

# FLYKE

## INTERIM REPORT 2018

**FLYKE**

**FLYKE INTERNATIONAL HOLDINGS LTD.**

飛克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01998)

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# COMPANY INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. FONG Sai Mo  
Mr. CHIN Chang Keng Raymond

### Independent Non-executive Directors

Mr. CHU Kin Wang, Peleus  
Mr. ZHU Guohe

## COMPANY SECRETARY

Ms. WONG Chi Yan

## BOARD COMMITTEES

### Audit Committee

Mr. CHU Kin Wang, Peleus (*Chairman*)  
Mr. ZHU Guohe

### Remuneration Committee

Mr. ZHU Guohe (*Chairman*)  
Mr. CHU Kin Wang, Peleus  
Mr. FONG Sai Mo

### Nomination Committee

Mr. ZHU Guohe (*Chairman*)  
Mr. CHU Kin Wang, Peleus  
Mr. FONG Sai Mo

## AUTHORISED REPRESENTATIVES

Mr. FONG Sai Mo  
Ms. WONG Chi Yan

## LEGAL ADVISERS

### Cayman Islands:

Conyers Dill & Pearman

### Hong Kong:

Shirley Lau & Co. LLP (In association with  
CMS Hasche Sigle, Hong Kong LLP)

## AUDITOR

ZHONGHUI ANDA CPA Limited

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 12/F, Seabright Plaza  
9–23 Shell Street, North Point  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Union Registrars Limited  
Suites 3301–04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road, North Point  
Hong Kong

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited  
Standard Chartered Bank (Hong Kong) Limited

## STOCK CODE

01998

## COMPANY WEBSITE

<http://www.chinaflyke.com>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

References are made to the Company's announcements dated 31 March 2014 and 30 April 2014 respectively in relation to, among others things, clarification of the press release and delay in publication of the audited consolidated financial statements of the Company and its subsidiaries (collectively "the Group") for the year ended 31 December 2013. At the request of the Company, trading in shares of the Company has been suspended since 31 March 2014.

In the announcements dated 5 September 2016, it was mentioned that the directors of the company ("Directors") have tried and have not been able to gain access to the plants of the Group located in The People's Republic of China ("PRC"). In addition, the Company has not been able to contact Mr. Lin Wenjian ("Mr. Lin"), the legal representative of the subsidiaries of the Company established in the PRC ("PRC Subsidiaries"), in spite of repeated requests from the Company. Furthermore, since the resignation of Mr. Lin as a director of the Company on 17 June 2016, Mr. Lin has not tendered his resignation as director and legal representative of the PRC Subsidiaries. Neither Mr. Lin nor Mr. Lin Wenzu, both of whom have resigned as directors of the Company, have tendered resignations in relation to their directorship of those subsidiaries outside the PRC or provide assistance to the Company to change the authorised signatories mandates in respect of the bank accounts of the Group, as requested (the "Rejection of Assessment and Resignation").

As the Company has not been able to gain access to the plants of the Group located in the PRC and has not been able to contact Mr. Lin, the legal representative of the PRC Subsidiaries, to better understand the status of the PRC Subsidiaries, the Company has engaged a firm of PRC legal advisors to check the public records of the affairs of the PRC Subsidiaries. The findings of the PRC legal advisors and the work done were detailed in the announcement made by the Company dated 10 November 2016 ("Announcement"). As explained in the sub-paragraph headed "Views of the Board" of the Announcement, having reviewed the report prepared by the PRC legal advisors, the Board concluded that the PRC Subsidiaries have ceased operations and the Company is no longer in control of the PRC Subsidiaries. As such, it is considered that they have lost the control over those subsidiaries which were deconsolidated from the Group since 1 January 2013.

Given that the Directors did not have control, possession of, or access to the underlying accounting books and records of the deconsolidated subsidiaries, the discussion and analysis in this section is limited to discussion and analysis of the Company and those subsidiaries which it still has control over and the term "Group" as mentioned in this section should be construed accordingly.

## FINANCIAL REVIEW

Due to the lack of control and thus the unavailability of these financial records of the PRC Subsidiaries, namely (鑫威(福建)轻工有限公司 Xin Wei (Fujian) Light Industry Co., Ltd.) and (福建省飛克體育用品有限公司 Feike Sports Products Co., Ltd. Fujian) for the period beginning from 1 January 2013, no operation nor revenue was recorded in the period for the six month ended 30 June 2018 ("Review Period"). Loss of RMB2,798,000 (2017: loss of RMB3,913,000) was recorded for the Review Period. The loss was incurred by the Group's general and administrative expenses and other expenses for the Review Period.

## SEGMENT INFORMATION

The Group recorded no revenue generated for the Review Period (2017: RMB Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, cash and cash equivalents of the Group were approximately RMB231,000 (31 December 2017: RMB228,000). As the Group had a net deficiency in capital as at 30 June 2018 and 31 December 2017, the Group's gearing ratio as at that dates were not applicable.

## ASSETS AND LIABILITIES

As at 30 June 2018, the Group had total assets of approximately RMB232,000 (31 December 2017: RMB229,000), total liabilities of RMB41,444,000 (31 December 2017: RMB38,042,000). The net liabilities of the Group as at 30 June 2018 were RMB41,212,000 (31 December 2017: net liabilities of RMB37,813,000). Such liabilities mainly comprise the amount due to other payables of RMB34,082,000 and the amount due to a deconsolidated subsidiary of RMB6,047,000.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## SIGNIFICANT INVESTMENTS AND ACQUISITION AND DISPOSALS

The Group did not have any significant investment nor did it make any material acquisition or disposal of subsidiaries and associates during the Review Period.

## CHARGES ON GROUP ASSETS

The Group had no other charge as at 30 June 2018 and 31 December 2017.

## RESERVES

As at 30 June 2018, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Group during the period are set out in the condensed consolidated statement of changes in equity for the period then ended respectively.

## CAPITAL STRUCTURE

As at 30 June 2018, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.1 each, of which 812,600,000 ordinary shares were in issue and fully paid.

There was no change in the Company's share capital during the Review Period.

## CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 30 June 2018 and 31 December 2017.

## CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 4 (30 June 2017: 4) employees including directors. The total of employee remuneration, including that of the Directors, for the Review Period amounted to approximately RMB408,000 (30 June 2017: RMB369,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

## FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is Renminbi ("RMB"). However, part of the Group's transactions were denominated in Hong Kong dollars. During the Review Period, the Group did not hedge against any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against RMB may impact on the financial condition of the Group.

## DIVIDEND

The Directors do not recommend the payment of interim dividend for the period ended 30 June 2018 (2017: Nil).

## EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events after the reporting period.

## PROSPECT

As announced on 20 March 2017, the Company has entered into the restructuring agreement to undertake the implementation of the proposed restructuring of the assets, business and liabilities of the Group ("Proposed Restructuring"). On 22 March 2017, the Company filed a new listing application to The Stock Exchange of Hong Kong Limited ("Stock Exchange") in relation to the acquisition of a company holding certain assets as part of the restructuring proposal, which constitutes a very substantial acquisition, connected transaction and reverse takeover involving a new listing application for the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The Company resubmitted the second new listing application and the third new listing application on 6 October 2017 and 8 June 2018 respectively. The Company will issue further announcements as and when appropriate to update shareholders on the status of the implementation of the Proposed Restructuring.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, none of the Directors of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures

Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be 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 were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN AND/OR SHORT POSITIONS IN SHARES OR UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

So far as is known to the Directors, as at 30 June 2018, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of shareholder	Capacity	Number of shares held	Number of underlying shares pursuant to share options	Position	Total	Approximate percentage of issued share capital (note 1)
Super Creation International Limited	Beneficial owner	480,000,000	—	Long	480,000,000	59.07%
Mr. LIN Wenjian	Interest of controlled corporation	480,000,000 (note 2)	—	Long	480,500,000	59.13%
	Beneficial owner	—	500,000	Long		
Mr. LI Heshi	Person having a security interest in shares	480,000,000 (note 3)	—	Long	480,000,000	59.07%

Notes:

- The total number of 812,600,000 shares of the Company in issue as at 30 June 2018 has been used for the calculation of the approximate percentage.
- These shares are held by Super Creation International Limited ("Super Creation"), the entire issued share capital of which is wholly and beneficially owned by Mr. LIN Wenjian. By virtue of the SFO, Mr. LIN Wenjian is deemed to be interested in the 480,000,000 shares held by Super Creation.
- 480,000,000 shares of the Company have been charged by Mr. LIN Wenjian to Mr. LI as security.
- The information set out in the above table is based on disclosure of interest notifications filed with the Company and on the website of the Stock Exchange.

# CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2018 ("Review Period"), neither the Company nor any of these subsidiaries which it still retains control, purchased, sold or redeemed any of the Company's listed securities.

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as those disclosed in the "Share Option Scheme" below, at no time during the Review Period was the Company or any of those subsidiaries which the Company still retains control, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SHARE OPTION SCHEME

Based on information available, the following table discloses details of the Company's share options held by the Directors and eligible employees of the Group pursuant to the Company's share option scheme and movements in such holdings during the Review Period:

Name or category of participant	Date of grant	Outstanding as of 1 January 2018	Granted during the Review Period	Exercised during the Review Period	Cancelled/ Lapsed during the Review Period	Outstanding as of 30 June 2018	Exercisable Period	Exercise price	Closing price immediately before the date of grant
								HK\$	HK\$
(a) Directors									
Mr. LIN Wenjian	4 May 2011	500,000	—	—	—	500,000	4 May 2011 to 3 May 2021	1.620	1.620
Mr. LI Yong	31 December 2010	840,000	—	—	—	840,000	1 July 2012 to 30 December 2020	1.726	1.730
	31 December 2010	840,000	—	—	—	840,000	1 January 2014 to 30 December 2020	1.726	1.730
	31 December 2010	1,120,000	—	—	—	1,120,000	1 January 2016 to 30 December 2020	1.726	1.730
	4 May 2011	1,200,000	—	—	—	1,200,000	4 May 2011 to 3 May 2021	1.620	1.620
(b) Eligible employees									
	31 December 2010	3,948,000	—	—	—	3,948,000	1 July 2012 to 30 December 2020	1.726	1.730
	31 December 2010	3,948,000	—	—	—	3,948,000	1 January 2014 to 30 December 2020	1.726	1.730
	31 December 2010	5,264,000	—	—	—	5,264,000	1 January 2016 to 30 December 2020	1.726	1.730
	4 May 2011	15,500,000	—	—	—	15,500,000	4 May 2011 to 3 May 2021	1.620	1.620
		33,160,000	—	—	—	33,160,000			

Note: The information set out in the above table is based on information available to the current board of directors and disclosure of interest filed to the Stock Exchange. As the Company has ceased to have control over the PRC Subsidiaries or any of the books and records of the PRC Subsidiaries, the Company has yet to ascertain whether the outstanding options have been lapsed.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

According to the circular of the Company dated 23 April 2012, as at 30 June 2018, the total number of shares available for issue under the share option scheme adopted on 24 February 2010 under the existing share option scheme limit is 30,940,000, representing approximately 3.81% of the issued share capital of the Company.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Review Period except the Code provision A.2 and A.5.6.

The roles of the chairman and chief executive of the Company were performed by the same individual, Mr. LIN Wenjian up to his resignation on 17 June 2016. After resignation of Mr. LIN Wenjian, the Company was non-compliance of the requirement under paragraph A.2 of the Code that there are two key aspects of the management, the chairman and chief executive.

Nevertheless, the current Board considered that the absence of the roles of chairman and chief executive would not impair the balance of power and authority between the Board and the management of the Company.

Arrangements will be made to appoint the chairman and chief executive as soon as practicable to comply with the Code.

Based on available information, the current Board noted that the Company did not have a policy concerning diversity of board members under the requirement of Code provision A.5.6. The Board will consider to revise the terms of reference of the nomination committee to adopt a board diversity policy.

Upon the resignation of Mr. WANG Dong as an independent non-executive director, the chairman of remuneration committee and nomination committee and a member of audit committee of the Company on 17 June 2016 and Mr. LEI Gengqiang as a non-executive director and a member of the audit committee of the Company on 24 June 2016, the numbers of the independent non-executive Directors and the members of audit committee, nomination committee and remuneration committee of the Company fell below the minimum number required under Rule 3.10(1) and 3.21 of the Listing Rules.

Upon the appointment of Mr. FONG as a member of remuneration committee and nomination committee of the Company on 13 July 2016, the Company has only two independent non-executive directors and two members of audit committee, the number of which is lower than the minimum number as required under Rule 3.10(1) and Rule 3.21 of the Listing Rules, respectively. The Company is now identifying suitable candidate(s) to fill the vacancies of one independent non-executive director and one member of audit committee of the Company.

### COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of which the current Directors, both of whom have confirmed that they have complied with the required standards set out in the Model Code during the Review Period.

### REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE

The Company established the audit committee to review and monitor the financial reporting process and internal control of the Group and to review the financial information of the Group. The audit committee consists of two independent non-executive Directors namely Mr. CHU Kin Wang, Peleus ("Mr. CHU") and Mr. ZHU Guohe.

Mr. CHU is the chairman of the audit committee. The audit committee has reviewed this report for the Review Period, including the accounting principles and practices adopted by the Group.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee.



# CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

## PLEDGING OF SHARES BY CONTROLLING SHAREHOLDER

On 11 May 2015, Mr. LIN, the controlling shareholder of the Company (being the former chairman, chief executive and executive Director of the Company who resigned on 17 June 2016), had charged his entire interest in 480,000,000 ordinary shares of the Company to Mr. LI Heshi ("Mr. LI"), an independent third party, to secure a loan by Mr. LI to Mr. LIN.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, there is sufficient public float of at least 25% of the Company's total number of issued shares as required under the Listing Rules.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the current Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

## DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of the information on Director is as follows:

<b>Name of Director</b>	<b>Details of change</b>
Mr. Chin Chang Keng Raymond (Executive Director)	He has been appointed as an executive director of China Taifeng Beddings Holdings Limited ("China Taifeng") (Stock code: 873), which is subject to a petition made to the High Court of the Hong Kong Special Administrative Region for the winding-up of China Taifeng on 26 July 2018, with effect from 8 May 2018.

## BOARD OF DIRECTORS

As at the date of this report, the executive Directors are Mr. FONG Sai Mo and Mr. CHIN Chang Keng Raymond; the independent non-executive Directors are Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe.

On behalf of the Board

**Flyke International Holdings Ltd.**

**CHIN Chang Keng Raymond**

*Executive Director*

Hong Kong, 30 August 2018

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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	SIX MONTHS ENDED 30 JUNE	
		2018 RMB'000 (UNAUDITED)	2017 RMB'000 (UNAUDITED)
<b>REVENUE</b>		—	—
Administrative expenses		(1,890)	(2,051)
Other expenses		(908)	(1,862)
<b>LOSS BEFORE TAX</b>	4	<b>(2,798)</b>	(3,913)
Income tax expense	5	—	—
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>(2,798)</b>	(3,913)
<b>Other comprehensive (expenses)/income after tax:</b> <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		(601)	1,079
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>(3,399)</b>	(2,834)
<b>LOSS PER SHARE (RMB)</b>	6		
— Basic		(0.003)	(0.005)
— Diluted		(0.003)	(0.005)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	<b>30 JUNE 2018 RMB'000 (UNAUDITED)</b>	31 DECEMBER 2017 RMB'000 (AUDITED)
<b>Current assets</b>		
Other receivables	1	1
Cash and cash equivalents	231	228
<b>Total current assets</b>	<b>232</b>	229
<b>Current liabilities</b>		
Other payables	34,082	30,776
Amount due to the controlling shareholder	1,315	1,298
Amount due to a deconsolidated subsidiary	6,047	5,968
<b>Total current liabilities</b>	<b>41,444</b>	38,042
<b>Net current liabilities</b>	<b>(41,212)</b>	37,813
<b>NET LIABILITIES</b>	<b>(41,212)</b>	37,813
<b>Capital and reserves</b>		
Share capital	71,551	71,551
Reserves	(112,763)	(109,364)
<b>TOTAL DEFICIT</b>	<b>(41,212)</b>	(37,813)

The condensed consolidated financial statements on pages 9 to 20 were approved and authorised for issue by the board of directors on 30 August 2018 and are signed on its behalf by:

**FONG Sai Mo**  
Director

**CHIN Chang Keng Raymond**  
Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	SHARE CAPITAL RMB'000	SHARE PREMIUM* RMB'000	CAPITAL REDEMPTION RESERVE* RMB'000	SHARE OPTIONS RESERVE* RMB'000	EXCHANGE FLUCTUATION RESERVE* RMB'000	ACCUMULATED LOSSES* RMB'000	TOTAL RMB'000
At 1 January 2017 (audited)	71,551	272,419	945	24,766	(6,753)	(397,562)	(34,634)
Total comprehensive income/(expenses) for the period (unaudited)	—	—	—	—	1,079	(3,913)	(2,834)
At 30 June 2017 (unaudited)	71,551	272,419	945	24,766	(5,674)	(401,475)	(37,468)
At 1 January 2018 (audited)	<b>71,551</b>	<b>272,419</b>	<b>945</b>	<b>24,766</b>	<b>(4,095)</b>	<b>(403,399)</b>	<b>(37,813)</b>
Total comprehensive expenses for the period (unaudited)	—	—	—	—	<b>(601)</b>	<b>(2,798)</b>	<b>(3,399)</b>
At 30 June 2018 (unaudited)	<b>71,551</b>	<b>272,419</b>	<b>945</b>	<b>24,766</b>	<b>(4,696)</b>	<b>(406,197)</b>	<b>(41,212)</b>

\* These reserve accounts comprise the consolidated reserves in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	<b>SIX MONTHS ENDED 30 JUNE</b>	
	<b>2018 RMB'000 (UNAUDITED)</b>	<b>2017 RMB'000 (UNAUDITED)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	—	—
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	—	—
Cash and cash equivalents at beginning of the period	<b>228</b>	245
Effect on exchange rate changes, net	<b>3</b>	(7)
<b>Cash and cash equivalents at end of the period</b>	<b>231</b>	238
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>231</b>	238

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 1. GENERAL INFORMATION

Flyke International Holdings Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit D, 12/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the trading in shares of the Company has been suspended since 31 March 2014.

The Company is an investment holding company.

## 2. BASIS OF PREPARATION

These condensed consolidation financial statements ("Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below.

### (a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the category of financial assets at amortised cost.

#### (i) *Financial assets at amortised cost*

Financial assets (including other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 2. BASIS OF PREPARATION (continued)

### (b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

### Suspension of trading in shares of the Company

References are made to the Company's announcements dated 31 March 2014 and 30 April 2014 respectively in relation to, among others things, clarification of the press release and delay in publication of the audited consolidated financial statements of the Company and its subsidiaries (collectively "the Group") for the year ended 31 December 2013. At the request of the Company, trading in shares of the Company has been suspended since 31 March 2014.

On 23 September 2014, the Stock Exchange issued a letter to the Company stating that it considers it appropriate to impose on the Company the following conditions for resumption of trading in the shares of the Company (the "Resumption Conditions"):

- (i) disclose the findings of the investigation on the outstanding audit issues of previous auditors (the "Outstanding Audit Issues") and if necessary, conduct further investigations with appropriate scope to resolve the Outstanding Audit Issues;
- (ii) publish all outstanding financial results and report and address any audit qualifications; and
- (iii) demonstrate adequate internal controls have been put in place by the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 2. BASIS OF PREPARATION (continued)

Reference is made to the Company's announcement dated 5 September 2016, the Directors have recently tried and have not been able to gain access to the plants of the Group located in The People's Republic of China (the "PRC"). In addition, the Company has not been able to contact Mr. Lin Wenjian, the legal representative of the subsidiaries of the Company established in the PRC. (the "PRC Subsidiaries"). In spite of repeated requests from the Company, since the resignation of Mr. Lin Wenjian as a director of the Company on 17 June 2016, Mr. Lin Wenjian has not tendered his resignation as director and legal representative of the PRC Subsidiaries. Furthermore, neither Mr. Lin Wenjian nor Mr. Lin Wenzu, both of whom have resigned as directors of the Company, have tendered resignations in relation to their directorship of those subsidiaries outside the PRC or provide assistance to the Company to change the authorised signatories mandates in respect of the bank accounts of the Group, as requested (the "Rejection of Assessment and Resignation").

There were several changes in the Directors of the Company and senior management of the Group including (i) resignation of four executive Directors on 10 February 2015, 17 June 2016 and 24 June 2016; (ii) appointment of two new executive Directors on 9 November 2015 and 13 July 2016; and (iii) resignation of the chief financial officer on 17 June 2016.

Reference is made to the Company's announcements dated 2 April 2015 and 21 May 2015, the Board has set up an investigation committee comprising the independent non-executive Directors (the "Special Committee") to look into the matter, including (i) make enquiries with the staff of the Company regarding contacts with banks, reconciliation of bank statements with the ledgers and procedures for obtaining bank confirmations; and (ii) contact the relevant banks to understand the discrepancies in bank balances as shown on the bank statements of the PRC Subsidiaries (the "Discrepancies") and the procedures for obtaining bank confirmations and bank statements. It was noted that the bank statements obtained by the independent non-executive Director confirmed the Discrepancies of approximately RMB374 million that had come to the attention of the Board.

Reference is made to the Company's announcements dated 9 September 2016 and 18 October 2016, the Company, Southern Global Holdings Limited ("Investor A") and Everlink Development Limited ("Investor B", together with Investor A, the "Investors") have entered into a non-legally binding investment framework agreement (the "Investment Framework Agreement") in relation to the proposed restructuring of the business and finances of the Group (the "Proposed Restructuring").

Reference is made to the Company's announcement dated 20 March 2017, Investor A, Investor B and the Company have entered into an agreement under which the parties conditionally agreed to undertake the Proposed Restructuring. The circular, among other things, further information in respect of the Proposed Restructuring (the "Circular") will be despatched as soon as possible.

Reference is made to the Company's announcements dated 31 May 2017, 30 June 2017, 28 July 2017, 28 August 2017, 28 September 2017, 30 October 2017, 30 November 2017, 29 December 2017, 29 January 2018, 28 February 2018, 28 March 2018, 16 April 2018, 30 April 2018, 30 May 2018, 29 June 2018, 27 July 2018 and 27 August 2018, as additional time is required, despatch of the Circular will be delayed.

Reference is made to the Company's announcement dated 1 August 2018, the acquisition is subject to a number of conditions including but not limited to independent shareholders' approval, which may or may not be fulfilled. In addition, the Listing Committee's approval on the third new listing application submitted to the Stock Exchange on 8 June 2018 (the "Third New Listing Application") may or may not be granted. In the event that the approval of the Third New Listing Application is not granted by the Listing Committee, the restructuring agreement will not become unconditional and the acquisition and the Proposed Restructuring will not proceed.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 2. BASIS OF PREPARATION (continued)

### Proposed restructuring of the Group

The restructuring of the Group consists of:

- (i) Capital reorganisation and change in board lot size;
- (ii) Acquisition;
- (iii) Subscription;
- (iv) Placing;
- (v) Open offer; and
- (vi) Creditors schemes

#### (i) Capital reorganisation

As part of the Proposed Restructuring, the Company proposes to implement the capital reorganisation (the "Capital Reorganisation") which comprises (i) share consolidation which involves the consolidation of every two issued shares of HK\$0.10 each into one consolidated share of HK\$0.20 each; (ii) the capital reduction, whereby the nominal value of each of the issued consolidated shares will be reduced from HK\$0.20 per consolidated share to HK\$0.01 per adjusted ordinary share ("Adjusted Ordinary Share"); (iii) the authorised share capital diminution; and (iv) the authorised share capital increase. The existing board lot size is 2,000 shares. Upon the Capital Reorganisation becoming effective, the Adjusted Ordinary Shares will be traded in board lot size of 20,000 Adjusted Ordinary Shares each.

#### (ii) Acquisition

Pursuant to the restructuring agreement, the Company has conditionally agreed to acquire the entire issued share capital of a target company at a consideration of HK\$1,151,721,733, which shall be settled by the Company (i) as to HK\$166,000,000 in cash and (ii) as to HK\$985,721,733 by way of allotment and issue of a total of 5,003,663,621 Adjusted Ordinary Share at HK\$0.197 per share (the "Issue Price") upon completion of the Proposed Restructuring ("Completion").

#### (iii) Subscription

Pursuant to the restructuring agreement, the Company will issue to Investor A 126,903,553 subscription shares at the Issue Price for the aggregate subscription consideration of HK\$25,000,000 (approximately RMB21,094,000), which shall be partially settled by setting off against the working capital advanced by Investor A and the remaining balance to be settled in cash upon Completion.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 2. BASIS OF PREPARATION (continued)

### Proposed restructuring of the Group (continued)

#### (iv) *Placing*

As part of the Proposed Restructuring, the Company will enter into the placing agreement with a placing agent, being an independent third party. The placing agent will procure independent third parties as the placees to subscribe for the placing shares (i.e. 1,324,873,096 Adjusted Ordinary Shares) at the Issue Price (the "Placing"). The gross proceeds from the Placing before expenses will amount to HK\$261,000,000 (approximately RMB220,220,000).

#### (v) *Open offer*

To enable the existing shareholders to participate in the Proposed Restructuring, the Company proposes to undertake the open offer (the "Open Offer") on the basis of three offer shares for every ten existing shares (equivalent to five Adjusted Ordinary Shares) held by the qualifying shareholders on the Open Offer record date. A total of 243,780,000 offer shares will be allotted and issued by the Company to the qualifying shareholders and/or the underwriter at the Issue Price. The gross proceeds from the Open Offer before expenses will amount to approximately HK\$48,025,000 (approximately RMB40,521,000).

#### (vi) *Creditors schemes*

Pursuant to the creditors schemes (the "Creditors Schemes"), all the issued shares of the Scheme Companies, including Win Eagle International Holdings Limited, Xinwei Hong Kong Investment Limited, 福建省飛克體育用品有限公司 (Feike Sports Products Co., Ltd. Fujian\*) and 鑫威(福建)輕工有限公司 (Xin Wei (Fujian) Light Industry Co., Ltd.\*), will be transferred to a nominee of the scheme administrators from the Creditors Schemes upon Completion, for the benefit of the creditors and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Scheme Companies shall be released and discharged in full upon such transfer. Except for the controlling shareholder, none of the creditors hold any equity interest in the Company. The Company's liabilities, including amount due to a deconsolidated subsidiary, amount due to the controlling shareholder and certain other payables, will also be discharged under the Creditors Schemes.

Upon the Creditors Schemes becoming effective, the creditors will accept in full discharge of their claim at a rateable distribution from (a) the cash amount of HK\$6,400,000 (approximately RMB5,400,000) out of the subscription consideration; (b) 129,949,239 scheme shares to be allotted and issued at Issue Price, in aggregate amounting to HK\$25,600,000 (approximately RMB21,600,000); and (c) such other sums as may be realised by the scheme administrators from the Scheme Companies. Based on the books and records available, loss before tax and loss after tax of the Scheme Companies for the six months ended 30 June 2018 is approximately RMB20,000 (six months ended 30 June 2017: RMB nil) and the net liabilities of the Scheme Companies as at 30 June 2018 is approximately RMB126,303,000 (as at 31 December 2017: RMB124,647,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 2. BASIS OF PREPARATION (continued)

### Deconsolidation of subsidiaries

The Interim Financial Statements have been prepared based on the books and records maintained by the Group. However, as a result of the Rejection of Assessment and Resignation, by that time, the Directors considered that the control over the following subsidiaries had been lost. Since then, the Directors neither had control over the operating and financial activities, nor any access to the underlying accounting books and records of those subsidiaries. Due to the lack of control and thus the unavailability of the financial records of these subsidiaries for the period beginning from 1 January 2013, the Directors considered that it was impracticable to consolidate the results, assets, liabilities and cash flows of these subsidiaries from 1 January 2013.

- (1) 鑫威(福建)轻工有限公司

(Xin Wei (Fujian) Light Industry Co., Ltd. \*)

- (2) 福建省飛克體育用品有限公司

(Feike Sports Products Co., Ltd. Fujian\*)

\* *The English name is for identification purpose only*

### Going concern basis

The Interim Financial Statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Group will be successfully completed, and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the Interim Financial Statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Interim Financial Statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

### 4. LOSS BEFORE TAX

The Group's loss before tax is stated after charging the following:

	SIX MONTHS ENDED 30 JUNE	
	2018	2017
	RMB'000	RMB'000
	(UNAUDITED)	(UNAUDITED)
Directors' remuneration	408	369
Other staff costs	146	182

### 5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for each of the six months ended 30 June 2018 and 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 6. LOSS PER SHARE (RMB)

### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2018 of approximately RMB2,798,000 (six months ended 30 June 2017: approximately RMB3,913,000) attributable to owners of the Company and the weighted average number of 812,600,000 (six months ended 30 June 2017: 812,600,000) ordinary shares in issue during the six months ended 30 June 2018.

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2018 and 2017 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the periods.

## 7. DIVIDEND

The Board of Directors does not recommend the payment of interim dividend for the six months ended 30 June 2018 and 2017.

## 8. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group at the end of the reporting period.

## 9. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 30 August 2018.