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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)

**QUARTERLY UPDATE ON RECENT DEVELOPMENT OF
SUSPENSION OF TRADING**

This announcement is made by the Company pursuant to Rule 17.26A of the GEM Listing Rules (the “**GEM Listing Rules**”) 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 12 December 2017, 14 December 2017, 15 January 2018, 5 February 2018, 12 March 2018, 20 March 2018, 25 April 2018, 10 September 2018, 7 November 2018, 1 February 2019, 20 February 2019, 26 March 2019, 29 March 2019, 2 May 2019, 24 May 2019 and 3 June 2019 (collectively the “**Announcements**”). Unless the context otherwise requires, the capitalised terms used therein shall have the same meanings as defined in the Announcements.

**PROGRESS OF IMPLEMENTATION OF STEPS FOR MEETING RESUMPTION CONDITIONS
AND ADDITIONAL RESUMPTION GUIDANCE**

The board of directors is now taking steps to implement the necessary actions and/or awaiting completion of the actions already taken, for the purpose of fulfilling the Resumption Conditions and Additional Resumption Guidance, including but not limited to the proposed remedial measures described in the Company’s Announcement dated 3 June 2019.

Set off part of the company's debt by Ms. Hong

Reference is made to the Company's announcement dated 26 March 2019.

Out of the Company's total outflow of around RMB178 million and total inflow of around RMB135.6 million to and from various personal accounts over 1 June 2015 to 31 December 2017, all outflows have been accounted for by the Company, except for around RMB1 million purportedly received by Ms. Hong on behalf of the Company's subsidiaries and around RMB12.2 million purportedly paid by Ms. Hong on behalf of the Company's subsidiaries (the "**Unverifiable Fund Flows**"), for which insufficient information and supporting documentation have been provided to Mazars. Even though the Company has provided Mazars with information and/or supporting documents to show the existence of an arrangement of transferring the Company's funds to the personal bank accounts 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.

Ms. Hong has lent a loan of HKD75 million to the Company in January 2017, and the Company still currently owes HKD25 million (the "**Company's Debt**") to Ms. Hong. As the Company's Debt far exceeds the Unverifiable Fund Flows, Ms. Hong has agreed to set off part of the Company's Debt against any debt that she owes to the Company (the "**Set Off**"). The effect of the Set Off is that the Company would not have incurred any actual financial loss. The Board considers that the Set Off would be the most practical method of dealing with the Unverifiable Fund Flows.

In relation to the unverifiable bank account entries and bank statements, the Board is determined to overhaul the Company's management team and improve the internal control procedures. For details, please refer to the next two sections of this announcement.

Management reformation

Both Ms. Hong and Mr. Wang have agreed to resign from all positions held within the Group after the publication of the outstanding financial results. It is proposed that Ms. Hong be replaced by Ms. Yu Yanying ("**Ms. Yu**") as Chief Executive Officer and by Ms. Xu Yanran ("**Ms. Xu**") as Deputy Chief Executive Officer.

Ms. Yu has 20 years experience in the food manufacturing industry. She is currently the Deputy General Manager of the Company's food production subsidiary. She has spent the past 10 years managing various departments of the Company, including purchasing, production and human resources.

Ms. Xu graduated with a degree in Economics, Computer Science and Business from New York University in 2017. She has worked as the Deputy General Manager of the Company's food production subsidiary for a year, and is currently the General Manager responsible for finance and sales. Ms. Xu is the daughter of Mr. Xu Jinpei, former chairman and former executive director of the Company.

It is also proposed that Mr. Wang be replaced by Mr. Yip To Chun (“**Mr. Yip**”) as Chief Financial Officer.

Mr. Yip is a member of the Hong Kong Institute of Certified Public Accountants since 2012. He is currently an Executive Director of the Company, as well as the Company’s Company Secretary.

The Board is of the opinion that the above individuals have the requisite expertise and are very familiar with the business operations of the Company. The Board is confident that the new management will ensure competence and continuity in the Company’s management.

The Company is in the position to procure the said resignations and appointments by the end of August 2019. Separate announcement will be made in respect of the above appointments and resignations when they are confirmed. In the meantime, Ms. Hong shall continue to be suspended from all work responsibilities in relation to the financial affairs of the PRC Subsidiaries except for all necessary transitional arrangements and Mr. Wang shall continue to be suspended from all work responsibilities and powers.

Internal control procedure review

The Company has appointed an independent external internal control consultant (the “**Internal Control Consultant**”) to conduct a review of internal controls over certain business processes of the Company, as part of the Company’s initiative in enhancing the Company’s relevant internal control procedures (the “**Review**”). It is expected that the draft interim report will be completed by mid August 2019.

The Company is committed to adopt the recommendation(s) suggested by the Internal Control Consultant, and is committed to undertake regular reviews of the Company’s internal control systems to ensure continued compliance with GEM Listing Rules.

Engagement with auditor for auditing financial statements

The Company has engaged ZHONGHUI ANDA CPA LIMITED (the “**Auditor**”) to audit the financial statements for the financial years ended 31 December 2017, 31 December 2018 and the interim results for the six months ended 30 June 2019. It is anticipated that the Company will be in a position to publish all outstanding financial results by around late September 2019 or early October 2019.

Having discussed with the Auditor, insofar as the Auditor may raise any qualifications on those financial results, the Company expects that it will be able to address all the concerns raised, if any.

BUSINESS OPERATIONS

As of the date of this announcement, the business of the Company and its subsidiaries are operating normally as usual. The Company is of the view that its operations have not been adversely affected by the suspension of trading of the shares of the Company.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company on GEM has been suspended since 9 a.m. on 12 December 2017 and will continue to be suspended until further notice. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate. **Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 7 August 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 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>.