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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)**

#### **ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, 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 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.*

The board of Directors (the “Board”) announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2017, together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	2	12,886	19,229	37,890	49,019
Cost of sales		(11,845)	(14,792)	(33,130)	(38,211)
Gross profit		1,041	4,437	4,760	10,808
Other income and loss		3,501	71	(1,884)	615
Distribution and selling expenses		(467)	(537)	(1,231)	(1,685)
Administrative expenses		(8,319)	(1,590)	(15,718)	(5,332)
Finance costs		(1,055)	(743)	(3,083)	(2,509)
(Loss)/profit before tax		(5,299)	1,638	(17,156)	1,897
Income tax credit/(expense)	3	28	(689)	(269)	(1,246)
<b>(Loss)/profit for the period</b>		<b>(5,271)</b>	<b>949</b>	<b>(17,425)</b>	<b>651</b>
<b>Other comprehensive expense, net of income tax</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		(682)	(11)	(1,309)	(100)
Other comprehensive expense for the period, net of income tax		(682)	(11)	(1,309)	(100)
<b>Total comprehensive (expense)/income for the period attributable to owners of the Company</b>		<b>(5,953)</b>	<b>938</b>	<b>(18,734)</b>	<b>551</b>
		<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
<b>(Loss)/earnings per share</b>					
– Basic and diluted	5	(0.33)	0.07	(1.14)	0.05

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to owners of the Company							
	Share capital	Share premium	Other reserves	Statutory reserve	Share options reserve	Foreign currency translation reserve	Retained earnings/ losses (accumulated)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2016	11,007	29,282	35,329	3,215	–	237	7,422	86,492
Profit for the period	–	–	–	–	–	–	651	651
Other comprehensive expense for the period	–	–	–	–	–	(100)	–	(100)
Total comprehensive income for the period	–	–	–	–	–	(100)	651	551
Balance at 30 September 2016 (Unaudited)	<u>11,007</u>	<u>29,282</u>	<u>35,329</u>	<u>3,215</u>	<u>–</u>	<u>137</u>	<u>8,073</u>	<u>87,043</u>
Balance at 1 January 2017	<u>11,007</u>	<u>29,282</u>	<u>35,329</u>	<u>3,471</u>	–	657	3,875	83,621
Loss for the period	–	–	–	–	–	–	(17,425)	(17,425)
Other comprehensive expense for the period	–	–	–	–	–	(1,309)	–	(1,309)
Total comprehensive expense for the period	–	–	–	–	–	(1,309)	(17,425)	(18,734)
Recognition of equity-settled share-based payments	–	–	–	–	9,792	–	–	9,792
Shares issued under placing	2,375	32,781	–	–	–	–	–	35,156
Shares issue expenses	–	(703)	–	–	–	–	–	(703)
Balance at 30 September 2017 (Unaudited)	<u>13,382</u>	<u>61,360</u>	<u>35,329</u>	<u>3,471</u>	<u>9,792</u>	<u>(652)</u>	<u>(13,550)</u>	<u>109,132</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong.

The Company's principal activity was investment holding. The Group's principal activities was the manufacture and sales of candies products.

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2017 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 2017 have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 (CREDIT)/EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Current tax</b>				
– People’s Republic of China (“PRC”)				
Enterprise Income Tax	8	580	197	1,034
<b>Deferred tax</b>				
– Current period	(36)	109	72	212
Total income tax recognized in profit or loss	<u>(28)</u>	<u>689</u>	<u>269</u>	<u>1,246</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made in the 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% for both 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 nine months ended 30 September 2017 (nine months ended 30 September 2016: 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		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss)/earnings:</b>				
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(5,271)</u>	<u>949</u>	<u>(17,425)</u>	<u>651</u>
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share (in thousand)	<u>1,608,000</u>	<u>1,340,000</u>	<u>1,534,374</u>	<u>1,340,000</u>

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there is no dilutive potential ordinary share in issue for 2016.

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company’s share options because the exercise price of those share options was higher than the average market price of shares for 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the nine months ended 30 September 2017 and up to the date of this announcement, 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 nine months ended 30 September 2017, the Group maintained its focus on manufacturing various candies products. Jelly drop candies continued to be the type of candy with the largest production volume amongst the different types of candies products produced by the Group.

The revenue of the Group for the nine months ended 30 September 2017 was affected by the slow down in economic growth in the People's Republic of China (the "PRC") for the nine months ended 30 September 2017 and intensive competition from other candies manufacturers for the nine months ended 30 September 2017. Nevertheless, overseas customers from Southeast Asia and the U.S. continued to be the major source of the Group's revenue for the nine months ended 30 September 2017. The Group will continue to attend exhibition in overseas 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 is 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.

To enhance the value for the shareholders of the Company (the "Shareholders"), the Company decided to expand its business into investment business, mainly investing in the shares of the listed companies in Hong Kong. To facilitate the above investment business, a company (the "Lender") wholly owned by Ms. Hong Yinzhi, an executive Director, entered into a loan agreement with a subsidiary of the Company (the "Borrower") on 25 January 2017, pursuant to which the Lender 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 (the "Loan Agreement"). The above financial assistance constituted a connected transaction which is fully exempt under the GEM Listing Rules.

On 29 August 2017, Sky City Ventures Limited ("Sky City"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a vendor, who is independent third party, to acquire Luck Win Group Inc ("Luck Win"), which holds a property in Hong Kong. Such transaction is fully exempt under the GEM Listing Rules.

On 19 September 2017, Sky City entered into a sale and purchase agreement with a vendor. Pursuant to the sale and purchase agreement, Sky City agreed to purchase 70% of the total issued shares of Yellow River Securities Limited, which is licensed to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Please refer to the announcement of the Company dated 19 September 2017 for the details of the transaction. The transaction was not completed as at the date of this announcement.

## **Financial Review**

### **Revenue**

Revenue of the Group decreased by approximately 22.7% from approximately RMB49,019,000 for the nine months ended 30 September 2016 to approximately RMB37,890,000 for the nine months ended 30 September 2017. In addition, the Group's revenue also experienced a decrease of approximately 33.0% from approximately RMB19,229,000 for the three months ended 30 September 2016 to approximately RMB12,886,000 for the three months ended 30 September 2017. The decrease in revenue for the Period was mainly attributed to the decrease in demand in the PRC and keen competition from other candies manufacturers for the Period.

### **Gross Profit**

Gross profit of the Group decreased by approximately 56.0% from approximately RMB10,808,000 for the nine months ended 30 September 2016 to approximately RMB4,760,000 for the nine months ended 30 September 2017. In addition, the Group's gross profit recorded a decrease by approximately 76.5% from approximately RMB4,437,000 for the three months ended 30 September 2016 to approximately RMB1,041,000 for the three months ended 30 September 2017. The gross profit decreased as the Group's revenue dropped, as explained above.

On the other hand, gross profit margin decreased from approximately 22.0% for the nine months ended 30 September 2016 to approximately 12.6% for the nine months ended 30 September 2017, and gross profit margin decreased from approximately 23.1% for the three months ended 30 September 2016 to 8.1% for the three months ended 30 September 2017. The decrease in gross profit margin was mainly due to (i) the decrease in price of the products of the Group which were mainly sold to Philippines as a result of the competition from other candies manufacturers in that region; (ii) the lowering of the gross profit margin for orders to our customers in Europe and the U.S. to promote new products and attract new customers in those region; and (iii) the increase in the cost of raw materials due to the increase in price of white sugar and packaging materials in the PRC.

## **Distribution and Selling Expenses**

Distribution and selling expenses decreased by approximately 26.9% from approximately RMB1,685,000 for the nine months ended 30 September 2016 to approximately RMB1,231,000 for the nine months ended 30 September 2017. In addition, the Group's distribution and selling expenses decreased by approximately 13.0% from approximately RMB537,000 for the three months ended 30 September 2016 to approximately RMB467,000 for the three months ended 30 September 2017. The decrease in the distribution and selling expenses for the nine months ended 30 September 2017 was mainly attributed to the decrease in the exhibition fee and transportation expenses, as the result of the decrease in sales.

## **Administrative Expenses**

Administrative expenses of the Group increased by approximately 194.8% from approximately RMB5,332,000 for the nine months ended 30 September 2016 to approximately RMB15,718,000 for the nine months ended 30 September 2017. On the other hand, the Group's administrative expenses increased by approximately 423.2% from approximately RMB1,590,000 for the three months ended 30 September 2016 to approximately RMB8,319,000 for the three months ended 30 September 2017. The increase in administrative expenses recorded in the first nine months of 2017 was mainly the result of the increase in share-based payment expenses and legal and professional fee.

## **Finance Costs**

Finance costs of the Group increased by approximately 22.9% from approximately RMB2,509,000 for the nine months ended 30 September 2016 to approximately RMB3,083,000 for the nine months ended 30 September 2017. Further, finance costs of the Group increased by approximately 42.0% from approximately RMB743,000 for the three months ended 30 September 2016 to approximately RMB1,055,000 for the three months ended 30 September 2017. The increase in finance costs is primarily due to the increase in the borrowing during the Period.

## **Loss for the Period**

The Group recorded a loss for nine months ended 30 September 2017 of approximately RMB17,425,000 as compared with a profit of approximately RMB651,000 for the corresponding period in 2016. In addition, the Group recorded a loss of approximately RMB5,271,000 for the three months ended 30 September 2017, as compared with a profit of approximately RMB949,000 for the three months ended 30 September 2016. The loss was mainly caused by the decrease in revenue and gross profit margin, as well as the increase in administrative expenses as discussed above.



## OUTLOOK

The prospect of global confectionery industry would be positive with the growth opportunities in future few years. According to the estimation from a study conducted by a market research firm, the global confectionery market is expected to grow at a compound annual growth rate (CAGR) of 3.80% in the forecasted period of 2016-2020. And the study also stated that the factors including continuous innovation, increasing demand for sugar free confectionery product, rise in gifting trend, strong marketing campaigns, availability of wide range of confectionery products, increase in number of working women and increase in disposable income in developing countries are identified growth drivers for confectionery industry. The confectionery market in the US is also projected to grow at a CAGR of 1.57% by revenue during the forecasted period of 2016-2020, while growth in the confectionery market in China is expected to continue with a CAGR of 5.1% between 2015-2020. Sugar is one of the Group's key material and as per the study conducted by World Bank the price of sugar for the forecast period of 2017 to 2030 is expected to be stable at the level in 2016.

The Directors consider that the Group's turnover for the Period could be negatively affected given the on-going intensive competition from other candies manufacturers and economic slowdown in the PRC. Notwithstanding the challenges ahead, the Group will strive to strengthen its position in the confectionery industry by strengthening its team, refining its management, expanding its product offerings and its production capacity, as well as attending overseas exhibitions to promote its products and develop new markets and customers. The Group will continue to seek business opportunities in the confectionery industry in order to create greater value for the Shareholders.

To enhance the value for the Shareholders, the Company decided to expand its business into investment business, mainly investing in listed shares, property and securities firm.

On 29 August 2017, Sky City, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a vendor, who is independent third party, to acquire Luck Win, which who holds a property in Hong Kong. Such transaction is fully exempt under the GEM Listing Rules.

On 19 September 2017, Sky City entered into a sale and purchase agreement with a vendor, pursuant to which Sky City agreed to purchase 70% of the total issued shares of Yellow River Securities Limited, which is licensed to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Please refer to the announcement of the Company dated 19 September 2017 for the details of the transaction. The transaction was not completed as at the date of this announcement.

## **DIVIDEND**

The Board did not recommend the payment of dividend to shareholders of the Company for the nine months ended 30 September 2017.

## **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 nine months ended 30 September 2017 and up to the date of this announcement.

## **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 nine months ended 30 September 2017 and up to the date of this announcement.

## **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 announcement, the Audit Committee comprises Mr. Law Yiu Sing (chairman of the Audit Committee), Ms. Tsui Suk Man and Mr. Chiu Sai Chuen Nicholas, 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 and the third quarterly results announcement of the Group for the nine months ended 30 September 2017. The condensed consolidated financial results for the nine months ended 30 September 2017 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 nine months ended 30 September 2017 and up to the date of this announcement.

## **MATERIAL ACQUISITION AND DISPOSAL**

On 19 September 2017, Sky City, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a vendor, pursuant to which Sky City agreed to purchase 70% of the total issued shares of Yellow River Securities Limited, which is licensed to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Please refer to the announcement of the Company dated 19 September 2017 for the details of the transaction. The transaction was not completed as at the date of this announcement. Save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 30 September 2017.

## **PUBLICATION OF THIRD QUARTERLY REPORT**

The 2017 third quarterly report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at [www.hollywoodfood.com](http://www.hollywoodfood.com) and the "HKExnews" website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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

Fujian, China, 6 November 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 “ Latest Company Announcements ” page of the website of GEM at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of publication. This announcement will also be published on the website of the Company at [www.hollywoodfood.com](http://www.hollywoodfood.com).*