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China Candy Holdings Limited

中國糖果控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08182)

CONNECTED TRANSACTION

ACQUISITION OF 70% EQUITY INTEREST OF TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 19 September 2017, Sky City, being a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which Sky City agreed to purchase and the Vendor agreed to sell 4,200,000 shares of the Target Company (representing 70% of the total issued shares of the Target Company) at a consideration of HK\$11,200,000 subject to the conditions and in accordance with the terms of the Sale and Purchase Agreement.

Upon Completion, the Target Company will be held by Sky City and the Vendor as to 70% and 30% respectively, and become a subsidiary of the Company. Sky City and the Vendor will respectively provide HK\$2,800,000 and HK\$1,200,000 to the Target Company as Shareholders' Loans upon Completion.

GEM LISTING RULES IMPLICATION

The Vendor is the elder brother of Mr. Ong King Keung, who was an independent non-executive Director in the last 12 months, and thus an associate of Mr. Ong King Keung. Therefore the Vendor is a connected person of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules accordingly. As one or more of the applicable percentage ratios set out in the GEM Listing Rules in respect of the Acquisition under the Sale and Purchase Agreement is/are more than 0.1% but are less than 5%, the Acquisition is subject to the reporting and disclosure requirements but is exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. As the Shareholders' Loan to be provided by Sky City is on normal commercial terms or better, and in proportion to the equity interest directly held by Sky City in the Target Company, the provision of the Shareholders' Loan is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 19 September 2017, Sky City, being a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which Sky City agreed to purchase and the Vendor agreed to sell 4,200,000 shares of the Target Company (representing 70% of the total issued shares of the Target Company) at a consideration of HK\$11,200,000 subject to the conditions and in accordance with the terms of the Sale and Purchase Agreement.

Upon Completion, the Target Company will be held by Sky City and the Vendor as to 70% and 30% respectively, and become a subsidiary of the Company. Sky City and the Vendor will respectively provide HK\$2,800,000 and HK\$1,200,000 to the Target Company as Shareholders' Loans upon Completion.

THE SALE AND PURCHASE AGREEMENT

The salient terms of the Sale and Purchase Agreement are set out as follows:

DATE

19 September 2017

PARTIES

- (1) Sky City; and
- (2) the Vendor

Subject matter to be acquired

Prior to Completion, the Vendor holds 100% of the issued share capital of the Target Company. Pursuant to the Sale and Purchase Agreement, Sky City agreed to purchase and the Vendor agreed to sell 4,200,000 shares of the Target Company (representing 70% of the total issued shares of the Target Company) subject to the conditions and in accordance with the terms of the Sale and Purchase Agreement.

Consideration

The consideration for the sale and purchase of 4,200,000 shares of the Target Company shall be HK\$11,200,000.

Sky City shall settle the consideration to the Vendor by way of cheque as follows:

- (a) HK\$2,000,000 shall be paid as deposit upon execution of the Sale and Purchase Agreement, which shall be refundable without interest within seven (7) Business Days upon termination of the Sale and Purchase Agreement; and
- (b) HK\$9,200,000 shall be paid on Completion.

The consideration for the Acquisition was arrived at after arm's length negotiations on normal commercial terms between the parties to the Sale and Purchase Agreement having referred to a preliminary valuation of HK\$18,765,000 as at 31 August 2017, on a market value basis under a combination of the asset approach and market approach on 100% equity interest of the Target Company valued by an independent valuer.

Conditions precedent

The Completion is conditional upon:

- (a) all the warranties provided by the Vendor having been true, complete and accurate in all material respects and not misleading in any material aspect from and including the date of the Sale and Purchase Agreement up to and including the date of Completion;
- (b) Sky City has duly attended to and carried out all procedures that are required under the applicable laws and regulations (including but not limited to the GEM Listing Rules) in connection with the entry into of the Sale and Purchase Agreement, including but not limited to the approval by the Board of the execution, delivery and performance of the Sale and Purchase Agreement; and
- (c) the approval of the SFC in relation to the registration of Sky City as the substantial shareholder of the Target Company has been obtained,

provided, however, that Sky City may in its discretion and by notice to the Vendor waive satisfaction of the condition (a) only.

In the event that either of the conditions precedent set out in sub-paragraphs (b) and (c) above is not satisfied on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate and the parties thereto shall be under no further liability arising out of the Sale and Purchase Agreement (save with respect to any antecedent breach). If the conditions precedent set out in sub-paragraphs (b) or (c) cannot be satisfied on or before the Long Stop Date due to the gross negligence, willful default or fraudulent conduct of Sky City, the deposit set out in sub-paragraph (a) under the paragraph headed "Consideration" shall be forfeited by the Vendor.

Completion

Completion shall take place on any Business Day within three (3) Business Days of the satisfaction or waiver (as the case may be) of the conditions precedent set out above at such place and time as mutually agreed by and between the parties.

Upon Completion, the Target Company will be held by Sky City and the Vendor as to 70% and 30% respectively, and become a subsidiary of the Company. Sky City and the Vendor will respectively provide HK\$2,800,000 and HK\$1,200,000 to the Target Company as Shareholders' Loans upon Completion.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Company, Sky City and the Group

The Company a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM (Stock code: 08182). Sky City is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. The Group is principally engaged in the manufacture and sales of varies types of candies products.

The Vendor

The Vendor is a Hong Kong permanent resident and a merchant. As at the date of this Announcement, he is the sole legal and beneficial owner of all ordinary shares in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company of limited liability incorporated in Hong Kong on 31 May 2016, with an issued share capital of HK\$6,000,000.00 divided into 6,000,000 ordinary shares. The Target Company is licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO.

The Target Company recorded nil revenue and loss before taxation of HK\$22,540 for the period of 31 May 2016 (date of incorporation) to 31 March 2017. The unaudited total and net asset value of the Target Company as at 31 August 2017 were approximately HK\$7,290,000 and HK\$5,426,000, respectively.

REASONS FOR AND BENEFIT OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Company considers that the Acquisition will diversify the Group's business into the financial services industry and broaden revenue sources of the Group. According to the "HKEX Fact Book 2016" published by the Stock Exchange, the total turnover value of stock market in Hong Kong has increased from approximately HK\$16,396.4 billion in 2015 to approximately HK\$26,090.6 billion in 2016, representing a growth of 59.1%. Also, with the development of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the securities market of Hong Kong is expected to benefit from this mutual market access scheme in which more capital will flow into the securities market of Hong Kong. As such, the Company is of the view that licensed corporation which is carrying on Type 1 (dealing in securities) regulated activity under the SFO are expected to benefit from the increase of equity fund raising activities and volume of securities trading in Hong Kong which in turn will drive the demand for securities brokerage of the Target Company.

The Board considers that the Acquisition is on normal commercial terms, fair and reasonable, and is in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATION

The Vendor is the elder brother of Mr. Ong King Keung, who was an independent non-executive Director in the last 12 months, and thus an associate of Mr. Ong King Keung. Therefore the Vendor is a connected person of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules accordingly. As one or more of the applicable percentage ratios set out in the GEM Listing Rules in respect of the Acquisition under the Sale and Purchase Agreement is/are more than 0.1% but are less than 5%, the Acquisition is subject to the reporting and disclosure requirements but is exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. As the Shareholders' Loan to be provided by Sky City is on normal commercial terms or better, and in proportion to the equity interest directly held by Sky City in the Target Company, the provision of the Shareholders' Loan is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 4,200,000 shares, representing 70% of the total issued shares in the Target Company
“associate”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business, other than Saturday and Sunday
“Company”	China Candy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM (Stock code: 08182)
“Completion”	the completion of the Acquisition under the Sale and Purchase Agreement
“connected person”	has the same meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Long Stop Date”	18 March 2018 (or such other date as may be agreed between the parties in writing)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 September 2017 entered into between Sky City and the Vendor in relation to the Acquisition
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders’ Loans”	the shareholders’ loans to be provided by Sky City and the Vendor in the amount of HK\$2,800,000 and HK\$1,200,000 respectively to the Target Company upon Completion
“Sky City”	Sky City Ventures Limited, company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the GEM Listing Rules
“Target Company”	Yellow River Securities Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Mr. Ong Chi King, a Hong Kong permanent resident and a merchant
“%”	Per cent

By order of the Board
China Candy Holdings Limited
Li Yuna
Chairperson

Hong Kong, 19 September 2017

As at the date of this announcement, the executive Directors are Ms. Li Yuna, Ms. Hong Yinzhi and Ms. Yvonne Hung; and the independent non-executive Directors are Mr. Chiu Sai Chuen Nicholas, Ms. Tsui Suk Man and Mr. Law Yiu Sing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its publication and on the website of the Company at <http://www.wholeywoodfood.com>.