



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

First Quarterly Report 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Directors") of China Candy Holdings Limited (the "Company" and together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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 report 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 report misleading.

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	Notes	Three months ended 31 March	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	2	11,096	13,436
Cost of sales		(8,670)	(9,874)
Gross profit		2,426	3,562
Other income		381	617
Distribution and selling expenses		(458)	(417)
Administrative expenses		(1,978)	(1,000)
Listing expenses		–	(119)
Finance costs		(916)	(1,181)
(Loss)/profit before tax		(545)	1,462
Income tax expense	3	(265)	(490)
(Loss)/profit for the period		(810)	972
Other comprehensive expense, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(18)	(5)
Other comprehensive expense for the period, net of income tax		(18)	(5)
Total comprehensive (expense)/income for the period		(828)	967
Total comprehensive (expense)/income for the period attributable to owners of the Company		(828)	967
(Loss)/earnings per share		RMB cents	RMB cents
– Basic and diluted	5	(0.06)	0.09

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
(Unaudited) Balance at 1 January 2015	-	-	31,444	2,142	24	13,381	46,991
Profit for the period	-	-	-	-	-	972	972
Other comprehensive expense for the period	-	-	-	-	(5)	-	(5)
Total comprehensive income for the period	-	-	-	-	(5)	972	967
Balance at 31 March 2015	-	-	31,444	2,142	19	14,353	47,958
(Unaudited) 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	11,007	29,282	35,329	3,215	219	6,612	85,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

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 (the "Listing") on the GEM of The Stock Exchange with effect from 11 November 2015. Its parent and ultimate holding company is Jia Qing Developments Limited, a company incorporated in the British Virgin Islands. 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 is at Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

The Company's principal activity during the three months ended 31 March 2016 was investment holding. The Group's principal activities during the three months ended 31 March 2016 was the manufacture and sales of candies products.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2016 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 2016 are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2015, 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 effective for the annual period beginning on 1 January 2016 as disclosed in the annual financial statements for the year ended 31 December 2015.

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 2016 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 2016.

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 2016 have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements for the three months ended 31 March 2016 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax		
– People's Republic of China ("PRC") Enterprise Income Tax	275	366
Deferred tax		
– Current period	(10)	124
Total income tax recognized in profit or loss	265	490

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

The Board did not recommend the payment of dividend for the three months ended 31 March 2016 (three months ended 31 March 2015: nil).

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	Three months ended 31 March	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(Loss)/earnings:		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(810)	972
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	1,340,000	1,072,800

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined on the assumption that the reorganization and capitalization issue in relation to the Listing had been effective on 1 January 2015. Details of the reorganization and capitalization issue in relation to the Listing are set out in the Company's prospectus dated 30 October 2015 (the "Prospectus").

The diluted (loss)/earnings per share for the respective periods is equal to the (loss)/earnings per share as there is no potential dilutive ordinary share in issue.

6. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the end of the reporting period of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

During the three months ended 31 March 2016 and up to the date of this report, the Group had been principally engaged in the manufacturing of various types of candies in China which include jelly drops candies, aerated candies, hard candies and chocolate-made products.

Business Review

During the three months ended 31 March 2016, the Group maintained its focus in manufacturing various candies products. Of the various candies products which the Group produces, jelly drop candies continued to be the type of candy with the largest production volume. The Group launched a series of soft piping technique candies (軟裱花工藝糖) for the three months ended 31 March 2016.

The revenue of the Group for the three months ended 31 March 2016 was affected by the decrease in the sales to certain major customers of the Group resulting from economic slowdown in the PRC in 2016 and intensive competition from other candies manufacturers in 2016, and partially offset by the increase in sales to new customers in the United States. Nevertheless, overseas customers continue to be the major source of the Group's revenue for the three months ended 31 March 2016. For the three months ended 31 March 2016, the Group attended exhibition in Germany to promote its products and develop new customers.

The Group has kept its strength in maintaining a diversified and innovative products portfolio which the Directors consider it crucial in enticing existing and new customers. The Group also continues to commit to stringent quality standards and quality control and excellent workplace condition. This enables the Group to achieve ongoing product improvement and enhance its product offerings.

Financial Review

Revenue

Revenue of the Group decreased by approximately 17.4% from approximately RMB13,436,000 for the three months ended 31 March 2015 to approximately RMB11,096,000 for the three months ended 31 March 2016. The decrease in revenue for the three months ended 31 March 2016 was mainly attributed to the decrease in the sales to certain major customers of the Group resulting from economic slowdown in the PRC in 2016 and intensive competition from other candies manufacturers in 2016, and partially offset by the increase in sales to new customers in the United States.

Gross Profit

Gross profit of the Group decreased by approximately 31.9% from approximately RMB3,562,000 for the three months ended 31 March 2015 to approximately RMB2,426,000 for the three months ended 31 March 2016. The gross profit decreased as a result of the decrease in revenue.

On the other hand, gross profit margin decreased from approximately 26.5% for the three months ended 31 March 2015 to approximately 21.9% for the three months ended 31 March 2016. The decrease in gross profit margin was mainly due to the increase in cost of sales per unit.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 9.8% from approximately RMB417,000 for the three months ended 31 March 2015 to approximately RMB458,000 for the three months ended 31 March 2016. The increase in the distribution and selling expenses for the three months ended 31 March 2016 was mainly due to the increase in quantities of products sold to overseas market and associated transportation fee and inspection fee.

Administrative Expenses

Administrative expenses of the Group increased by approximately 97.8% from approximately RMB1,000,000 for the three months ended 31 March 2015 to approximately RMB1,978,000 for the three months ended 31 March 2016. The increase in administrative expenses for the three months ended 31 March 2016 was mainly due to the incur of the Directors' emoluments and the increase in levies, stamp duties and property taxes and legal and professional fee for the three months ended 31 March 2016.

Listing Expenses

During the three months ended 31 March 2015, the Group recognized non-recurring listing expenses under accrual basis of approximately RMB119,000, as expenses in connection with the Listing. No such expenses was incurred for the three months ended 31 March 2016.

Finance Costs

Finance costs of the Group decreased by approximately 22.4% from approximately RMB1,181,000 for the three months ended 31 March 2015 to approximately RMB916,000 for the three months ended 31 March 2016. The decrease in finance costs for the three months ended 31 March 2016 is primarily due to the decrease in the effective interest rate of the Group's interest-bearing borrowings and the average level of bank borrowings.

Loss/profit for the Period

The Group recorded loss for the three months ended 31 March 2016 of approximately RMB810,000 as compared with a profit of approximately RMB972,000 for the corresponding period in 2015. The loss for the three months ended 31 March 2016 was mainly due to the decrease in revenue.

Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2016.

OUTLOOK

The shares of the Company were listed on GEM on 11 November 2015. With the corporate image strengthened by the Listing and the net proceeds received by the Group, the Directors feel confident to take a step forward in the confectioneries industry and further expand the Group's business operations with a view to creating shareholders' value. The Group will continue to use the proceeds from the Listing as mentioned in the Prospectus for operating its business and expanding the production capacity for its existing and new products in Jinjiang, Fujian Province. The expansion is expected to take place in the first half of 2016.

The Directors note that export of sugars and sugar confectionery from China in 2015 recorded a slight growth of approximately 1.5% and reached US\$1,563 million. Looking forward, the Company is still facing the intensive competition from other candies manufacturers and economic slowdown in the PRC and the Group's turnover might be affected. However, the Group will endeavor to strengthen its position in the confectioneries industry by expanding its product offerings and its production capacity and attending overseas exhibitions to promote its products and develop new markets and customers. The Group will continue to seek for business opportunities in the confectioneries industry so as to generate greater value for the shareholders.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name of Director	Capacity/Nature	No. of Shares held/ interested in	Approximate percentage of interest
Mr. Xu Jinpei ("Mr. Xu") ^(Note 1)	Interest in controlled corporation	696,600,000	51.99%
Ms. Hong Yinzhi ("Ms. Hong") ^(Note 2)	Interest of spouse	696,600,000	51.99%

Long position in the shares of associated corporations:

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held/interested in	Percentage of interest
Mr. Xu ^(Note 1)	Jia Qing Developments Limited ("Jia Qing")	Beneficial owner	1	100%
Ms. Hong ^(Note 2)	Jia Qing	Interest of spouse	1	100%

Notes:

- Mr. Xu beneficially owns the entire issued share capital of Jia Qing. Therefore, Mr. Xu is deemed or taken to be interested in all the Shares held by Jia Qing for the purposes of the SFO. Mr. Xu is an executive Director and the sole director of Jia Qing.
- Ms. Hong is the spouse of Mr. Xu. Pursuant to a confirmation signed by Mr. Xu and Ms. Hong, Mr. Xu and Ms. Hong confirmed and declared that they jointly and beneficially owned the equity interests in, amongst others, Jia Qing since its establishment or incorporation. Besides, Ms. Hong is also deemed, or taken to be, interested in all the Shares and the share in Jia Qing in which Mr. Xu is interested for the purpose of the SFO. Ms. Hong is the chief executive officer of the Company and an executive Director.

Save as disclosed above, none of the Directors and chief executive of the Company has 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 5.47 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2016, the interest and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares:

Name	Capacity/Nature	No. of Shares held/ interested in	Approximate percentage of interest
Jia Qing	Beneficial owner	696,600,000	51.99%
Noble Core Limited ("Noble Core")	Beneficial owner	268,200,000	20.01%
Mr. Kwok Shun Tim ("Mr. Kwok") ^(Note 1)	Interest of controlled corporation	268,200,000	20.01%
Ms. Yip Nga Wan ^(Note 2)	Interest of spouse	268,200,000	20.01%

Notes:

1. Mr. Kwok beneficially owns the entire issued share capital of Noble Core. Therefore, Mr. Kwok is deemed or taken to be interested in all the Shares held by Noble Core for the purpose of the SFO. Mr. Kwok is the sole director of Noble Core.
2. Ms. Yip Nga Wan is the spouse of Mr. Kwok. Accordingly, Ms. Yip Nga Wan is deemed or taken to be interested in all the Shares in which Mr. Kwok is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2016, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2016 and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "Code of Conduct"). Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the Code of Conduct for the three months ended 31 March 2016 and up to the date of this report.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules for the three months ended 31 March 2016.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, TC Capital International Limited (the "Compliance Adviser"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 13 February 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the "Audit Committee") with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Ong King Keung (chairman of the Audit Committee), Mr. Chiu Sai Chuen Nicholas and Mr. Chu Wai Wa Fangus, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, this report and the first quarterly results announcement of the Group for the three months ended 31 March 2016. The condensed consolidated financial results for the three months ended 31 March 2016 are unaudited, but have been reviewed by the Audit Committee.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the three months ended 31 March 2016 and up to the date of this report.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the three months ended 31 March 2016.

By order of the Board
CHINA CANDY HOLDINGS LIMITED
Xu Jinpei
Chairman

Fujian, China, 6 May 2016

As at the date of this report, the executive Directors are Mr. Xu Jinpei and Ms. Hong Yinzhì; and the independent non-executive Directors are Mr. Chiu Sai Chuen Nicholas, Mr. Chu Wai Wa Fangus and Mr. Ong King Keung.