



**SOMERLEY CAPITAL LIMITED**

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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)<sup>#</sup> ("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.

<sup>#</sup> 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*