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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)

**UPDATE ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING AND
KEY FINDINGS OF THE INDEPENDENT INVESTIGATION**

This announcement is made by the Company pursuant to Rule 17.10 of the Rules (the “**GEM Listing Rules**”) Governing Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcement of the China Candy Holdings Limited (the “**Company**”) dated 14 December 2017, 15 January 2018, 5 February 2018, 12 March 2018, 25 April 2018, 7 November 2018, 1 February 2019, and 15 February 2019 (the “**Announcements**”) with regard to the Independent Investigation being conducted by Mazars in relation to the authenticity of certain financial information of the Company. Unless the context otherwise requires, the capitalised terms used therein shall have the same meanings as defined in the Announcements.

The Company wishes to update its shareholders that the Independent Investigation has been concluded and a report setting out Mazars’ findings has been issued to the Company and the Independent Investigation Committee (the “**Independent Investigation Report**”).

A summary of the key findings of the Independent Investigation Report is set out below.

SUMMARY OF KEY FINDINGS OF THE INDEPENDENT INVESTIGATION REPORT

For the purpose of preparing the Independent Investigation Report, Mazars has requested the Company to produce relevant documents and records, interviewed relevant personnel of the Company, visited the Company’s office in Jinjiang, and the banks at Jinjiang which maintain bank accounts relevant to the Company.

Withdrawals and Deposits in relation to the Company's Funds

There were withdrawals of the Company's funds, totalling approximately RMB178 million from the bank accounts of two subsidiaries (i.e. Fujian Holeywood Food Industrial Co., Ltd ("**Holeywood Food**") and Jinjiang Holeywood Trading Co., Ltd ("**Holeywood Trading**")) of the Company (the "**Bank Accounts**") to a number of personal accounts belonging to the key personnel and/or staff of the Company, including but not limited to Ms. Hong.

Based on the Independent Investigation, approximately RMB135.5 million has already been deposited back into the Bank Accounts, mainly from the personal bank accounts of Ms. Hong, Mr. Xu Jinpei ("**Mr. Xu**") (former chairman and executive director of the Company whose resignation took effect from 31 July 2017), and Mr. Wang Zhihong ("**Mr. Wong**") (chief financial controller of the Company whose work responsibilities and powers were suspended since January 2018).

As to the shortfall between the aforesaid withdrawals and deposits in the amount of approximately RMB42.5 million ("**the Shortfall**"), the Company has provided explanations to Mazars in this regard, such as to cover the Company's operational expenses, including but not limited to the payment of salaries to the Company's staff, construction costs for the Company's factories, and purchase costs of raw materials etc.

Regarding the reason as to why there was an arrangement of transferring the Company's funds to the aforementioned personal bank accounts ("**the Arrangement**"), it was explained that the Arrangement was adopted to save transaction costs, and allowed the Company to operate flexibly in light of the foreign exchange controls implemented in the PRC.

The Company provided Mazars with information and/or supporting documents to show the existence of the Arrangement and explain the usage of funds in the Shortfall. However, according to Mazars, there were insufficient information and/or supporting documents to verify the existence and/or explain the usage of approximately RMB12.1 million out of the Shortfall.

Mazars noted that the cash account of the Company might have been used as a suspense account, which might inaccurately reflect the "cash and bank balances" in the consolidated financial statements of the Company.

Abnormal Accounting Records

Mazars noted that Holeywood Food's major bank account contains entries that were not recorded in the Company's day-to-day account. Mazars was unable to obtain sufficient information from the Company in this regard, and therefore could not confirm the existence and reasons of such entries and the reasons which led to such inconsistencies.

Unverifiable Bank Documents

Mazars noted that the bank electronic receipts relevant to the aforementioned abnormal accounting records could not be matched with the verification records of the bank, or were unable to be verified in the electronic receipt verification system provided by the bank. Mazars also noted that the format, position and size of the electronic receipts' specialised chop, QR code, and reminder note of these bank electronic receipts, were inconsistent with that of the official template provided by the bank and other verifiable samples of client-exclusive receipts. Mazars was not provided with any explanations by the Company in relation to the above.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company has been suspended since 9 a.m. on 12 December 2017 and will continue to be suspended until further notice.

By order of the Board
China Candy Holdings Limited
Ms. Yvonne Hung
Chairperson

Hong Kong, 26 March 2019

As at the date of this announcement, the executive Directors are Ms. Yvonne Hung, Ms. Hong Yinzhi and Mr. Yip To Chun; 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 Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited 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.hollywoodfood.com>.