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FLYKE INTERNATIONAL HOLDINGS LIMITED

飛克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1998)

(1) RESULTS OF INTERNAL CONTROL REVIEW AND (2) CONTINUOUS SUSPENSION OF TRADING

References are made to (a) the announcement of the Company dated 29 November 2016 in relation to the Company being placed in the First Delisting Stage by the Stock Exchange, (b) the announcement of the Company dated 20 March 2017 in respect of, among other things, (i) the Proposed Restructuring; (ii) proposed adoption of new memorandum and articles; (iii) proposed appointment of proposed directors; and (iv) proposed termination of existing share option scheme and adoption of new share option scheme, (c) the announcements of the Company dated 23 March 2017, 6 October 2017 and 8 June 2018 in relation to, among other things, the New Listing Application, the Second New Listing Application and the Third New Listing Application, (d) the announcements of the Company dated 1 August 2018, 1 November 2018 and 1 February 2019 in relation to the update on progress of resumption and (e) the announcement of the Company dated 16 November 2018 in relation to the Company being placed in the Second Delisting Stage by the Stock Exchange and the resumption conditions (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements.

BACKGROUND AND RESULTS OF INTERNAL CONTROL REVIEW

As stated in the announcement of the Company dated 20 March 2017, the Company has engaged ZHONGHUI ANDA Risk Services Limited (the “**Internal Control Reviewer**”) to conduct the internal control review on the Group to assist the Board to assess if the Group’s financial reporting procedures and internal control systems are adequate to enable the Company to meet its obligations under the Listing Rules (the “**Internal Control Review**”).

The Internal Control Review was conducted with reference to (i) Internal Control – Integrated Framework (2013) issued by Committee of Sponsoring Organisations of the Treadway Commission (the “**COSO Framework 2013**”); and (ii) Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 of the Listing Rules as well as other relevant Listing Rules.

The Internal Control Review excluded the Scheme Companies as upon completion of the Proposed Restructuring, the Scheme Companies will be transferred to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes and excluded from the Group.

The Internal Control Reviewer reviewed the Group’s financial reporting procedures and internal control systems at the corporate level and the key operating cycles including financial reporting and business activity in order to assess and identify significant weaknesses in relation to the Company’s financial procedures, systems and controls. During the Internal Control Review, the Internal Control Reviewer has identified a number of internal control issues and deficiencies. The Board has reviewed such issues and deficiencies, and has taken appropriate actions and steps to address those internal control issues and deficiencies with reference to the recommendations of the Internal Control Reviewer.

Set out below are the major deficiencies identified by Internal Control Reviewer and the Company’s responses:

Major deficiencies	Company’s responses
<p>The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. However, during the period from 1 January 2016 to 17 June 2016, Mr. LIN Wenjian was chairman and chief executive of the Group.</p>	<p>The Board is in the process of identifying appropriate persons to fill the vacancies of the chairman and chief executive. During transitional period, the Company has lost control over its operating subsidiaries and the Group has no substantial operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. Having considered the current situation of the Group, the Board considers that the existing Board members are able to share the power and responsibilities of chairman and chief executive among themselves. As at the date of this announcement, the role of the chairman and chief executive is currently being performed collectively by the Board.</p>

<p>The Board must include at least three independent non-executive Directors (“INED”). As Mr. WANG Dong resigned as INED and member of the Audit Committee of the Company on 17 June 2016, the number of INED was changed from 3 persons to only 2 persons.</p>	<p>The Company is in the process of identifying suitable candidate(s) to fill the vacancy of INED. In light of the fact that the Company is currently in the second delisting stage, it will take more time to identify the additional INED, who will also serve as a member of the Audit Committee. Nevertheless, upon completion of the Proposed Restructuring, a suitable candidate to fill the vacancy of INED will be appointed.</p>
<p>The Company does not have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy.</p>	<p>The Board has revised the terms of reference of the nomination committee in December 2018 to adopt a board diversity policy which sets out the approach to achieve diversity of the Board.</p>
<p>As Mr. LIN Wenjian and Mr. WANG Dong resigned on 17 June 2016, and Mr. LIN Wenzu and Mr. LEI Qengqiang resigned on 24 June 2016, the Company cannot confirm whether they had complied with the Model Code during the review period.</p>	<p>The company secretary has sent the confirmations of compliance with Model Code to Mr. LIN Wenjian, Mr. WANG Dong, Mr. LIN Wenzu and Mr. LEI Qengqiang in April 2017. As advised by the Company, no response in respect of the confirmations has been received as at date of this announcement.</p>
<p>Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties. However, no monthly management account is prepared to the Board for approval.</p>	<p>Monthly management account has been prepared and submitted to the Board since February 2019 and the Company will continue to provide all members of the Board with monthly management account on a regular basis.</p>
<p>No business continuity plan has been prepared in written form.</p>	<p>A business continuity plan has been developed and adopted by the Board in February 2019.</p>

<p>No written manual covering the procedures on evaluation of potential investments or ventures is developed.</p>	<p>An investment policy setting out the procedures on evaluation of potential investments or ventures (the “Investment Policy”) has been developed and adopted by the Board in February 2019.</p>
<p>No written policy or guideline for preparation of financial budget and forecasts.</p>	<p>A financial forecast policy which covers policy or guideline for preparation of financial budget and forecasts (the “Financial Forecast Policy”) has been developed and adopted by the Board in February 2019.</p>
<p>No financial budget and variance analysis.</p>	<p>The Financial Forecast Policy which covers policy or guideline for preparation of financial budget and variance analysis has been developed and adopted by the Board in February 2019. During transitional period, the Company has lost control over its operating subsidiaries and the Group has no substantial operation. Financial budget and variance analysis will be prepared when the Company resume to have sufficient operations.</p>
<p>No written policy or guideline for preparation of management response to significant variances.</p>	<p>The Financial Forecast Policy which covers policy or guideline for preparation of management response to significant variances has been developed and adopted by the Board in February 2019.</p>

Following the actions and steps taken by the management of the Group, the Internal Control Reviewer has conducted a follow-up review on financial reporting procedures and internal control systems of the Group. As at the date of this announcement, the report (including follow-up review results) has been completed.

Based on the above findings and the Company’s responses (including follow-up review results), the Internal Control Reviewer noted that based on the results of their enquiries, observations and discussions with the management and responsible personnel of the Group as well as examination of documents and records, there was no indication of any material irregularity or error on the financial reporting procedures and systems of internal control of the Group. The Company has implemented enhanced internal control measures to remedy all major internal control deficiencies identified by the Internal Control Reviewer.

Having considered the results of the Internal Control Review conducted by Internal Control Reviewer, the Directors are of the view that the Group's financial reporting procedures and internal control systems are sufficient to meet the obligations under the Listing Rules.

SUSPENSION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 31 March 2014. Trading in the Shares will continue to suspend until further notice and full satisfaction of the Resumption Conditions and such other further conditions that may be imposed by the Stock Exchange.

By Order of the Board
Flyke International Holdings Limited
FONG Sai Mo
Executive Director

Hong Kong, 11 March 2019

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.