the last quarter in 2016.

The sugar price index attained a peak at 7,227 on 2 December 2016. According to statistics from National Bureau of Statistics of the PRC, sugar price index increased from 2006 to 2015 with a compound annual growth rate of approximately 3.6%. The chart below illustrates the increase of consumer price index ("**CPI**") of sugar, with reference to data from National Bureau of Statistics of the PRC from 2006 to 2015, assuming a base price of 100 in 2006.



As further stated in the 2016 Annual Report, the Group experienced supply deficit of sugar relative to demand in 2016 and it is expected to continue in 2017. According to the Chinese Agricultural Supply and Demand Estimates Report (Issue no.11 – May 2017) published by the Market Early Warning Expert Committee（農業部市場預警專家委員會）of the Ministry of Agriculture of the PRC（中華人民共和國農業部）, the deficit of sugar amounted to approximately 2.9 million tons for the year ended September 2016, with an estimate of deficit of approximately 2.3 million tons and approximately 1.1 million tons for the two years ending September 2017 and September 2018 respectively. In view of anticipated supply deficit of sugar in the coming two years, sugar price level may continue to increase.

(iii) Stringent food safety law and standards

The confectionery industry will be subject to more stringent food safety law and standards. The revised Food Safety Law of the PRC（中華人民共和國食品安全法）(the "**Food Safety Law**"), which became effective on 1 June 2009, promulgated on 24 April 2015 and enacted on 1 October 2015, which is intended to strengthen the regulation of food companies in the PRC. Packaged food processors are required to follow more stringent quality control and food safety standards under the Measures for the Administration of the Routine Supervision and Inspection of the Food Production and Operation（食品生產經營日常監督檢查管理辦法）(the "**Measures**"), which became effective on 1 May 2016. The Measures are intended to restrict usage of food additives, chemicals and tightened supervision of food quality control and food safety. Any failure to comply with any of the Food Safety Law, other food safety and hygiene laws and regulations in the PRC may result in civil liabilities such as fines, suspension of operations, loss of licenses and even criminal proceedings.

Given the implementation of stricter laws and regulations in relation to food safety, it may adversely affect the growth to food manufacturing industry in the PRC. In addition, in order to comply with the applicable laws, extra time and effort will be required from the Group to optimize the internal standards and procedures throughout its entire candy manufacturing process, such as procurement of raw materials, productions process to finished products and quality inspection procedures, that may translate into additional production and operating costs to the Group.

In light of the challenges as discussed above, with (i) increasing health awareness of consumers; (ii) inflating market price of raw materials; and (iii) stringent food safety law and standards, we consider that in the course of the Group's business development in a competitive environment, it will be uncertain whether the Group will be able to maintain its competitiveness and to shuffle its product mix as to satisfy the ever-changing customer preference on a timely fashion while maintaining cost efficiency without eroding its profit margin. In view of the foregoing, it may cast uncertainties to the prospects and future performance of the Group.

5. Information of the Offeror

Set out below is the key information of the Offeror as extracted from the "Letter from Somerley Capital" under the section headed "Information of the Offeror" of the Composite Document:

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and its sole ultimate beneficial owner is Ms. Zong. Ms. Zong is a PRC national. She has over 10 years of experience in the food and beverage business. Ms. Zong is the chairwoman and chief executive officer of Hangzhou Hongsheng Beverage Co., Ltd.（宏勝飲料集團有限公司）("**Hongsheng**"). Established in 2003, Hongsheng is based in Hangzhou, China, with sales across the PRC. Hongsheng is a beverage producer with an annual turnover of approximately RMB5 billion. As at the Latest Practicable Date, Ms. Zong is the sole director of the Offeror.

6. Intentions of the Offeror in relation to the Group

Set out below is the Offeror's intentions in relation to the Group as extracted from the "Letter from Somerley Capital" under the section headed "Intentions of the Offeror in relation to the Group" of the Composite Document:

The Offeror intends to continue the existing businesses of the Group. Subject to the close of the Offer, the Offeror is in the process of reviewing the financial position and operations of the Group in order to formulate a long-term strategy for the Group and explore other business, investment and/or acquisition opportunities for enhancing its future development and strengthening its revenue bases.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change of the Board composition as set out in the "Letter from Somerley Capital" under the section sub-headed "Proposed change to the board composition of the Company", which is extracted below) or to dispose of, redeploy or re-allocate the Group's fixed assets which are not in the ordinary and usual course of business of the Group.

Proposed change to the board composition of the Company

It is intended that all existing Directors will resign after the Closing Date and with effect only after the earliest time permitted under the Takeovers Code. Upon closing of the Offer, the Offeror intends to nominate new Directors to the Board with effect only after the earliest time permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors.

Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcements will be made as and when appropriate.

Maintaining the listing status of the Company

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the GEM. The Offeror will undertake to the Stock Exchange to take appropriate steps after the close of the Offer to ensure that not less than 25% of the total number of issued Shares will continue to be held by the public at all times.

7. The Offer Price

Offer Price comparison

The Offer Price of HK$0.3565 represents:

(a) a discount of approximately 31.44% to the closing price of HK$0.520 per Share as quoted on the Stock Exchange on 10 May 2017, being the Last Trading Day;

(b) a discount of approximately 14.92% to the average closing price of approximately HK$0.419 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 13.89% to the average closing price of approximately HK$0.414 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

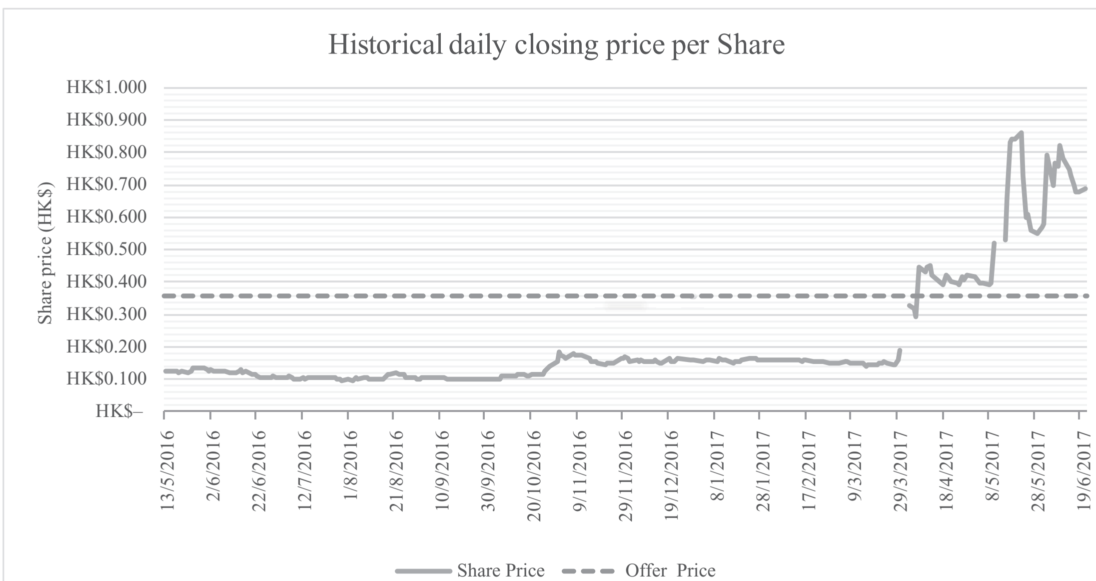
(d) a premium of approximately 2.94% over the average closing price of approximately HK$0.346 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 48.33% to the closing price of HK$0.690 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately 507.91% over the audited consolidated net asset value of approximately HK$0.059 per Share as at 31 December 2016 (based on the audited consolidated net asset value of the Group as at 31 December 2016 of approximately HK$94,299,402 and 1,608,000,000 Shares in issue as at the Latest Practicable Date).

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 13 May 2016 (being the 12-month period prior to date of the Joint Announcement) up to the Latest Practicable Date (the "**Review Period**", which is commonly used for analysis purpose), to illustrate the general trend and level of movement of the closing prices of the Shares.



Source: The Stock Exchange website (www.hkex.com.hk)

As shown in the chart above, during the Review Period, the closing prices of the Shares were traded in the range of HK$0.096 to HK$0.860 with average closing price of approximately HK$0.210. The Offer Price of HK$0.3565 represents a premium of approximately 271.4% over the lowest closing price, a discount of approximately 58.5 % to the highest closing price and a premium of approximately 69.8% over the average closing price during the Review Period. Trading of shares were halted for two periods during the Review Period: (i) from 1 p.m. on 30 March 2017 to 31 March 2017, pending release of the announcement of the Company in relation to the possible voluntary offer made pursuant to Rule 3.7 of the Takeovers Code (the "**R3.7 Announcement**"); and (ii) 11 May 2017 to 12 May 2017, pending publication of the Joint Announcement.

For the period from 13 May 2016 to 30 March 2017 (the "**Pre R3.7 Announcement Period"**), i.e. prior to publication of R3.7 Announcement, closing prices of the Shares were relatively stable and fluctuated between HK$0.096 and HK$0.188 with average closing price of approximately HK$0.133. The Offer Price is at a level above the closing price of the Shares and represents a premium of approximately 271.4% over the lowest closing price, approximately 89.6% over the highest closing price and approximately 168.0% over the average closing price during the Pre R3.7 Announcement Period.

With the Shares resumed trading on 3 April 2017 after publication of R3.7 Announcement on 31 March 2017, closing prices surged from HK$0.188 on 30 March 2017 to HK$0.330 on 3 April 2017. During 3 April 2017 to 10 May 2017, being a period subsequent to publication of the R3.7 Announcement and prior to publication of the Joint Announcement, closing prices of the Shares fluctuated between HK$0.295 and HK$0.520. The first quarterly results for the three months ended 31 March 2017 (the "**First Quarterly Results**") was published after trading hour on 9 May 2017, and the closing price per Share on 10 May 2017 increased to HK$0.520 from HK$0.395 on 9 May 2017. The aforesaid increase in prices of the Shares may be attributable to the market reaction on the R3.7 Announcement and the First Quarterly Results.

For the period from 15 May 2017 to the Latest Practicable Date, i.e. after publication of the Joint Announcement, the closing prices of the Shares attained a peak at HK$0.860 on 22 May 2017 during the Review Period. We have discussed with the management of the Company regarding the possible reasons for the surge in the Share price after publication of the Joint Announcement and were advised that save for the Offer, they were not aware of any matters which might have impact on the Share price. We consider that such increase after release of the Joint Announcement may due to market speculation on the takeover and further development of the Group after a change in control. We note that the Offeror intends to continue with the Group's existing principal business. In the event that the Group cannot explore new drivers for its business and the operation remain unchanged, the market may reverse its view on the prospects of the Group and the Share price may react accordingly.

Therefore, there is no assurance that the closing price of the Shares will continue to rise or maintain at a level equal to or above the Offer Price after the Latest Practicable Date or after closing of the Offer. Accordingly, we consider the price trend prior to the R3.7 Announcement more appropriately reflects the fundamentals of the Group.

We also note that the closing prices of the Shares remained stable at a price level below the Offer Price for most of the time during the Review Period (over 80% of the total number of trading days).

Given that (i) the average closing price of the Shares in the Review Period is lower than the Offer Price; and (ii) the recent surge in trading price is only higher than the Offer Price after the release of the R3.7 Announcement and the Joint Announcement, there is no guarantee that the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month (the "**Average Volume**"), and the respective percentages of the Average Volume as compared to the total number of issued Shares as the Latest Practicable Date during the Review Period are tabulated as below:

Month	**Number of trading days in each month**	**Total Trading Volume** *in Shares*	**Average Volume** *in Shares*	**Percentage of the Average Volume to total number of issued Shares as at the end of each respective month** *(Notes 1 & 2)* %
2016				
13 May to 31 May	13	35,830,000	2,756,153	0.21
June	21	429,820,000	20,467,619	1.53
July	20	38,230,000	1,911,500	0.14
August	22	484,600,000	22,027,272	1.64
September	21	249,880,000	11,899,047	0.89
October	19	375,174,900	19,746,047	1.47
November	22	247,650,000	11,256,818	0.84
December	20	435,590,000	21,779,500	1.63
2017				
January	19	174,420,000	9,180,000	0.69
February	20	178,620,000	8,931,000	0.67
March *(Note 3)*	22	161,020,000	7,319,090	0.46
April	17	2,845,840,000	167,402,352	10.41
May *(Note 4)*	18	2,589,186,506	143,843,694	8.95
June (up to and including the Latest Practicable Date)	13	1,411,649,500	108,588,423	6.75

Source: the Stock Exchange website (www.hkexnews.com.hk)

Notes:

1. The calculation is based on the Average Volume divided by the total number of issued Shares at the end of each month during the Review Period (or at the Latest Practicable Date for June 2017).

2. The total number of issued Shares based on the issued Shares as disclosed in the monthly return of movements in securities of the Company of each respective month.

3. Trading in Shares was suspended from 30 March 2017 at 1:00 p.m. to 31 March 2017 (both days inclusive).

4. Trading in Shares was suspended from 11 May 2017 to 12 May 2017 (both days inclusive).

As set out in the table above, during the Pre R3.7 Announcement Period, the average daily trading volume ranged from approximately 1,911,500 Shares to approximately 22,027,272 Shares, representing approximately 0.14% to 1.64% of the total number of issued Shares at the end of each respective month. During the Pre R3.7 Announcement Period, we note that the average daily trading volume of the Shares is relatively high in June 2016 at 1.53%, August 2016 at 1.64% and December 2016 at 1.63%. We note that there was disposal in shareholding by substantial shareholders in each of these months which may possibly lead to market reaction and the increase in trading volume in these months. Save for the aforesaid, the historical trading volume of the Shares was relatively thin during the Pre R3.7 Announcement Period.

We note that the Average Volume of the Shares surged immediately after the publication of the R3.7 Announcement in April 2017. We believe that the significant increase in trading volume of the Shares in April 2017 was likely due to the market reaction to the possibility of the Offer as disclosed in the R3.7 Announcement.

Following publication of R3.7 Announcement, during the period from 3 April 2017 (being the first trading day after the publication of the R3.7 Announcement) to the Latest Practicable Date (the "**Post R3.7 Announcement Period**"), we note that the trading volume of Shares tends to be more active and the Average Volume of the Shares was in the range of approximately 6.75% to 10.41%. We were made aware by the Directors that, save for the publication of the R3.7 Announcement, the First Quarterly Results and the Joint Announcement, the management is not aware of any particular reason for the relatively high trading volume during the Post R3.7 Announcement Period.

Although the trading volume of the Shares tended to be active during the Offer Period, the sustainability of the recent growth of the trading volume of the Shares after the Offer Period is uncertain.

Given that the trading volume of the Shares has been very thin during the majority period of the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the price of the Shares.

Having taken into account that there is no assurance that the Share price will sustain at a level above or close to the Offer Price after the Closing Date, we are of the view that the Independent Shareholders (particularly for those who hold a large volume of the Shares) may not be able to realise their investments in the Shares at a price higher than or close to the Offer Price, in particular when they are going to dispose of their entire holdings. We, therefore, consider that the Offer provides an exit alternative with the Offer Price being fair and reasonable for the Independent Shareholders who would like to realise their investments in the Shares.

Comparison with other comparable companies

We note that the trading multiples analysis, such as price to earnings ratio ("**PER**"), price to book ratio ("**PBR**") and price to sales ratio ("**PSR**"), is a commonly adopted valuation method in the market. Given that the Group was loss making for year ended 31 December 2016, we consider the PER analysis is inapplicable. Therefore, to assess the fairness and reasonableness of the Offer Price, we have performed the PSR and PBR analysis.

We note that the Group only has one operating segment, being manufacture and sales of candies products. We have searched for the companies listed in Hong Kong which are engaged in similar line of business as the Group. However, we cannot identify any listed company which is principally engaged in manufacture and sales of candies products for deriving majority of revenue. Taking into account the nature of and the uniqueness of the businesses of the Group, in our comparison, we have extended the selection criteria of the comparable companies to those which (i) are engaged in manufacturing and sales in confectionary products; and (ii) derive a majority of their turnover (over 50% of turnover) from manufacture and sales of confectionary products. Given the unique business nature of the Group, we consider that selecting comparable companies based on market capitalisation would be too limited in forming a fair list to assess the Offer Price. In order to provide a relatively more meaningful sample size for comparison of the Offer Price, we select those companies which engage in businesses similar to that of the Group where fundamentals of those comparable companies and the Group are in general affected by similar macroeconomic factors including, but not limited to, global economy and outlook, prices of raw materials and demand from customers. We have identified seven companies (the "**Comparables**") that fall into the abovementioned selection criteria. We consider that the Comparables are fair and representative samples for comparison purpose and represent an exhaustive list of relevant comparable companies based on the said criteria and is sufficient for assessing the fairness and reasonableness of the Offer Price.

Set out below are the PSRs and PBRs of the Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Company name (Stock code)	Principal business	Year end date	Market capitalization as at the Latest Practicable Date	PSR	PBR
			Approximately HK$'000	*(Note 1)*	*(Note 2)*
Want Want China Holdings Limited (151)	Manufacturing, distribution and sales of food and beverages	31 December 2016	66,825,423	3.00	4.82
Four Seas Mercantile Holdings Limited (374)	Investment holding, manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, ham and ham-related products, and the operations of restaurants	31 March 2016	1,302,633	0.44	0.97
Christine International Holdings Limited (1210)	Production and sales of bakery products in the PRC	31 December 2016	500,043	0.48	0.67
Labixiaoxin Snacks Group Limited (1262)	Manufacturing and sale of jelly products, confectionary products, beverages products and other snacks products in the PRC	31 December 2016	524,946	0.52	0.41
Jiashili Group Limited (1285)	Manufacturing and sales of biscuits in the PRC	31 December 2016	933,750	0.75	1.37
Qinqin Foodstuffs Group (Cayman) Company Limited (1583)	Manufacturers of jelly products in the PRC and a national producer of crackers and chips, seasoning products, and bakery, confectionery and other products.	31 December 2016	1,132,158	1.02	1.48
Dali Foods Group Company Limited (3799)	Manufacture and sale of food and beverage in Mainland China	31 December 2016	61,623,529	3.06	3.93

Company name (Stock code)	Principal business	Year end date	Market capitalization as at the Latest Practicable Date	PSR	PBR
			Approximately HK$'000	*(Note 1)*	*(Note 2)*
		Maximum		**3.06**	**4.82**
		Minimum		**0.44**	**0.41**
		Average		**1.32**	**1.95**
The Offer			**573,252** *(Note 3)*	**6.70** *(Note 4)*	**6.07** *(Note 5)*

Notes:

1. The PSRs of the Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by their latest full year revenue as extracted from their respective latest published annual results.

2. The PBRs of the Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by their latest net assets value attributable to shareholders as extracted from their respective latest published annual results or interim results (as the case may be).

3. Calculated based on the Offer Price of HK$0.3565.

4. The implied PSR of the Offer was calculated based upon the Offer Price multiplied by total number of issued Shares of 1,608,000,000 as at the Latest Practicable Date and then divided by the revenue of the Group of approximately RMB75,757,000 for the year ended 31 December 2016 as extracted from the 2016 Annual Report.

5. The implied PBR of the Offer was calculated based upon the Offer Price multiplied by total number of issued Shares of 1,608,000,000 as at the Latest Practicable Date and then divided by net asset value of the Group attributable to shareholders of approximately RMB83,621,000 as at 31 December 2016 as extracted from the 2016 Annual Report.

As depicted from the above table, the PSRs of the Comparables ranged from approximately 0.44 times to approximately 3.06 times, with an average of approximately 1.32 times. Accordingly, the implied PSR of the Offer of approximately 6.70 times is above the upper end of the range of the PSRs of the Comparables.

In addition, the PBRs of the Comparables ranged from approximately 0.41 times to approximately 4.82 times, with an average of approximately 1.95 times. Accordingly, the implied PBR of the Offer of approximately 6.07 times is above the upper end of the range of the PBRs of the Comparables.

Having considered that both of the implied PSR and PBR of the Offer are above the respective upper end of the range of the PSRs and PBRs of the Comparables, we consider that the Offer Price is fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

(i) as mentioned in the section headed "Financial information of the Group" of this letter, the Group has been loss making for the past financial years since the financial year ended 31 December 2015 and as mentioned in the section headed "Prospects of the Group" of this letter, prospects of the Group are uncertain;

(ii) the Offer Price of HK$0.3565 is higher than the average closing prices of the Shares as quoted on the Stock Exchange during the Review Period;

(iii) the surge in price of the Shares after publication of the R3.7 Announcement may due to market speculation, there is no guarantee that the Share price will sustain at a level above or close to the Offer Price after the Closing Date;

(iv) disposal of large block of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading volume of the Shares; and

(v) both the implied PSR and PBR of the Offer are above the upper end of the range the Comparables,

we consider that the terms of the Offer are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

We would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds received from the disposal of Shares exceed the net amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Company should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Company after the close of the Offer. Further terms and conditions of the Offer are set out in the "Letter from Somerley Capital" and Appendix I to the Composite Document.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director

1. PROCEDURES FOR ACCEPTANCE

(a) If you accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Offer.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares, the duly completed and signed Form of Acceptance should be sent, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "China Candy Offer" on the envelope, in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

(c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares in full or in part, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Offer on your behalf on or before the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, you should check your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Offer Shares have been lodged with your investor participant stock account with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system on or before the deadline set out by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to the Offeror and/or Somerley Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are not readily available or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code), and the Registrar has recorded that the Form of Acceptance and any relevant documents as required under this paragraph have been so received and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or

(ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) certified by the Registrar or the Stock Exchange.

(g) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(h) Seller's ad valorem stamp duty for transfer of Offer Shares arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. An amount equivalent to the aforesaid stamp duty will be deducted from the cash amount payable by the Offeror to such Independent Shareholder who accepts the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(j) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

(k) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.

(l) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, Somerley Capital, or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.

(m) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

2. ACCEPTANCE PERIOD AND REVISION

(a) Unless the Offer has previously been revised or extended with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance and the Offer will close on the Closing Date.

(b) The Offeror and the Company will jointly issue an announcement in accordance with the GEM Listing Rules through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended or revised or has expired.

(c) If the Offer is extended, the announcement of such extension will state the next Closing Date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

(d) If, in the course of the Offer, the Offeror revise the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.

(e) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

3. ANNOUNCEMENT

(a) By 6:00 p.m. on a Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website in accordance with the requirements of the GEM Listing Rules by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended, has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects).

Such announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptance of the Offer has been received;

(ii) the total number of Shares and rights over Shares, held, controlled or directed by the Offeror or the parties acting in concert with it before the commencement date of the Offer Period;

(iii) the total number of Shares and rights over shares acquired or agreed to be acquired by the Offeror or the parties acting in concert with it during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or the parties acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold; and

(v) the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of shares.

(b) In computing the total number of Shares represented by acceptances, acceptances may only be included where they fulfill the acceptance conditions under paragraphs (1)(f) and (1)(g) of this Appendix.

(c) As required under the Takeovers Code and the GEM Listing Rules, any announcement in relation to the Offer will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.holeywoodfood.com).

4. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfilment of the Conditions set out in the "Letter from Somerley Capital" in this Composite Document and being declared unconditional in all respects. Acceptance of the Offer tendered by Shareholders, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (a) and (b) below:

(a) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its consent after 21 days from the first Closing Date (being, 3 August 2017) if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar;

(b) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed "3. Announcement" above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

5. SETTLEMENT

(a) If you accept the Offer, provided that the accompanying Form of Acceptance, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar of all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional in all respects. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's Form of Acceptance at his/her/its own risk.

(b) Settlement of the consideration to which any accepting Independent Shareholders is entitled under the Offer will be implemented by the Offeror in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholders.

(c) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

6. OVERSEAS INDEPENDENT SHAREHOLDERS

The Offeror intends to make the Offer available to all Independent Shareholders, including those who are residents outside Hong Kong. As the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdictions, Overseas Independent Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer.

It is the responsibility of the Overseas Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions).

The Offeror and the parties acting in concert with it, the Company, Somerley Capital, Akron, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Independent Shareholders for any taxes they may be required to pay.

Acceptance of the Offer by any Overseas Independent Shareholders will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

7. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

8. TAX IMPLICATIONS

None of the Offeror and the parties acting in concert with it, the Company, Somerley Capital, Akron, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any other person involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications. Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror and the parties acting in concert with it, the Company, Somerley Capital, Akron, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, advisers, associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

9. GENERAL

(a) All communications, notices, the Form of Acceptance, share certificates, transfer receipts, any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders at their addresses, in the case of Shareholders, specified on the relevant Form of Acceptance. None of the Offeror and the parties acting in concert with it, the Company, Somerley Capital, Akron, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, agents, associates or any other person involved in the Offer, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result.

(b) If no number of Shares is specified in the Form of Acceptance or the number of shares specified by the acceptor in the Form of Acceptance is greater than the number of Shares registered in the name of the acceptor as holder or the number of Shares represented by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) that are forwarded by the acceptor to the Registrar, the Form of Acceptance will be returned to the acceptor for correction. Any corrected Form of Acceptance must be re-submitted and received by the Registrar on or before the latest time of acceptance of the Offer in order for it to be counted towards fulfilling the acceptance condition.

(c) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Somerley Capital, Akron and the Company that the Shares acquired under the Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date.

(d) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.

(e) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(f) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(g) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an Independent Shareholder will constitute such Independent Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.

(h) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Somerley Capital (or such person or persons as the Offeror and/or Somerley Capital may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in either the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.

(i) The Offer is made in accordance with the Takeovers Code.

(j) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.

(k) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, Somerley Capital, or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.

(l) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the financial information of the Group for the three financial years ended 31 December 2014, 2015 and 2016, which is extracted from the annual reports of the Company for the two financial years ended 31 December 2015 and 2016, and the three months ended 31 March 2017, which is extracted from the first quarterly results report of the Company for the three months ended 31 March 2017.

The auditor's report issued by HLB Hodgson Impey Cheng Limited in respect of the Group's audited consolidated financial statements for the three financial years ended 31 December 2014, 2015 and 2016 did not contain any qualifications. No dividend was declared or paid by the Group and the Group did not have any items which were exceptional because of size, nature or incidence recorded in the financial statements of the Group for the three financial years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2017.

	For the year ended 31 December			For the three months ended 31 March
	2014	**2015**	**2016**	**2017**
	(audited)	(audited)	(audited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	70,159	81,224	75,757	11,471
Cost of sales	(51,334)	(60,758)	(59,774)	(9,562)
Gross profit	18,825	20,466	15,983	1,909
Other income and loss	3,231	5,883	1,383	(3,143)
Distribution and selling expenses	(1,528)	(1,793)	(2,755)	(340)
Administrative expenses	(5,058)	(9,801)	(13,542)	(2,586)
Listing expenses	(3,699)	(10,756)	–	–
Finance costs	(4,929)	(4,186)	(3,196)	(964)
(Loss)/profit before tax	6,842	(187)	(2,127)	(5,124)
Income tax expenses	(4,826)	(4,699)	(1,164)	(242)
(Loss)/profit for the year/period and attributable to owners of the Company	2,016	(4,886)	(3,291)	(5,366)
	RMB cents	*RMB cents*	*RMB cents*	*RMB cents*
(Loss)/earnings per share – Basic and diluted	0.19	(0.44)	(0.25)	(0.39)

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

Set out below is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	Notes	*RMB'000*	*RMB'000*
Revenue	*5*	75,757	81,224
Cost of sales		(59,774)	(60,758)
Gross profit		15,983	20,466
Other income	*6*	1,383	5,883
Distribution and selling expenses		(2,755)	(1,793)
Administrative expenses		(13,542)	(9,801)
Listing expenses		–	(10,756)
Finance costs	*7*	(3,196)	(4,186)
Loss before tax		(2,127)	(187)
Income tax expense	*8*	(1,164)	(4,699)
Loss for the year	*9*	(3,291)	(4,886)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		420	213
Other comprehensive income for the year, net of income tax		420	213
Total comprehensive expense for the year attributable to owners of the Company		(2,871)	(4,673)
		RMB cents	*RMB cents*
Loss per share			
– Basic and diluted	*13*	(0.25)	(0.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	14	69,775	67,345
Prepaid lease payments	15	8,577	8,781
		78,352	76,126
Current assets			
Inventories	16	3,978	9,720
Prepaid lease payments	15	204	204
Trade and other receivables	17	32,599	39,375
Amount due from a related party	18	49	27
Pledged bank deposits	19	–	1,200
Cash and bank balances	19	44,889	43,267
		81,719	93,793
Total assets		160,071	169,919
Current liabilities			
Trade and other payables	20	14,657	22,108
Amounts due to related parties	18	2,257	845
Borrowings	21	55,000	55,000
Current tax liabilities		1,441	2,608
		73,355	80,561
Net current assets		8,364	13,232
Total assets less current liabilities		86,716	89,358
Non-current liabilities			
Deferred tax liabilities	22	3,095	2,866
Net assets		83,621	86,492
Capital and reserves			
Share capital	23	11,007	11,007
Reserves	24	72,614	75,485
Total equity		83,621	86,492

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital *RMB'000* *(note 23)*	**Share premium** *RMB'000*	**Other reserves** *RMB'000* *(note 24)*	**Statutory reserve** *RMB'000* *(note 24)*	**Foreign currency translation reserve** *RMB'000* *(note 24)*	**Retained earnings** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2015	–	–	31,444	2,142	24	13,381	46,991
Loss for the year	–	–	–	–	–	(4,886)	(4,886)
Other comprehensive income for the year	–	–	–	–	213	–	213
Total comprehensive expense for the year	–	–	–	–	213	(4,886)	(4,673)
Issuance of new shares	2,198	41,760	–	–	–	–	43,958
Capitalization issue of shares	8,809	(8,809)	–	–	–	–	–
Shares issue expenses	–	(3,669)	–	–	–	–	(3,669)
Deemed capital contribution from the holding company	–	–	3,885	–	–	–	3,885
Statutory reserve appropriation	–	–	–	1,073	–	(1,073)	–
Balance at 31 December 2015	11,007	29,282	35,329	3,215	237	7,422	86,492
Balance at 1 January 2016	11,007	29,282	35,329	3,215	237	7,422	86,492
Loss for the year	–	–	–	–	–	(3,291)	(3,291)
Other comprehensive income for the year	–	–	–	–	420	–	420
Total comprehensive expense for the year	–	–	–	–	420	(3,291)	(2,871)
Statutory reserve appropriation	–	–	–	256	–	(256)	–
Balance at 31 December 2016	11,007	29,282	35,329	3,471	657	3,875	83,621

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	**2015** *RMB'000*
Cash flows from operating activities			
Loss before tax		(2,127)	(187)
Adjustments for:			
Amortization of prepaid lease payments		204	204
Depreciation of property, plant and equipment		3,447	3,126
Impairment losses on trade receivables		284	804
Reversal of impairment losses on trade receivables		(174)	–
Interest income		(28)	(240)
Finance costs recognized in profit or loss		3,196	4,186
Net foreign exchange gains		(129)	(1,266)
		4,673	6,627
Movements in working capital			
Decrease/(increase) in inventories		5,742	(2,230)
Decrease/(increase) in trade and other receivables		7,511	(9,730)
(Increase)/decrease in amount due from a related party		(19)	948
Decrease in trade and other payables		(6,520)	(2,523)
Increase in amounts due to related parties		1,231	835
Cash generated by/(used in) operations		12,618	(6,073)
Income taxes paid		(2,102)	(3,056)
Net cash generated by/(used in) operating activities		10,516	(9,129)
Cash flows from investing activities			
Payments for property, plant and equipment		(5,877)	(4,823)
Interest received		28	240
Net cash used in investing activities		(5,849)	(4,583)

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Proceeds from issue of shares		–	43,958
Interest paid		(3,196)	(4,186)
Payments of transaction costs attributable to issue of new shares		–	(3,669)
Proceeds from deemed capital contribution from the holding company	*24*	–	3,885
Proceeds from borrowings		55,000	60,000
Repayment of borrowings		(55,000)	(65,000)
Net cash (used in)/generated by financing activities		(3,196)	34,988
Net increase in cash and cash equivalents		1,471	21,276
Cash and cash equivalents at the beginning of year		43,267	21,778
Effects of exchange rate changes on the balance of cash held in foreign currencies		151	213
Cash and cash equivalents at the end of year		44,889	43,267
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*19*	44,889	43,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

China Candy Holdings Limited (the "Company") was incorporated in the Cayman Islands on 14 March 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 11 November 2015.

The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sales of candies products.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group's dominated operations are substantially based in the People's Republic of China (the "PRC") and the directors consider that the choice of presentation currency would better reflect the Group's business transactions.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the year, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for financial periods beginning on 1 January 2016.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

The Group is in the process of making an assessment of what the impact of the new or revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognized as at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognized when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e. RMB) using exchange rates prevailing at the end of each of reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In addition, deferred tax liabilities are not recognized if the temporary differences arises from the initial recognition of goodwill.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Value-added tax refundable recognition

Valued-added tax refundable represents the excess of input value-added tax paid over output value-added tax generated from the sale of goods or services by the Group entities. Value-added tax refundable is calculated on a monthly basis and recognized when there is reasonable assurance that the value-added tax refundable will be received from the government.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item (if any).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a related party, pledged bank deposits and cash and bank balances) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reserved through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item (if any).

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related parties and borrowings) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Related parties

A party is considered to be related to the Group if:

(i) the party is a person or a close member of that person's family and that person

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group;

or

(ii) the party is an entity where any of the following conditions applies:

(a) the entity and the Group are members of the same group;

(b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(c) the entity and the Group are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses on trade receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each reporting date.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor behaviours.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the manufacture and sales of candies products.

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the locations of the customers. All specified non-current assets are physically located in the PRC. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment.

	2016	**2015**
	RMB'000	*RMB'000*
Revenue from external customers:		
– China	25,673	29,713
– South East Asia	34,652	40,248
– North America	14,050	10,182
– Europe	482	88
– Others	900	993
	75,757	81,224

Information about major customers

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group are as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Customer A	17,868	18,630
Customer B	14,999	18,543
Customer C	11,036	N/A[1]
Customer D	N/A[1]	10,625

[1] The customer did not contribute over 10% or more to the Group's total revenue in the respective year.

6. OTHER INCOME

	2016	**2015**
	RMB'000	*RMB'000*
Interest income on bank deposits	28	240
Government grants and subsidies *(note)*	797	5,282
Reversal of impairment losses on trade receivables	174	–
Others	384	361
	1,383	5,883

Note: Government grants and subsidies mainly consist of grants and subsidies by local governments in relation to: (i) incentives for the Group's local tax contribution as well as development of the Group's business model and (ii) measures to attract investment in selected industries and participation in business events. The amounts of these grants and subsidies are subject to the discretions of local governments and there are no unfulfilled conditions or contingencies.

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on borrowings	3,196	4,186

8. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax		
– Current year	935	3,732
Deferred tax *(note 22)*:		
– Current year	229	967
Total income tax recognized in profit or loss	1,164	4,699

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
Loss before tax	(2,127)	(187)
Tax at PRC Enterprise Income Tax rate of 25% (note)	(532)	(47)
Tax effect of expenses not deductible for tax purpose	1,478	4,038
Tax effect of income not taxable for tax purpose	(43)	–
Tax effect of tax losses not recognized	21	25
Utilization of tax losses previously not recognized	(49)	(287)
Withholding tax on undistributed profits	229	967
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	60	3
Income tax expense for the year	1,164	4,699

Note: The PRC Enterprise Income Tax rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2016 *RMB'000*	2015 *RMB'000*
Employee benefits expense (including directors' and chief executive's emoluments *(note 10))*:		
Salaries, wages and other benefits	8,965	7,461
Contributions to retirement benefit scheme	667	1,368
Total employee benefits expense *(note)*	9,632	8,829
Auditors' remuneration – audit services	935	892
Cost of inventories recognized as an expense *(note)*	58,350	59,065
Amortization of prepaid lease payments (included in administrative expenses)	204	204
Depreciation of property, plant and equipment *(note)*	3,447	3,126
Net foreign exchange gains	(129)	(1,266)
Operating lease rentals in respect of rented premises	48	14
Impairment losses on trade receivables (included in administrative expenses)	284	804
Reversal of impairment losses on trade receivables	(174)	–

Note: Cost of inventories includes approximately RMB8,322,000 (2015: approximately RMB7,995,000) relating to employees benefits expense and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company for the year were as follows:

		Other emoluments			
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016					
Executive directors *(note i)*:					
Mr. Xu Jinpei ("Mr. Xu")	520	144	–	8	672
Ms. Hong Yinzhi ("Ms. Hong")	520	144	–	8	672
Ms. Li Yuna (Appointed on 30 December 2016)	2	–	–	–	2
Independent non-executive directors *(note ii)*:					
Mr. Ong King Keung (Appointed on 29 February 2016)	108	–	–	–	108
Mr. Chiu Sai Chuen Nicholas	130	–	–	–	130
Mr. Chu Wai Wa Fangus	130	–	–	–	130
Mr. Kwong Ping Man (Resigned on 29 February 2016)	22	–	–	–	22
	1,432	288	–	16	1,736
Year ended 31 December 2015					
Executive directors:					
Mr. Xu	67	144	–	6	217
Ms. Hong	67	144	–	6	217
Independent non-executive directors:					
Mr. Kwong Ping Man (Appointed on 26 October 2015)	17	–	–	–	17
Mr. Chiu Sai Chuen Nicholas (Appointed on 26 October 2015)	17	–	–	–	17
Mr. Chu Wai Wa Fangus (Appointed on 26 October 2015)	17	–	–	–	17
	185	288	–	12	485

Notes:

(i) The directors' fees were for their services as directors of the Company and the other emoluments were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The directors' total emoluments were for their services as directors of the Company.

Ms. Hong is also the chief executive officer of the Company.

Ms. Yvonne Hung is appointed as an executive director of the Company on 2 February 2017.

None of the directors or the chief executive waived or agreed to waive any emoluments during both years.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (2015: two) were directors or the chief executive of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining nil (2015: three) individuals were as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Salaries and other benefits	–	244
Contributions to retirement benefit scheme	–	19
	–	263

Their emoluments were all within nil to HK$1,000,000.

No emoluments were paid by the Group to the directors, the chief executive or the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil).

12. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

	2016	**2015**
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	(3,291)	(4,886)

	2016	**2015**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	1,340,000,000	1,110,134,795

For the years ended 31 December 2016 and 2015, the calculation of basic loss per share attributable to owners of the Company was based on (i) the loss attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the year.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary share in issue during the years ended 31 December 2016 and 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic and other equipment *RMB'000*	Property under construction *RMB'000*	Total *RMB'000*
Cost							
Balance at 1 January 2015	48,056	600	14,813	1,489	2,527	9,842	77,327
Additions	–	–	269	–	54	–	323
Construction expenditure capitalized	–	–	–	–	–	4,500	4,500
Transfer to property, plant and equipment	12,736	–	–	–	–	(12,736)	–
Balance at 31 December 2015 and 1 January 2016	60,792	600	15,082	1,489	2,581	1,606	82,150
Additions	–	–	3,509	891	1,477	–	5,877
Transfer to property, plant and equipment	1,606	–	–	–	–	(1,606)	–
Balance at 31 December 2016	62,398	600	18,591	2,380	4,058	–	88,027
Accumulated depreciation							
Balance at 1 January 2015	4,208	27	4,951	597	1,896	–	11,679
Depreciation expense	1,405	54	1,348	150	169	–	3,126
Balance at 31 December 2015 and 1 January 2016	5,613	81	6,299	747	2,065	–	14,805
Depreciation expense	1,404	54	1,496	257	236	–	3,447
Balance at 31 December 2016	7,017	135	7,795	1,004	2,301	–	18,252
Carrying amounts							
Balance at 31 December 2016	55,381	465	10,796	1,376	1,757	–	69,775
Balance at 31 December 2015	55,179	519	8,783	742	516	1,606	67,345

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings and structures	:	Over the shorter of the term of the lease, and 20-40 years
Leasehold improvements	:	Over the shorter of the term of the lease, and 10 years
Plant and machinery	:	10%
Motor vehicles	:	20%
Electronic and other equipment	:	20%-30 1/3%

As at 31 December 2016, certain of the Group's buildings with an aggregate carrying amount of approximately RMB51,569,000 (2015: approximately RMB52,903,000) have been pledged to secure general banking facilities granted to the Group (note 21).

15. PREPAID LEASE PAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current assets	204	204
Non-current assets	8,577	8,781
	8,781	8,985

The Group's prepaid lease payments comprise land use rights of leasehold land situated in the PRC under medium-term leases.

As at 31 December 2016, the Group's leasehold land with an aggregate carrying amount of approximately RMB8,781,000 (2015: approximately RMB8,985,000) have been pledged to secure general banking facilities granted to the Group (note 21).

16. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	2,499	8,946
Work in progress	255	143
Finished goods	1,224	631
	3,978	9,720

17. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	25,297	21,683
Allowance for doubtful debts	(914)	(804)
Trade receivables, net of allowance	24,383	20,879
Prepayments for purchase of raw materials	2,187	11,249
Value-added tax refundable	3,041	3,221
Other receivables and prepayments	2,988	4,026
	32,599	39,375

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2016	2015
	RMB'000	*RMB'000*
0-30 days	10,092	13,042
31-60 days	7,100	5,016
61-90 days	4,432	1,929
91-120 days	2,634	526
121-365 days	125	366
	24,383	20,879

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period was ranging from 30 to 60 days. No interest is charged on overdue receivables.

The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. As at 31 December 2016, 56% (2015: 64%) of the trade receivables are neither past due nor impaired relate to a number of independent customers with good settlement history and no default on settlement had been noted.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Age of trade receivables that are past due but not impaired

	2016	2015
	RMB'000	*RMB'000*
Overdue by:		
1-30 days	5,079	4,090
31-60 days	3,963	1,926
61-90 days	1,189	526
Over 90 days	–	366
	10,231	6,908

Movement in the allowance for doubtful debts

	2016	2015
	RMB'000	*RMB'000*
At 1 January	804	–
Impairment losses recognized on receivables	284	804
Reversal of impairment losses recognized	(174)	–
At 31 December	914	804

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB914,000 (2015: approximately RMB804,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 60 days as at the end of the reporting period or related to customers that were in financial difficulties. The Group does not hold any collateral over these balances.

18. AMOUNTS DUE FROM/TO RELATED PARTIES

	2016	2015
	RMB'000	*RMB'000*
Amount due from a related party		
Jia Qing Developments Limited ("Jia Qing") *(note (i))*	49	27
Maximum amount outstanding during the year		
Jia Qing *(note (i))*	49	27
Amounts due to related parties		
Mr. Kwok Shun Tim *(note (ii))*	706	674
Ms. Hong *(note (iii))*	939	101
Mr. Xu *(note (iii))*	612	70
	2,257	845

Notes:

(i) A substantial shareholder of the Company.

(ii) Shareholder of Noble Core Limited ("Noble Core"), which is a substantial shareholder of the Company.

(iii) Directors of the Company.

The amounts due are non-trade nature, unsecured, non-interest bearing and have no fixed terms of repayment.

19. CASH AND BANK BALANCES/PLEDGED BANK DEPOSITS

Cash at banks earn interest at floating rates based on daily bank deposit rates. As at 31 December 2016, the Group's cash and bank balances with an aggregate amount of approximately RMB44,856,000 (2015: approximately RMB22,690,000) were denominated in RMB which is not a freely convertible currency in the international market. The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. As at 31 December 2016, deposits amounting to nil (2015: approximately RMB1,200,000) has been pledged to secure certain bills payable and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bills payable.

20. TRADE AND OTHER PAYABLES

	2016	**2015**
	RMB'000	*RMB'000*
Trade payables	4,167	8,737
Bills payable	–	3,000
Receipts in advance	820	723
Other payables and accruals	9,670	9,648
	14,657	22,108

The following is an aged analysis of trade payables based on the invoice date:

	2016	**2015**
	RMB'000	*RMB'000*
0-30 days	1,156	1,786
31-60 days	1,206	1,077
61-90 days	957	1,521
91-120 days	489	2,842
121-365 days	13	1,427
Over 365 days	346	84
	4,167	8,737

The trade payables are non-interest bearing and generally averaging to 60 days.

As at 31 December 2015, bills payable of the Group amounting to approximately RMB3,000,000 was secured by short-term bank deposits to the extent of approximately RMB1,200,000. The bills payable are repayable with average maturity period of six months.

21. BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Secured:		
Bank term loans *(note (i), (iii))*	55,000	50,000
Unsecured:		
Bank term loans *(note (ii), (iii))*	–	5,000
Carrying amount repayable within one year	55,000	55,000

Notes:

(i) The secured term loans were secured by a charge over the Group's buildings and leasehold land (notes 14 and 15).

(ii) As at 31 December 2015, the unsecured term loan was guaranteed by third parties.

(iii) The bank loans are repayable within one year, bear interest at rates ranging from 4.57% to 5.13% (2015: 5.66% to 8.25%) per annum as of 31 December 2016. The weighted average effective interest rate on the term loans is 5.60% (2015: 6.88%) per annum for the year ended 31 December 2016.

(iv) Certain loan agreements in respect of short-term bank borrowings of a subsidiary contain covenant clauses which require the subsidiary to meet certain stipulated financial ratios. As at 31 December 2016 and 2015, the Group did not breach any bank covenant as stated in the loan agreements.

22. DEFERRED TAXATION

The following are the deferred tax liabilities recognized and movements thereon during the years ended 31 December 2016 and 2015:

	Withholding tax on undistributed profits
	RMB'000
Balance at 1 January 2015	1,899
Charge to profit or loss *(note 8)*	967
Balance at 31 December 2015 and 1 January 2016	2,866
Charge to profit or loss *(note 8)*	229
Balance at 31 December 2016	3,095

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

As at 31 December 2016, the Group has estimated unused tax losses of approximately RMB512,000 (2015: approximately RMB628,000) available for offsetting against future profits of the companies in which the losses arose that will expire within 5 years. No deferred tax asset has been recognized in respect of these estimated unused tax losses due to unpredictability of future profit streams.

23. SHARE CAPITAL

	Number of ordinary share of *HK$0.01 each*	**Nominal value of ordinary shares** *HK$'000*
Authorized:		
At 1 January 2015	38,000,000	380
Increase in authorized share capital *(note (i))*	1,962,000,000	19,620
At 31 December 2015 and 31 December 2016	2,000,000,000	20,000

	Number of ordinary share of *HK$0.01 each*	**Nominal value of ordinary shares** *HK$'000*	**Nominal value of ordinary shares** *RMB'000*
Issued and fully paid:			
At 1 January 2015	1,000	–	–
Issue of shares upon capitalization issue *(note (ii))*	1,072,799,000	10,728	8,809
Issue of shares by placing *(note (iii))*	267,200,000	2,672	2,198
At 31 December 2015 and 31 December 2016	1,340,000,000	13,400	11,007

Notes:

(i) Pursuant to the written resolution of the shareholders passed on 26 October 2015, the authorized share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

(ii) Pursuant to the written resolution of the shareholders passed on 26 October 2015, the directors were authorized to capitalize the amount of HK$10,727,990 (equivalents to approximately RMB8,809,000) standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 1,072,799,000 shares for allotment and issue to the then existing shareholders of the Company, each ranking pari passu in all respects with the then existing issued shares. On 11 November 2015, the Company allotted and issued such shares as aforesaid and gave effect to the capitalization issue.

(iii) On 11 November 2015, the Company issued 267,200,000 shares pursuant to the Company's listing on the GEM of the Stock Exchange by way of placing at a price of HK$0.20 per share.

24. RESERVES

Other reserves

Other reserves represent the premium arising from the conversion of Fujian Holeywood Food Industrial Co., Ltd. to joint stock limited liability company.

Following completion of the corporate reorganization undertaken in preparation for the listing of the Company's shares on the GEM of Stock Exchange ("Corporate Reorganization"), other reserves also include (i) the difference between the nominal value of the shares and share premium of Yong Wang Holdings Limited ("Yong Wang") and the Company issued in exchange for the entire issued share capital of Yong Wang pursuant to the corporate reorganization; and (ii) deemed contribution from the controlling party arising from loan assignment.

In addition, the other reserves also includes the deemed capital contribution of approximately RMB3,885,000 from the holding company of the Company, Jia Qing, in relation to listing expenses reimbursed to the Company during the year ended 31 December 2015.

Statutory reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, every year the PRC subsidiaries are required to transfer 0 to 10% of the profit after taxation determined in accordance with PRC Accounting Standards to the statutory reserves until the balance reaches 50% of the registered capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. RMB) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 26 October 2015 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company, in any 12-month period up to date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates would result in the total number of shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The offer of a grant of share options must be accepted in writing within 7 days inclusive of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the directors of the Company and notified to a participant and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

The Scheme shall be valid and effective for a period of ten years commencing on 26 October 2015, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2016 and 2015.

26. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognized in profit or loss of approximately RMB667,000 (2015: approximately RMB1,368,000) for the year ended 31 December 2016 represents contributions payable to the plan by the Group at rates specified in the rules of the plan.

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to owners through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt (which includes borrowings net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

Adjusted debt-to-equity ratio

Management of the Group review the capital structure regularly taking into account the cost of capital and the risks associated with the of capital. The Group will balance its overall capital structure through the issuance of new shares, raise of borrowings and repayment of existing borrowings.

The adjusted debt-to-equity ratios at the end of the reporting period were as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Debt *(note (i))*	55,000	55,000
Cash and cash equivalents	(44,889)	(43,267)
Net debt	10,111	11,733
Equity *(note (ii))*	83,621	86,492
Adjusted debt-to-equity ratio	12%	14%

Notes:

(i) Debt comprises borrowings as detailed in note 21.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	70,067	66,963
Financial liabilities		
Amortized cost	67,892	73,421

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related party, pledged bank deposits, cash and bank balances, trade and other payables, amounts due to related parties and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk management

For the year ended 31 December 2016, approximately 67.4% (2015: 64.8%) of the Group's revenue are denominated in United States Dollar ("USD"). The Group's dominant operations are in the PRC and most of the operating expenses are primarily denominated in RMB. The Group is exposed to currency risk arising from currency exposures primarily with respect to USD, mainly attributable to the exposure on outstanding receivables and payables denominated in USD.

The carrying amounts of the Group's USD denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	12,471	12,111	603	532

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A negative number below indicates a decrease in profit or equity where the RMB strengthen 5% against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit or equity, and the balances below would be positive.

	Impact of USD	
	2016	**2015**
	RMB'000	*RMB'000*
Sensitivity rate	5%	5%
Profit or loss	(593)	(579)
Equity	(593)	(579)

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk management

The Group's interest rate risk (comprising fair value interest rate risk and cash flow interest rate risk) relates primarily to its fixed and variable rate borrowings respectively. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark interest rate regulated by the People's Bank of China in the PRC.

The Group did not adopt any hedge policy for these borrowings as management considered that these borrowings were all short-term in nature and the exposure to the interest rate risk to the Group is minimal.

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt instrument at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables as 94% (2015: 77%) of these receivables are due from the Group's largest five customers as at the end of the reporting period.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables as disclosed above, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, the maturity analysis for non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average interest rate	On demand	Less than 3 months	3 to 12 months	Total
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016					
Trade and other payables	–	11,195	–	–	11,195
Amounts due to related parties	–	2,257	–	–	2,257
Borrowings	4.97%	–	23,552	32,494	56,046
		13,452	23,552	32,494	69,498
At 31 December 2015					
Trade and other payables	–	13,251	–	–	13,251
Amounts due to related parties	–	845	–	–	845
Borrowings	6.29%	–	18,794	37,718	56,512
		14,096	18,794	37,718	70,608

The Group has no financial instruments measured at fair value subsequent to initial recognition on a recurring basis throughout the years presented.

29. COMMITMENTS

Operating lease commitments as lessee

At the end of the reporting period, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Within one year	62	48
In the second to fifth years inclusive	43	105
	105	153

Operating leases relate to office premises with lease terms of between 3 to 5 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Capital commitments

The Group had the following capital commitments not provided for in respect of property, plant and equipment at the end of the reporting period as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Contracted but not provided for:		
– Property, plant and equipment	–	1,260

30. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure banking facilities granted to the Group or borrowings of the Group:

	2016	**2015**
	RMB'000	*RMB'000*
Prepaid lease payments	8,781	8,985
Property, plant and equipment	51,569	52,903
Pledged bank deposits	–	1,200
	60,350	63,088

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in note 18, the Group entered into the following significant related party transactions during the year:

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other benefits	2,010	750
Contribution to retirement benefit scheme	47	49
	2,057	799

32. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2016 are set out as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid-up capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Yong Wang Holdings Limited	British Virgin Islands	USD1,001	100% (direct)	Investment holding
Gain Sky (Asia) Limited	Hong Kong	HK$1	100% (indirect)	Investment holding
Jinjiang Holeywood Trading Co., Ltd. (Formerly known as Jinjiang Holeywood Enterprise Consulting Co., Ltd.) *(note (i))*	PRC	RMB20,000,000	100% (indirect)	Trading of raw materials of candies products
Fujian Holeywood Food Industrial Co., Ltd. *(note (ii))*	PRC	RMB20,513,000	100% (indirect)	Production of candies products (mainly categorized as jelly drops, aerated, hard candies and chocolate-made products)
Jinjiang Lu Lu Shun Imports & Exports Trading Co., Ltd. *(note (ii))*	PRC	RMB580,000	100% (indirect)	Import and export of goods and technologies and pre-package food retail
Jinjiang Holeywood Animation Design Co., Ltd. *(note (ii))*	PRC	RMB880,000	100% (indirect)	Inactive

Notes:

(i) This entity is wholly foreign owned enterprise established in the PRC.

(ii) The English translation of the company names is for identification purpose only. The official names of these companies are in Chinese.

33. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2017, a company (the "Lender") wholly owned by Ms. Hong, entered into a loan agreement with a subsidiary of the Company (the "Borrower"), pursuant to which the Lender is agreed to lend HK$75,000,000 to the Borrower at an interest rate of 5% per annum for a term of 2 years with Lender's overriding right of withdrawal and immediate repayment on demand.

On 22 February 2017, the Company has conditionally agreed to place 268,000,000 new shares to not less than six placees at a price of HK$0.148 pursuant to the terms and conditions of the placing agreement entered into between the Company and Head & Shoulders Securities Limited.

34. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	**2015**
	RMB'000	*RMB'000*
Non-current assets		
Investment in a subsidiary	44,446	44,446
Current assets		
Prepayments	134	126
Amount due from a subsidiary	25,824	29,667
	25,958	29,793
Total assets	70,404	74,239
Current liabilities		
Accruals	2,620	4,328
Amounts due to related parties	1,224	140
	3,844	4,468
Net current assets	22,114	25,325
Total assets less current liabilities	66,560	69,771
Capital and reserves		
Share capital	11,007	11,007
Reserves	55,553	58,764
Total equity	66,560	69,771

35. RESERVES OF THE COMPANY

	Share premium *RMB'000*	Other reserves *RMB'000* *(note)*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2015	–	44,446	4	(3,884)	40,566
Loss for the year	–	–	–	(14,941)	(14,941)
Other comprehensive expense for the year	–	–	(28)	–	(28)
Issuance of new shares	41,760	–	–	–	41,760
Capitalization issue of shares	(8,809)	–	–	–	(8,809)
Shares issue expenses	(3,669)	–	–	–	(3,669)
Deemed contribution from the holding company	–	3,885	–	–	3,885
Balance at 31 December 2015 and 1 January 2016	29,282	48,331	(24)	(18,825)	58,764
Loss for the year	–	–	–	(4,805)	(4,805)
Other comprehensive income for the year	–	–	1,594	–	1,594
Balance at 31 December 2016	29,282	48,331	1,570	(23,630)	55,553

Note: Other reserves represent (i) the difference between the nominal value of shares issued by the Company pursuant to the corporate reorganization and the aggregate net asset value of the subsidiaries acquired; and (ii) deemed capital contributions from the controlling party and holding company of the Company.

3. UNAUDITED RESULTS OF THE GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2017

Set out below is the full text of the unaudited condensed consolidated results of the Group for the three months ended 31 March 2017 as extracted from the first quarterly report of the Company for the three months ended 31 March 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months ended 31 March 2017

	Notes	Three months ended 31 March 2017 RMB'000 (Unaudited)	Three months ended 31 March 2016 RMB'000 (Unaudited)
Revenue	2	11,471	11,096
Cost of sales		(9,562)	(8,670)
Gross profit		1,909	2,426
Other income and loss		(3,143)	381
Distribution and selling expenses		(340)	(458)
Administrative expenses		(2,586)	(1,978)
Finance costs		(964)	(916)
Loss before tax		(5,124)	(545)
Income tax expense	3	(242)	(265)
Loss for the period		(5,366)	(810)
Other comprehensive income/(expense), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		109	(18)
Other comprehensive income/(expense) for the period, net of income tax		109	(18)
Total comprehensive expense for the period attributable to owners of the Company		(5,257)	(828)
		RMB cents	*RMB cents*
Loss per share			
– Basic and diluted	5	(0.39)	(0.06)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the THREE months ended 31 MARCH 2017

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Statutory reserve	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016	11,007	29,282	35,329	3,215	237	7,422	86,492
Loss for the period	–	–	–	–	–	(810)	(810)
Other comprehensive expense for the period	–	–	–	–	(18)	–	(18)
Total comprehensive expense for the period	–	–	–	–	(18)	(810)	(828)
Balance at 31 March 2016 (Unaudited)	11,007	29,282	35,329	3,215	219	6,612	85,664
Balance at 1 January 2017	11,007	29,282	35,329	3,471	657	3,875	83,621
Loss for the period	–	–	–	–	–	(5,366)	(5,366)
Other comprehensive income for the period	–	–	–	–	109	–	109
Total comprehensive expenses for the period	–	–	–	–	109	(5,366)	(5,257)
Shares issued under placing	2,375	32,781	–	–	–	–	35,156
Shares issuance costs	–	(703)	–	–	–	–	(703)
Balance at 31 March 2017 (Unaudited)	13,382	61,360	35,329	3,471	766	(1,491)	112,817

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the THREE months ended 31 MARCH 2017

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands on 14 March 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of The Stock Exchange with effect from 11 November 2015. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

The Company's principal activity during the three months ended 31 March 2017 was investment holding. The Group's principal activities during the three months ended 31 March 2017 was the manufacture and sales of candies products.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are consistent with those adopted in the annual financial statements for the year ended 31 December 2016, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 31 March 2017 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 March 2017.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

2. REVENUE

Revenue represents the amounts received and receivable from the manufacture and sales of candies products during the respective periods.

3. INCOME TAX EXPENSE

	Three months ended 31 March	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
– People's Republic of China ("PRC") Enterprise Income Tax	179	275
Deferred tax		
– Current period	63	(10)
Total income tax recognized in profit or loss	242	265

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the respective periods. No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% during the respective periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. DIVIDENDS

No dividend has been paid or declared by the Company for the three months ended 31 March 2017 (three months ended 31 March 2016: nil).

5. LOSS PER SHARE

	Three months ended 31 March	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	5,366	810
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand)	1,384,667	1,340,000

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary share in issue during the periods.

4. INDEBTEDNESS

As at the close of business on 30 April 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Composite Document, the Group had outstanding secured bank loans of approximately RMB19,000,000. In addition, the Group had outstanding unsecured loan of approximately RMB67,344,000 from a company wholly owned by Ms. Hong Yinzhi, being an executive Director and a Shareholder.

Furthermore, the Group had unsecured amounts due to Ms. Hong Yinzhi, Mr. Xu Jinpei and Mr. Kwok Shun Tim of approximately RMB1,077,000, RMB783,000 and RMB699,000 respectively. Mr. Xu Jinpei is an executive Director and a Shareholder. Mr. Kwok Shun Tim is a substantial Shareholder.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 April 2017.

The Directors confirm that there has been no material change in the indebtedness or contingent liabilities of the Group since 30 April 2017 up to and including the Latest Practicable Date.

5. MATERIAL CHANGE

The Directors confirm that save for the following matter, there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

The Company entered into a placing agreement with Head & Shoulders Securities Limited ("**Head & Shoulders**") (as placing agent) on 22 February 2017, pursuant to which Head & Shoulders agreed to place, on a best effort basis, up to 268,000,000 new Shares to not less than six placees at the placing price of HK$0.148 per placing share (the "**Share Placing**"). The net proceeds of the Share Placing was approximately HK$38.7 million. The Share Placing was completed on 17 March 2017.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offer, the Offeror and the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and the parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

Ms. Zong, as the sole director and sole ultimate beneficial owner of the Offeror, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group), and confirms, having made all reasonable inquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the Company had authorised ordinary share capital of HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each. The authorised and issued ordinary share capital of the Company as at the Latest Practicable Date were as follows:

As at the Latest Practicable Date	*HK$*
Authorised:	
2,000,000,000 Shares	20,000,000.00
Issued and fully paid:	
1,608,000,000 Shares	16,080,000.00

All the existing Shares in issue are fully paid up and rank pari passu in all respects with each other, including rights to dividends, voting and return of capital.

Since 31 December 2016 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, save for the placing of 268,000,000 Shares on 17 March 2017 under the general mandate granted to the Directors on 4 May 2016, no new Shares had been issued or repurchased by the Company.

As at the Latest Practicable Date, the Company does not have any outstanding options, derivatives, warrants, or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

3. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
2016	
30 September	0.100
31 October	0.156
30 November	0.170
30 December	0.158
2017	
27 January	0.160
28 February	0.149
30 March *(Note 1)*	0.188
28 April	0.420
10 May (Last Trading Day) *(Note 2)*	0.520
31 May	0.570
19 June (Latest Practicable Date)	0.690

Notes:

1. Trading of the Shares on the GEM was suspended with effect from 1:00 p.m. on 30 March 2017 pending the release of the Initial Announcement and was resumed from 9:00 a.m. on 3 April 2017.

2. Trading of the Shares on the GEM was suspended from 9:00 a.m. on 11 May 2017 pending the release of the Joint Announcement and was resumed from 9:00 a.m. on 15 May 2017.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.860 on 22 May 2017 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.100 on 30 September 2016, 3 October 2016 and 5 October 2016.

4. DISCLOSURE OF INTERESTS

(i) Interests and short positions in the securities of the Company and its associated corporations of the Directors and chief executive

As at the Latest Practicable Date, the following Directors and chief executives had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are (ii) required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which are (iii) required, pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	No. of Shares held/ interested in	Approximate percentage of the total issued share capital of the Company
Mr. Xu Jinpei *(Note 1)*	Interest in controlled corporation	150,000,000	9.33%
Ms. Hong Yinzhi *(Note 2)*	Interest held jointly with other person	150,000,000	9.33%

(ii) Long position in the shares of associated corporation

Name of associated corporation	Name of Director	Capacity/ Nature of interest	No. of shares of associated corporation	Percentage of the associated corporation's issued shares
Jia Qing	Mr. Xu Jinpei *(Note 1)*	Beneficial owner	1	100%
	Ms. Hong Yinzhi *(Note 2)*	Interest held jointly with other person	1	100%

Notes:

1. 150,000,000 Shares were held by Jia Qing. Mr. Xu Jinpei beneficially owns 100% of the issued share capital of Jia Qing. Therefore, Mr. Xu Jinpei is deemed or taken to be interested in all the Shares held by Jia Qing for the purposes of the SFO. Mr. Xu Jinpei is the chairman of the Board, an executive Director and the sole director of Jia Qing.

2. Pursuant to a confirmation signed by Mr. Xu Jinpei and Ms. Hong Yinzhi, Mr. Xu Jinpei and Ms. Hong Yinzhi confirmed and declared that they jointly and beneficially owned the entire issued share capital of, amongst others, Jia Qing since its incorporation. Ms. Hong Yinzhi is the chief executive officer of the Company and an executive Director.

Save as disclosed above, as at the Latest Practicable Date, neither the Directors, nor any of their associates, had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

(ii) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long position in the Shares

Name of Shareholders	Capacity/Nature of interest	No. of Shares held/ interested in	Approximate percentage of the total issued share capital of the Company
Jia Qing	Beneficial owner	150,000,000	9.33%
Noble Core	Beneficial owner	268,200,000	16.68%
Mr. Kwok Shun Tim *(Note 1)*	Interest in controlled corporation	268,200,000	16.68%
Ms. Yip Nga Wan *(Note 2)*	Interest of spouse	268,200,000	16.68%

Notes:

1. Mr. Kwok Shun Tim beneficially owns the entire issued share capital of Noble Core. Therefore, Mr. Kwok Shun Tim is deemed or taken to be interested in all the Shares held by Noble Core for the purpose of the SFO. Mr. Kwok Shun Tim is the sole director of Noble Core.

2. Ms. Yip Nga Wan is the spouse of Mr. Kwok Shun Tim. Accordingly, Ms. Yip Nga Wan is deemed or taken to be interested in all the Shares in which Mr. Kwok Shun Tim is interested for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or which would be required to be disclosed pursuant to the requirements of the Takeovers Code.

(iii) Disclosure of interests of the Offeror

As at the Latest Practicable Date, save for the Irrevocable Undertakings, the Offeror, the director of the Offeror or any of the parties acting in concert with the Offeror are not interested in and have not dealt in any other shares, underlying shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Offeror intends to finance the consideration payable under the Offer with the Offeror's internal financial resources. The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is owned as to 100% by Ms. Zong.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other person.

5. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALING

As at the Latest Practicable Date:

(a) none of the Offeror, the director of the Offeror or any of the parties acting in concert with the Offeror owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company and save as provided under the Irrevocable Undertakings, none of the Offeror, the director of the Offeror or any of the parties acting in concert with the Offeror had dealt for value in any such securities during the Relevant Period;

(b) save for the Irrevocable Undertakings, no person had irrevocably committed himself/herself or intend to accept or reject the Offer;

(c) none of the Offeror or any of the parties acting in concert with it had entered into any arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other person;

(d) none of the Offeror or any of the parties acting in concert with it had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(e) save for the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of the parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;

(f) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

(g) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror or any of the parties acting in concert with it, and any other person;

(h) the Company did not have any beneficial interest in the shares, convertible securities, warrants, options and derivatives of the Offeror, and the Company had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period;

(i) none of the Directors had any interest in any shares, convertible securities, warrants, options or other derivatives of the Offeror, and none of the Director had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Offeror during the Relevant Period;

(j) Save for the disposal of 300,000,000 Shares at HK$0.158 per Share on 28 December 2016 by Jia Qing, which is wholly-owned by Mr. Xu Jinpei and Ms. Hong Yinzhi, both of whom are executive Directors, none of the Directors, nor any parties whose shareholdings are required to be disclosed under paragraph 4 of Schedule I to the Takeovers Code, including a party who has no shareholdings, had dealt for value in any Shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period;

(k) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; or (iii) any advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(l) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(m) no Shares, convertible securities, warrants, options or derivatives issued by the Company were managed on a discretionary basis by any fund managers connected with the Company and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(n) no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had been borrowed or lent by any of the Directors or by the Company;

(o) no benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Offer;

(p) save for the Irrevocable Undertakings, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(q) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

Mr. Xu Jinpei, the executive Director, entered into a director's service contract with the Company for a term of three years commencing on 11 November 2015, which may be terminated in accordance with the provisions of the service contract or by each party thereto giving to the other party not less than three months' prior notice in writing. The basic salary of Mr. Xu Jinpei is HK$600,000 per annum which is determined with reference to his experience, duties and responsibilities within the Company. In addition to his basic salary, bonus is determined on a discretionary basis by the Board with reference to the Company's performance. Mr. Xu Jinpei was paid RMB672,000 and RMB217,000 for the years ended 31 December 2016 and 31 December 2015 respectively, as determined by the Board.

Ms. Hong Yinzhi, the executive Director, entered into a director's service contract with the Company for a term of three years commencing on 11 November 2015, which may be terminated in accordance with the provisions of the service contract or by each party thereto giving to the other party not less than three months' prior notice in writing. The basic salary of Ms. Hong Yinzhi is HK$600,000 per annum which is determined with reference to her experience, duties and responsibilities within the Company. In addition to her basic salary, bonus is determined on a discretionary basis by the Board with reference to the Company's performance. Ms. Hong Yinzhi was paid RMB672,000 and RMB217,000 for the years ended 31 December 2016 and 31 December 2015 respectively, as determined by the Board.

Ms. Li Yuna, the executive Director, entered into a director's service contract with the Company for a term of two years commencing on 30 December 2016, which may be terminated in accordance with the provisions of the service contract or by each party thereto giving to the other party not less than two months' prior notice in writing. The basic salary of Ms. Li Yuna is HK$360,000 per annum which is determined with reference to her experience, duties and responsibilities within the Company. Bonus is determined on a discretionary basis by the Board with reference to the Company's performance.

Ms. Yvonne Hung, the executive Director, entered into a director's service contract with the Company for a term of two years commencing on 2 February 2017, which may be terminated in accordance with the provisions of the service contract or by each party thereto giving to the other party not less than two months' prior notice in writing. The basic salary of Ms. Yvonne Hung is HK$240,000 per annum which is determined with reference to her experience, duties and responsibilities within the Company. Bonus is determined on a discretionary basis by the Board with reference to the Company's performance.

Mr. Chu Wai Wa Fangus, the independent non-executive Director, entered into a director's service contract with the Company for a term of three years commencing on 11 November 2015, which may be terminated in accordance with the provisions of the service contract or by each party thereto giving to the other party not less than six months' prior notice in writing. The basic salary of Mr. Chu Wai Wa Fangus is HK$150,000 per annum which is determined with reference to his experience, duties and responsibilities within the Company. Mr. Chu Wai Wa Fangus was paid RMB130,000 and RMB17,000 for the years ended 31 December 2016 and 31 December 2015 respectively, as determined by the Board.

Mr. Chiu Sai Chuen Nicholas, the independent non-executive Director, entered into a director's service contract with the Company for a term of three years commencing on 11 November 2015, which may be terminated in accordance with the provisions of the service contract or by each party thereto giving to the other party not less than six months' prior notice in writing. The basic salary of Mr. Chiu Sai Chuen Nicholas is HK$150,000 per annum which is determined with reference to his experience, duties and responsibilities within the Company. Mr. Chiu Sai Chuen Nicholas was paid RMB130,000 and RMB17,000 for the years ended 31 December 2016 and 31 December 2015 respectively, as determined by the Board.

Mr. Ong King Keung, the independent non-executive Director, entered into a director's service contract with the Company for a term of three years commencing on 29 February 2016 which may be terminated in accordance with the provisions of the service contract or by each party thereto giving to the other party not less than one month's prior notice in writing. The basic salary of Mr. Ong King Keung is HK$150,000 per annum which is determined with reference to his experience, duties and responsibilities within the Company. Mr. Ong King Keung was paid RMB108,000 for the year ended 31 December 2016, as determined by the Board.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing service contracts with any member of the Group or any associated company of the Group:

(a) which (including both continuous and fixed contracts) have been entered into or amended within the Relevant Period;

(b) which are continuous contracts with a notice period of 12 months or more; or

(c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. MATERIAL CONTRACTS

After the date two years before the commencement of the Offer Period and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, had been entered into by the Company or any of its subsidiaries and are or may be material:

(a) the deed of non-competition dated 26 October 2015 (the "Deed of Non-competition") executed by Mr. Xu Jinpei, Ms. Hong Yinzhi and Jia Qing in favour of the Company, pursuant to which each of Mr. Xu Jinpei, Ms. Hong Yinzhi and Jia Qing has irrevocably and unconditionally undertaken to the

Company (for itself and as trustee for its subsidiaries) that, among other things, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its associates (except any member of the Group) not to, directly or indirectly, participate or hold any rights or interests, carry on or be engaged, concerned or interested or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time after the listing of the Shares on the GEM, the details of which are disclosed in the section headed "Relationship with controlling shareholders – Non-competition undertaking" in the prospectus of the Company dated 30 October 2015 in relation to the listing of the Shares on the GEM (the "Prospectus");

(b) the deed of indemnity dated 26 October 2015 executed by Mr. Xu Jinpei, Ms. Hong Yinzhi and Jia Qing in favour of the Company (for itself and as trustee for its subsidiaries) to provide joint and several indemnities in connection with, among other things, (a) any taxation falling on any member of the Group in respect of or by reference to any income, profits or gains earned, accrued, or received or deemed to have been earned, accrued or received on or before the date on which the conditional placing (the "Placing") of 375,200,000 Shares (comprising 267,200,000 new Shares being offered for subscription by the Company and 108,000,000 Shares being offered for sale by Jia Qing as vendor respectively) (the "Placing Shares") by the underwriters on behalf of the Company for cash at the placing price of HK$0.20 becomes conditional, or any transaction, act, omission or event occurring or deemed to occur on or before the date on which the Placing becomes unconditional; and (b) all losses, payments, suits, settlement payments, costs (including legal costs on a full indemnity basis), liability, damages, charges, fees, fines or expenses which any member of the Group may incur or suffer, accrue, directly or indirectly, from any act of such member of the Group arising from and/or in connection with any of the non-compliances of any member of the Group on or before the date on which the Placing becomes unconditional as a result of and/or in relation to all litigations, arbitration, claims (including counter-claims), actions, complaints, demands, judgments, legal proceedings by or against any member of the Group which was issued, accrued and/or arising from any act of any member of the Group at any time on or before the date on which the Placing becomes unconditional, the details of which are disclosed in Appendix V to the Prospectus;

(c) the conditional underwriting agreement dated 28 October 2015 and entered into by, among others, the Company, Mr. Xu Jinpei, Ms. Hong Yinzhi, Jia Qing, TC Capital International Limited (as sponsor), Zhongtai International Securities Limited (as bookrunner, lead manager and underwriter) and Supreme China Securities Limited (as co-lead manager and underwriter), pursuant to which, among other things, the underwriters severally agreed to underwrite the 375,200,000 Placing Shares under the Placing, subject to adjustments in accordance with the terms thereof, the details of which are disclosed in the section headed "Underwriting" in the Prospectus;

(d) the loan agreement dated 6 January 2016 entered into between 晉江好來屋商貿有限公司 (Jinjiang Holeywood Trading Co., Ltd.*) ("Holeywood Trading", a wholly-owned subsidiary of the Company) (as borrower) and Gain Sky (Asia) Limited ("Gain Sky", a wholly-owned subsidiary of the Company which owns the entire equity interest of Holeywood Trading) (as lender), pursuant to which Gain Sky agreed to provide Holeywood Trading with a loan of RMB13,000,000 for a term of three years which bears no interest;

(e) the loan agreement dated 25 January 2017 entered into between Yong Wang Holdings Limited ("Yong Wang", a wholly-owned subsidiary of the Company) (as borrower) and Tong Chang Limited ("Tong Chang", a company wholly owned by Ms. Hong Yinzhi, an executive Director) (as lender), pursuant to which Tong Chang agreed to lend HK$75,000,000 to Yong Wang at an interest rate of 5% per annum for a term of two years with Tong Chang's overriding right of withdrawal and immediate repayment on demand;

(f) the loan agreement dated 26 January 2017 entered into between the Company (as borrower) and Yong Wang (as lender), pursuant to which Yong Wang agreed to provide the Company with an unsecured loan of HK$75,000,000 which bears no interest; and

(g) the placing agreement dated 22 February 2017 entered into between the Company and Head & Shoulders Securities Limited in respect of the placing of 268,000,000 new Shares to not less than six individual, institutional or other professional investors at the placing price of HK$0.148 per placing Share.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance were known to the Directors to be pending or threatened by or against any member of the Group.

* *For identification purpose only*

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualification of the experts whose letter or opinion are contained in this Composite Document:

Name	Qualification
Somerley Capital	a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Akron	a corporation licensed to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Somerley Capital and Akron has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter or opinion, as the case may be, and reference to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, Akron was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Akron did not have any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2016 (the date to which the latest published audited financial statements of the Company were made up).

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.holeywoodfood.com); (ii) on the website of the SFC (www.sfc.hk); and (iii) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business in Hong Kong of the Company at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier):

(i) the memorandum and articles of association of the Company;

(ii) the memorandum and articles of association of the Offeror;

(iii) the annual report of the Company for the year ended 31 December 2015;

(iv) the annual report of the Company for the year ended 31 December 2016;

(v) the first quarterly results report of the Company for the three months ended 31 March 2017;

(vi) the letter from Somerley Capital, the text of which is set out on pages 5 to 13 of this Composite Document;

(vii) the letter from the Board, the text of which is set out on pages 14 to 21 of this Composite Document;

(viii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 to 23 of this Composite Document;

(ix) the letter of advice from Akron to the Independent Board Committee, the text of which is set out on pages 24 to 39 of this Composite Document;

(x) the written consents referred to under the paragraph headed "Experts' Qualifications and Consents" of this Appendix III;

(xi) the service contracts referred to in under the paragraph headed "Directors' Service Contracts" in this Appendix III;

(xii) the material contracts referred to under the paragraph headed "Material Contracts" of this Appendix III;

(xiii) the Jia Qing Irrevocable Undertaking; and

(xiv) the Noble Core Irrevocable Undertaking.

11. MISCELLANEOUS

(i) The principal share registrar and transfer office of the Company in the Cayman Islands is Estera Trust (Cayman) Ltd., which is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and its principal place of business in Hong Kong is situated at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

(ii) The correspondence address of the sole director of the Offeror, Ms. Zong, is Suite 1403B, 9 Queen's Road Central, Hong Kong.

(iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(iv) The Offeror is an investment holding company and is owned as to 100% by Ms. Zong.

(v) The registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror is situated at Suite 1403B, 9 Queen's Road Central, Hong Kong.

(vi) The registered office of Somerley Capital is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.

(vii) The registered office of Akron is situated at 17/F, Times Media Centre, 133 Wanchai Road, Wanchai, Hong Kong.

The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.