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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 SUSPENSION OF TRADING AND PROGRESS OF RESUMPTION

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, 20 March 2018, 25 April 2018, 7 November 2018, 1 February 2019, 15 February 2019, 26 March 2019, 2 May 2019, and 24 May 2019 (the “**Announcements**”) with regard to the Independent Investigation being conducted by Mazars Corporate Recovery & Forensic Services Limited (“**Mazars**”). Unless the context otherwise requires, the capitalized terms used therein shall have the same meanings as defined in the Announcements.

The Independent Investigation Committee and the board of directors of the Company (the “**Board**”) wishes to express its views regarding the key findings of the Independent Investigation Report provided by Mazars as stated in the Company’s announcement dated 26 March 2019.

Independent Investigation Committee’s view on the Independent Investigation Report

Based on the key findings shown in the Independent Investigation Report, it appears to the Independent Investigation Committee that Ms. Hong Yinzhi (“**Ms. Hong**”) (current chief executive officer and executive director of the Company, whose all work responsibilities and powers in relation to the financial affairs of the Company’s subsidiaries in the PRC were suspended on 10 September 2018) and Mr. Wang Zhihong (“**Mr. Wang**”) (the chief financial controller of the Company, whose work responsibilities and powers were suspended since 18 December 2017), were both holding senior positions of the Company at the material time. Hence, they possessed power and control over the day-to-day operation and finance of the Company. While the Independent Investigation Committee could not ascertain the exact level of involvement of Ms. Hong and Mr. Wang in the incident, it appears that in any event their roles would allow them to be in a position to identify any malpractices or abnormalities within the Company’s accounts and internal control system. In the circumstances, it appears to the Independent Investigation Committee that there might be internal control weakness or deficiencies within the Company’s internal control procedures in relation to the handling of the Company’s funds.

Board's view on the Independent Investigation Report

The Board concurs with the view of the Independent Investigation Committee above.

Proposed remedial measures

Having considered the contents of the Independent Investigation Report and the resumption conditions as stated in the Company's announcement dated 20 March 2018, the Board is now considering to adopt various remedial measures, framework of which are set out below:

(1) Management reformation

As both Ms. Hong and Mr. Wang's personal bank accounts were involved in the withdrawals or deposits of the Company's funds in this incident, it may not be suitable for them to hold any titles and positions within the Group in the future. In the circumstances, it is considered by the Board that both Ms. Hong and Mr. Wang will resign from all positions held within the Group after the publication of the outstanding financial results. In the meantime, the Company will use its best endeavours to identify suitable candidate(s) with experience in the PRC confectionery industry to join the board of directors of the Company.

(2) Internal control procedures review

As identified in the Independent Investigation Report, it appears to the Company that there might be certain level of deficiencies in the Group's internal control procedures. The Company therefore considers to appoint an independent third party to become the Company's independent internal control adviser and instruct them to perform a review of the Group's internal control procedures in relation to the withdrawals and deposits of the Company's funds. If necessary, the Company will also consider to adopt the measures recommended by the said adviser to strengthen the Company's internal control procedures and ensure that good corporate governance practices were in place within the Group.

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

Hong Kong, 3 June 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 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.

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