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)

2018
Annual Report

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Executive Director

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. CHIN Chang Keng Raymond

Nomination Committee

Mr. ZHU Guohe *(Chairman)*
Mr. CHU Kin Wang, Peleus
Mr. CHIN Chang Keng Raymond

AUTHORISED REPRESENTATIVES

Mr. CHIN Chang Keng Raymond
Ms. WONG Chi Yan

LEGAL ADVISERS

Cayman Islands:

Conyers Dill & Pearman

Hong Kong:

Lau, Horton & Wise LLP (In Association with CMS Hasche Sigle, Hong Kong LLP)

AUDITOR

ZHONGHUI ANDA CPA Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Hutchins Drive
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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

FINANCIAL HIGHLIGHTS

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	—	—	—	—	**—**
Loss before tax	(4,268)	(2,158)	(3,124)	(5,837)	**(4,743)**
Income tax expenses	—	—	—	—	**—**
Loss for the year attributable to owners of the Company	(4,268)	(2,158)	(3,124)	(5,837)	**(4,743)**

ASSETS AND LIABILITIES

	As at 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Non-current assets	—	—	—	—	**—**
Current assets	263	208	246	229	**241**
Current liabilities	(26,163)	(29,559)	(34,880)	(38,042)	**(45,062)**
Non-current liabilities	—	—	—	—	**—**
Net liabilities	(25,900)	(29,351)	(34,634)	(37,813)	**(44,821)**
Total deficit	(25,900)	(29,351)	(34,634)	(37,813)	**(44,821)**

THE BOARD OF DIRECTORS' STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Flyke International Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the Annual Report of the Company for the year ended 31 December 2018 ("FY2018").

PROGRESS OF THE COMPANY'S PROPOSED RESTRUCTURING EXERCISE

It was announced on 20 March 2017 that the Company has entered into a restructuring agreement (the "Restructuring Agreement") with Southern Global Holdings Limited ("Southern Global"), Everlink Development Limited ("Everlink"), Hua Rui Xin Investment (Hong Kong) Limited ("Hua Rui") and Mr. Yang Hongpeng ("Mr. Yang") in relation to the proposed restructuring of the business and liabilities of the Company (the "Proposed Restructuring") on 9 January 2017. The Proposed Restructuring involves (i) a capital reorganisation (the "Capital Reorganisation") comprises of share consolidation, capital reduction, authorised share capital diminution, increase in authorised share capital and share premium cancellation; (ii) acquisition of the target group which is primarily engaged in the development and sale of residential and commercial properties in Jilin City in the PRC (the "Acquisition"); (iii) subscription of new shares by Southern Global; (iv) placing of new shares by the Company; (v) offer of new shares on the basis of three offer shares for every five shares held by the shareholders on the record date to existing shareholders of the Company upon the Capital Reorganisation becoming effective; and (vi) schemes of arrangement with creditors of the Company. The Company, Southern Global, Everlink and Mr. Yang subsequently entered into a supplemental agreement on 21 March 2017 to amend certain terms of the Restructuring Agreement.

On 22 March 2017, the Company filed the first listing application to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in relation to the Acquisition 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").

Pursuant to Rule 9.03(1) of the Listing Rules, the new listing application had subsequently lapsed on 21 September 2017. The Company resubmitted a second new listing application to the Stock Exchange on 6 October 2017, which was also lapsed on 5 April 2018. On 8 June 2018, the Company resubmitted a third new listing application to the Stock Exchange (the "Third New Listing Application").

On 14 September 2018, the Company received a letter issued by the listing department of the Stock Exchange (the "Listing Department") to reject the Third New Listing Application on the basis that the target company would not be able to meet the minimum profit requirement under Rule 8.05(1)(a) of the Listing Rules (the "Decision") and the Company has submitted a written request to the Listing Committee (as defined in the Listing Rule) pursuant to Rule 2B.05(1) of the Listing Rules for a review by the Listing Committee of the Decision (the "Review") on 24 September 2018. The Company subsequently withdrawn its request for the Review on 9 November 2018 due to various practical considerations of the Company. The Company then diverted all its resources in preparation for a new listing application with the inclusion of the audited financial information for the year ended 31 December 2018.

On 14 November 2018, the Stock Exchange issued a letter to the Company that the Stock Exchange has placed the Company in the second delisting stage (the "Second Delisting Stage") under Practice Note 17 to the Listing Rules. The Second Delisting Stage would expire on 14 May 2019 and the Company should submit a viable resumption proposal to the Stock Exchange at least 10 business days before the Second Delisting Stage expires (i.e. 25 April 2019). In order to submit a viable resumption proposal to the Stock Exchange and comply with the relevant resumption conditions, parties to the Restructuring Agreement agreed to modify the Proposed Restructuring (the "Modified Restructuring").

On 6 December 2018, the Company submitted a resumption proposal (the "Resumption Proposal") in relation to the Modified Restructuring to the Stock Exchange.

On 28 June 2019, the Company annouced that the Modified Restructuring will no longer proceed.

On 21 June 2019, the Stock Exchange issued a letter to the Company that the Stock Exchange has decided to place the Company into the third delisting stage (the "Third Delisting Stage") under Practice Note 17 to the Listing Rules.

On 17 December 2019, the Company submitted a resumption proposal (the "New Resumption Proposal") to the Stock Exchange in support of the resumption of trading in the shares of the Company. As at the date of this annual report, the Company and the relevant parties are working closely to address comments from the Stock Exchange on the New Resumption Proposal.

Further announcement(s) will be made by the Company as and when appropriate to keep the shareholders (the "Shareholders") and potential investors of the Company updated/informed on the status of the implementation of the New Resumption Proposal.

LOOKING AHEAD

The Company has been making efforts in fulfilling the resumption conditions. With an aim to formulate a viable resumption proposal, the Company has been, among other things, actively identifying potential investors to participate in the restructuring of debt and equity of the Company (the "Potential Restructuring"). The Directors believe that the Potential Restructuring, if proceed and materialize, would enable the Company to enhance its business operations to satisfy objectively the requirements for having and maintaining a sufficient level of operations or tangible assets of sufficient value as stipulated under Rule 13.24 of the Listing Rules.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my most sincere gratitude to all our shareholders, management team and dedicated staff, bankers, creditors, professional advisors, and business partners for continuing support and understanding through this difficult and challenging period.

CHIN Chang Keng Raymond
Executive Director

Hong Kong, 31 March 2020

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 announcement dated 5 September 2016, it was mentioned that the 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 (the "PRC Subsidiaries"), in spite of repeated requests from the Company. Furthermore, since the resignation of Mr. Lin as a Director 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, 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 (the "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 current 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)輕工有限公司) 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 financial year 2018 ("FY 2018"). Loss of RMB4,743,000 (2017: RMB5,837,000) was recorded for FY2018. The Group's general and administrative expenses of RMB3,132,000 (2017: RMB3,450,000) was recorded for FY2018.

SEGMENT INFORMATION

The Group recorded no revenue generated for FY2018 and for the year ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, cash and cash equivalants of the Group were approximately RMB240,000 (2017: RMB228,000). As the Group had a net deficiency in capital as at 31 December 2018 and 2017, the Group's gearing ratio as at those dates were not applicable.

ASSETS AND LIABILITIES

As at 31 December 2018, the Group had total assets of approximately RMB241,000 (2017: RMB229,000), total liabilities of RMB45,062,000 (2017: RMB38,042,000). The net liabilities of the Group as at 31 December 2018 were RMB44,821,000 (2017: net liabilities of RMB37,813,000). Such liabilities mainly comprise the amount due to other payables of RMB37,397,000 and the amount due to a deconsolidated subsidiary of RMB6,296,000.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS 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 year ended 31 December 2018.

CHARGES ON GROUP ASSETS

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

RESERVES

As at 31 December 2018, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Company and the Group during the year are set out in note 15 to the consolidated financial statements and in the consolidated statement of changes in equity for the year then ended respectively.

CAPITAL STRUCTURE

As at 31 December 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 year ended 31 December 2018 and the year ended 31 December 2017.

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 4 (2017: 4) employees including Directors. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2018 amounted to approximately RMB1,118,000 (2017: RMB1,195,000). 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 dominated in Hong Kong dollars. During the FY 2018, 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 final dividend for the year ended 31 December 2018 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

Mr. FONG Sai Mo resigned as an executive Director, an authorised representative of the Company as required under the Listing Rules of the Stock Exchange and a member of the remuneration committee and the nomination committee of the Company on 17 December 2019.

Details of events after the reporting period are set out in note 20 to the consolidated financial statements.

Save as disclosed above, details of events after the reporting period are set out in the next paragraph "Prospect".

PROSPECT

As disclosed in previous announcements of the Company, the Stock Exchange has decided to place the Company into the third delisting stage under Practice Note 17 to the Listing Rules. The third delisting stage commenced on 4 July 2019 and expired on 3 January 2020 and the Company should submit a viable resumption proposal to the Stock Exchange at least 10 business days before the third delisting stages expires (i.e. 17 December 2019) to address the resumption conditions.

On 17 December 2019, the Company submitted the New Resumption Proposal to the Stock Exchange in support of the resumption of trading in the shares of the Company. As at the date of this annual report, the Company and the relevant parties are working closely to address comments from the Stock Exchange on the New Resumption Proposal.

The Company will issue further announcements as and when appropriate to update shareholders on the progress of the New Resumption Proposal and resumption of trading in the shares of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. CHIN Chang Keng Raymond ("Mr. CHIN"), aged 65, is an executive Director, appointed on 13 July 2016. He is also a member of the nomination committee and remuneration committee of the Company. He graduated from the Faculty of Accountancy of the Baptist College (currently known as the Hong Kong Baptist University) and holds a diploma in accountancy. He has over 30 years of experience in securities, real estate industries and non-performing loan disposal.

Mr. CHIN was an executive director of China Taifeng Beddings Holdings Limited ("China Taifeng") (stock code: 873), which is subject to a petition made to High Court of the Hong Kong Special Administrative Region for the winding-up of China Taifeng from 26 July 2018 to 21 February 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHU Kin Wang, Peleus ("Mr. CHU"), aged 55, is an independent non-executive Director, appointed on 24 February 2010. Mr. CHU is also the chairman of the audit committee, a member of remuneration committee and nomination committee of the Company. He holds a Master of Business Administration degree from The University of Hong Kong. Mr. CHU is a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. CHU is also an associate of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He has extensive experience in corporate finance, audit, accounting and taxation.

Mr. CHU is a deputy chairman and executive director of Chinese People Holdings Company Limited (stock code: 681), and an independent non-executive director of China First Capital Group Limited (stock code: 1269), Huayu Expressway Group Ltd. (stock code: 1823), Tianli Holdings Group Limited (stock code: 117) and Mingfa Group (International) Company Limited (stock code: 846). All of the above companies are listed on the Main Board of the Stock Exchange.

Mr. CHU is also an independent non-executive director of Madison Holdings Group Limited (stock code: 8057), SuperRobotics Limited (stock code: 8176). All of the above companies are listed on the GEM of the Stock Exchange.

Mr. CHU was also an independent non-executive director of National Agricultural Holdings Limited (stock code: 1236) and Telecom Service One Holdings Limited (stock code: 3997) until 11 September 2015 and 27 December 2017 respectively and a non-executive director of Perfect Group International Holdings Limited (stock code: 3326) until 1 March 2017. He was also an independent non-executive director of China Huishan Dairy Holdings Company Limited (stock code: 6863) from 22 June 2017 to 15 December 2017, PT International Development Corporation Limited (stock code: 372) from 8 March 2017 to 27 September 2017. All of the companies are listed on the Main Board of the Stock Exchange.

Mr. ZHU Guohe ("Mr. ZHU"), aged 50, is an independent non-executive Director, appointed on 24 February 2010. Mr. ZHU is also the chairman of remuneration committee and nomination committee, and a member of the audit committee of the Company. Mr. ZHU graduated from the Huaqiao University (國立華僑大學) in 1994 with a bachelor degree in electrical technology. Mr. ZHU has over 20 years of experience in advertising, and is experienced in managing brands of certain industries including sports equipment. Mr. ZHU is now the owner and general manager of several advertising companies in Fujian Province. Mr. ZHU was accredited as "China's Sports Brands Strategy Experts" (中國體育策劃專家) in 2005 and "China's Outstanding Sports Brand Strategic Expert" (中國傑出運動品牌策劃專家) in 2008. Mr. ZHU is now the special lecturer of the Humanities College of Quanzhou Normal University (泉州師範學院), the director of Zhangzhou Chamber of Commerce in Quanzhou (泉州市漳州商會監事長) and the Honorary President of Pinghe Chamber of Commerce in Quanzhou (泉州市平和商會名譽會長). Since August 2009, Mr. ZHU has been an independent non-executive director of Xi De Lang Holdings Ltd., a company listed on Bursa Malaysia (KLSE stock code: XDL(5156)).

CORPORATE GOVERNANCE REPORT

The Directors believe that strong corporate governance is important to ensure the Company's business activities are monitored and regulated in order to protect the interests of the Company and the Shareholders. A high standard of corporate governance measures also contributes to the Group's success and therefore, the Directors have adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules.

During the year ended 31 December 2018 ("Review Year"), the Company has complied with applicable Code provisions except the Code provision A.2.

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.

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 Geng Qiang as an 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 Rule 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.

CHAIRMAN AND CHIEF EXECUTIVE

There is no chairman and chief executive of the Company since Mr. LIN Wenjian's resignation on 17 June 2016.

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 throughout the Review Year.

THE BOARD OF DIRECTORS

The Company is governed by the Board which is responsible for leading and controlling the Company and responsible for promoting the success of the Company by directing and supervising the Company's affairs. More specifically, the Board formulates strategy, monitors its financial performance and maintains effective overall management of the Company's activities. Daily operations and administration are delegated to the management who will report to the Board from time to time on the business activities of the Company.

The Board comprised of two executive Directors and two independent non-executive Directors as at 31 December 2018. The composition of the Board was as following:

Executive Directors

Mr. CHIN Chang Keng Raymond

Mr. FONG Sai Mo (resigned on 17 December 2019)

Independent Non-executive Directors

Mr. CHU Kin Wang, Peleus

Mr. ZHU Guohe

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Board as at 31 December 2018 comprised two independent non-executive Directors. Amongst the two independent non-executive Directors, Mr. CHU has the appropriate professional qualifications for accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Pursuant to the Listing Rules, each of the current independent non-executive Directors has confirmed to the Company with an annual confirmation that he has complied with Rule 3.13 of the Listing Rules as to his independence. The current Directors consider that all independent non-executive Directors are independent under the independence guidelines set out in Rule 3.13 of the Listing Rules and are capable to effectively exercise independent judgement.

Pursuant to A.4.1 of the Code, non-executive Directors ("NED(s)") should be appointed for specific terms, subject to re-election.

Pursuant to A.4.3 of the CG Code, serving to a company more than nine years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Based on the available records, each of the current independent non-executive Directors has entered into a service agreement with the Company for a fixed term of 1 year commencing on 13 July 2018.

DIRECTORS' LIABILITIES INSURANCE

During the Review Year, the Company has arranged appropriate insurance cover for Directors' liabilities in respect of potential legal actions against the Directors arising out of corporate activities of the Group pursuant to Code provision A.1.8 of the Code. Such directors' liability insurance will be reviewed and renewed annually.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

The Company had received from each of the Directors' confirmations on taking continuous professional training.

BOARD DIVERSITY POLICY

The Group adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board. The nomination committee of the Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

NOMINATION POLICY

The Company has adopted a nomination policy (the "Nomination Policy") on 31 December 2018. Such policy applies to the Directors and where applicable, senior management prepared for the Board positions under the succession planning for the Company. The Board may delegate its authority and duties for matters relating to selection and appointment of Directors to the Nomination Committee. The Nomination Committee will review the Nomination Policy on a regular basis to ensure its continued effectiveness.

BOARD COMMITTEES

To strengthen our corporate governance practices and in compliance with the Code, the Board established the following Board committees to oversee particular aspects of the Group's affairs. Each of these committees comprises mainly independent non-executive Directors and is governed by the respective written terms of reference approved by the Board.

Audit Committee

The Company established an audit committee (the "Audit Committee") to review and monitor the financial reporting process, risk management and internal control of the Group, to review the financial information of the Group and to consider issues relating to the external auditor in accordance with the revised terms of reference on 31 December 2018. As at 31 December 2018, the Audit Committee consisted of two independent non-executive Directors, Mr. CHU and Mr. ZHU. Mr. CHU is the chairman of the Audit Committee.

Based on the available records of the Company, 2 meetings of the Audit Committee was held during the Review Year for, amongst other things:

- Reviewing the annual results of the Group for the years ended 31 December 2017 and interim results of the Group for the six months ended 30 June 2018.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") to make recommendations to the Board on the Company's policy for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and for fixing the remuneration packages for all Directors; and to determine with delegate responsibility, the remuneration packages of individual executive Directors and senior management, this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. As at 31 December 2018, the Remuneration Committee consisted of three members, Mr. FONG, an ex-executive Director and two independent non-executive Directors, Mr. CHU and Mr. ZHU. Mr. ZHU was the chairman of the Remuneration Committee.

Based on the available records of the Company, 1 meeting of the Remuneration Committee was held during the Review Year for, amongst other things:

- Making recommendations to the Board on the directors' fee and terms of service contracts of the Directors.

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director for the Review Year are set out in note 9 to the consolidated financial statements.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") in compliance with Appendix 14 of the Listing Rules. The primary duties of the Nomination Committee to review the policy concerning diversity of Board members and the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to develop and maintain a policy for the nomination of Board members; to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of Independent Non-Executive Directors; to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in accordance with the revised terms of reference on 31 December 2018. As at 31 December 2018, the Nomination Committee consisted of three members, Mr. FONG, an ex-executive Director, and two independent non-executive Director, Mr. CHU and Mr. ZHU. Mr. ZHU was the chairman of the Nomination Committee.

Based on the available records of the Company, 1 meeting of the Nomination Committee was held during the Review Year for, amongst other things:

- Develop and maintain a policy for nomination of Board members and Board diversity policy.

Corporate Governance Functions

The terms of reference on corporate governance functions was adopted by the Board on 28 March 2012. The Board is responsible for performing the corporate governance functions to develop and review the Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and to review the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report contained in the annual report of the Company.

The Board confirm that all the corporate governance functions were performed properly during the Review Year.

BOARD MEETINGS

During the Review Year, the Directors have made contribution to the affairs of the Group and Board meetings were held to review and approve the financial performance, the overall development strategies and financial objectives of the Group. According to the articles of association of the Company, a Director shall not be entitled to attend any Board meeting for approving any transaction in which he or his associates is materially interested. Any Board meeting which a Director is not entitled to attend shall not be taken into account in determining that Director's attendance record.

Details of Directors' attendance record during the Review Year is as follows:

	Board meetings	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors					
Mr. FONG	12/12	N/A	1/1	1/1	0/1
Mr. CHIN	12/12	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. CHU	12/12	2/2	1/1	1/1	0/1
Mr. ZHU	12/12	2/2	1/1	1/1	1/1

AUDITOR'S REMUNERATION

During the Review Year, the fee paid/payable to the auditor of the Company in respect of audit services amounted to approximately RMB354,000 and non-audit services amounted to approximately RMB172,000.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's financial statements. The financial statements for the Review Year have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, there is material uncertainty relating to events of conditions that may cast significant doubt upon the Company's ability to continue as a going concern as set out in note 2 to the consolidated financial statements.

The responsibilities of the external auditor, ZHONGHUI ANDA CPA Limited, are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and Objectives

The Board is responsible for formulating the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- evaluates and determines the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensures the implementation of an effective risk management and internal control systems; and
- oversees the management in the design, implementation and monitoring of the risk management and internal control systems.

Management

- designs, implements and monitors the risk management and internal control systems;
- identifies and assesses the risks which threaten the achievement of the strategic objectives;
- reviews the risk areas and risk level;
- advises on matters raised by employees and the Company;
- coordinates and promotes risk management by ensuring that risk and activities processes are operated efficiently and effectively and in compliance with the Listing Rules; and
- reports periodically to the Board.

Process Used to Identify, Evaluate and Manage Significant Risks

The Group's risk assessment processes are summarised as follows:

Risk Identification

- Identifies the risks through discussion with the management and directors of subsidiaries of the Company. Risk identification and management questionnaire are used to document the risks identified by the management and directors of subsidiaries of the Company.

Risk Assessment

- Determines the existing controls and analyses risks in terms of consequence and likelihood in the context of those controls. The analysis considers the range of potential consequences and how likely those consequences are to occur. Consequences and likelihood are combined to produce an estimated level of risk.

Risk Response

- Categorises the risks into low risk, medium risk and high risk;
- Determines the strategy to handle the risk; and
- Develops the risk register and internal control audit plan and determines the frequency of review and control testing on key controls.

Risk Monitoring and Reporting

- on-going communication of monitoring results to the Board which enables it to assess control of the Group and the effectiveness of risk management during the Review Year, including:
    - fact finding report with recommendations on the review and testing of internal controls on certain operating cycles and areas.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged an external the risk management and internal control review adviser ("Adviser") to conduct the annual review of the risk management and internal control systems for the Review Year. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Board/Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Board to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

The Company assesses the likely impact of any unexpected and significant event that may impact the price of the shares of the Company or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Directors have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

The Company has put in place on handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, which Ms. Wong Chi Yan ("Ms. WONG") was appointed as the company secretary of the Company on 1 March 2017. Mr. CHIN is the primary corporate contact person of the Company with Ms. WONG. Being the company secretary of the Company, Ms. WONG played an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. WONG was responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of directors.

Ms. Wong, aged 38, holds a Bachelor of Business Administration degree in Accounting from Hong Kong Baptist University and a Master of Laws in International Corporate and Financial Law from The University of Wolverhampton, UK. She is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Wong has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

According to Rule 3.29 of the Listing Rules, Ms. WONG took more than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a shareholders' communication policy on 28 March 2012. Under the shareholders' communication policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the company secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301— 04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with investors and Shareholders. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all documents on the Company's website at http://www.chinaflyke.com. The Board continues to maintain regular dialogues with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. The Directors and the Board committee members are available to answer questions at annual general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

Enquiries or comments raised by any shareholder can be sent to the Company's head office in Hong Kong at Unit D,12/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong for the attention to the Board of Directors.

REPORT OF THE DIRECTORS

The Board is pleased to present the Report of the Directors and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The existing Directors had been unable to gain access to the plants and change the management of certain subsidiaries of the Company in the PRC. As such, it is considered that they have lost the control over those subsidiaries which were deconsolidated from the Group since 1 January 2013. 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.

The principal activity of the Company is investment holding. The activities and other particulars of the principal subsidiaries are set out in the note 19 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 28 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

BUSINESS REVIEW

The Group ceased operations during the year ended 31 December 2018.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

SHARE CAPITAL

Details of share capital of the Company during the year ended 31 December 2018 are set out in note 14 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Company are set out in note 15 to the consolidated financial statement.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, there has been no equity-linked agreements entered into by the Group during the year or subsisting at the end of the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the laws of the Cayman Islands or in the articles of association of the Company, unless otherwise provided by the Listing Rules on the Stock Exchange or directed by the Shareholders at a general meeting.

MAJOR CUSTOMERS AND SUPPLIERS

There were no sales and purchases during the year ended 31 December 2018 within the deconsolidation of some PRC subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of these subsidiaries which it still retains control, purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to maintain high environmental standards to ensure sustainable development of the Group. During the year ended 31 December 2018, to the best knowledge of the Directors, the Group complied with the relevant laws, rules and regulation.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

KEY RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year, there were no material and significant dispute between the Group and its employees, customers and suppliers.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report are as follows:

Executive Directors

Mr. CHIN Chang Keng Raymond

Mr. FONG Sai Mo (resigned on 17 December 2019)

Independent Non-executive Directors

Mr. CHU Kin Wang, Peleus

Mr. ZHU Guohe

Pursuant to article 84 of the Company's articles of association, Mr. CHIN will retire by rotation and being eligible, would offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Board as at 31 December 2018 comprised two independent non-executive Directors, representing more than one-third of the Board. Pursuant to paragraph 12B of Appendix 16 of the Listing Rules, each of the independent non-executive Directors has confirmed to the Company with an annual confirmation that he has complied with Rule 3.13 of the Listing Rules as to his independence.

The Directors consider that all two independent non-executive Directors are independent under the independence guidelines set out in Rule 3.13 of the Listing Rules and are capable to effectively exercise independent judgement.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on page 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a fixed term of 1 year commencing on 13 July 2018.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

The remuneration of each Director is approved at general meetings. Other emoluments will be determined by the members of the nomination and remuneration committees of the Company with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees who are eligible to participate in the MPF Scheme.

The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

SHARE OPTION SCHEME

Eligible Participants include the Directors, any employee or officer (whether full-time or part-time) of the Group, and any customer, supplier, agent, business or joint venture partner, consultant, distributor, promoter, service provider, adviser or contractor to any member of the Group.

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the date of offer (or such longer period as the Board may specify in writing). And the Eligible Participants are required to pay the Company HK$1.00 upon acceptance of the grant of the option.

The subscription price in respect of each Share under the Share Option Scheme shall be determined by the Board and notified to the Eligible Participants and will be no less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to the Eligible Participants, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "Trading Day"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive Trading Days immediately preceding the date of offer to the Eligible Participant; and (iii) the nominal value of a Share.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the Shares in issued as at the date of listing, i.e. 80,000,000 Shares or 30% of the issued share capital of the Company from time to time.

Unless approved by the Shareholders, no option may be granted to any Eligible Participants which if exercised in full would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Participant (including exercised, cancelled and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of Shares in issue as at the date of such new grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to the grantee save that such period shall not be more than 10 years from the business day on which the option is deemed to have been granted in accordance with the terms of the Share Option Scheme. The Board has the authority to determine the minimum period for which an option must be held before it can vest. The Share Option Scheme itself does not specify any minimum holding period.

The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption and the remaining life of the Share Option Scheme is approximately 2 years.

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 year ended 31 December 2018:

Name or category of participant	Date of grant	Outstanding as of 1 January 2018	Granted during the Review Year	Exercised during the Review Year	Cancelled/ Lapsed during the Review Year	Outstanding as of 31 December 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 interests 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.

According to the circular of the Company dated 23 April 2012, as at 31 December 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.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries which the Company still retains control, was a party and in which an existing Director or an entity connected with the existing Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

No contracts of significance for the provision of services to the Company or any of its subsidiaries which the Company still retains control, by a controlling Shareholder or any of its subsidiaries subsisted at the end of year or at any time during the year ended 31 December 2018.

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.

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

As at 31 December 2018, none of 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 (the "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 the Listing Rules.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTOR

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

Name of Directors	Details of change
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 a 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 and resigned on 21 February 2019.

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 31 December 2018, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, interest or a 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 shareholders	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:

1. The total number of 812,600,000 shares of the Company in issue as at 31 December 2018 has been used for the calculation of the approximate percentage.

2. These shares are held by Super Creation Internation 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 of the Company held by Super Creation.

3. 480,000,000 shares of the Company have been charged by Mr. LIN Wenjian to Mr. LI Heshi as security.

4. 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.

According to the circular of the Company dated 23 April 2012, as at 31 December 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as those disclosed in the section headed "Share Option Scheme" above, at no time during the year ended 31 December 2018 was the Company or any of its 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.

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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force during the year. The Company has maintained appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 9 to 15 of this report.

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.

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 and Mr. ZHU Guohe.

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

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in the section headed "Events after the Reporting Period" of "Management Discussion and Analysis" on page 7 of this annual report.

CHANGE OF AUDITOR

SHINEWING (HK) CPA Limited resigned, and ZHONGHUI ANDA CPA Limited was appointed, as the auditor of the Company on 9 January 2015 and 10 November 2016 respectively. Details of the change of the auditor are set out in the Company's announcements dated 12 January 2015 and 10 November 2016.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by ZHONGHUI ANDA CPA Limited who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Flyke International Holdings Ltd.
Mr. CHIN Chang Keng Raymond
Executive Director

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FLYKE INTERNATIONAL HOLDINGS LTD.
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Flyke International Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 54, which comprise the consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2017, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty relating to the Group's going concern, details of which are set out in our auditor's report dated 28 March 2018.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further explained in the following paragraphs) shown in the current year's consolidated financial statements.

2. Deconsolidation of subsidiaries

Certain subsidiaries of the Company in the People's Republic of China were deconsolidated from the Group since 1 January 2013. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of those subsidiaries since 1 January 2013 and throughout the years ended 31 December 2018 and 2017.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the years ended 31 December 2018 and 2017 and the Group's financial position as at those dates.

3. Share options reserve

Given the fact that the supporting documents relating to the share options granted by the Company to its ex-directors and eligible persons were incomplete, we have been unable to obtain sufficient appropriate audit evidence to verify the presentation and accuracy of the carrying amount of the share options reserve of approximately RMB24,766,000 as at 31 December 2018 and 2017.

4. **Other payables**

We have been unable to obtain sufficient appropriate audit evidence in respect of the other payables of approximately RMB20,673,000 and RMB19,601,000 as at 31 December 2018 and 2017, respectively. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances were fairly stated as at 31 December 2018 and 2017.

5. **Amount due to the controlling shareholder**

We have been unable to obtain sufficient appropriate audit evidence in respect of the amount due to the controlling shareholder of approximately RMB1,369,000 and RMB1,298,000 as at 31 December 2018 and 2017, respectively. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances were fairly stated as at 31 December 2018 and 2017.

6. **Amount due to a deconsolidated subsidiary**

We have been unable to obtain sufficient appropriate audit evidence in respect of the amount due to a deconsolidated subsidiary of approximately RMB6,296,000 and RMB5,968,000 as at 31 December 2018 and 2017, respectively. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances were fairly stated as at 31 December 2018 and 2017.

7. **Bank balances**

We have been unable to obtain sufficient appropriate audit evidence in respect of the bank balances of approximately RMB240,000 and RMB228,000 as at 31 December 2018 and 2017, respectively. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances were fairly stated as at 31 December 2018 and 2017.

8. **Commitments and contingent liabilities**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2018 and 2017.

9. **Related party transactions and disclosures**

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the key management personnel compensation and related party transactions for the years ended 31 December 2018 and 2017 and balances as at 31 December 2018 and 2017 as required by Hong Kong Accounting Standard ("HKAS") 24 "Related Party Disclosures".

10. Other disclosures in the consolidated financial statements

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures as required by the following in relation to:

(a) Hong Kong Financial Reporting Standard 2 "Share-based Payment" for the presentation of share option scheme in the notes to consolidated financial statements; and

(b) HKAS 19 "Employee Benefits" for the staff costs as disclosed in note 7 to the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 10 above might have a significant consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2018 and 2017 and the financial position of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

11. Material uncertainty related to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the proposed restructuring of the Group has been submitted to The Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 RMB'000	2017 RMB'000
REVENUE		**—**	—
Administrative expenses		**(3,132)**	(3,450)
Other expenses		**(1,611)**	(2,387)
LOSS BEFORE TAX	7	**(4,743)**	(5,837)
Income tax expense	8	**—**	—
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(4,743)**	(5,837)
Other comprehensive (expenses)/income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**(2,265)**	2,658
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(7,008)**	(3,179)
LOSS PER SHARE (RMB)	10		
— Basic		**(0.0058)**	(0.0072)
— Diluted		**(0.0058)**	(0.0072)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	2018 RMB'000	2017 RMB'000
Current assets			
Other receivables		**1**	1
Bank balances		**240**	228
Total current assets		**241**	229
Current liabilities			
Other payables		**37,397**	30,776
Amount due to the controlling shareholder	12	**1,369**	1,298
Amount due to a deconsolidated subsidiary	13	**6,296**	5,968
Total current liabilities		**45,062**	38,042
Net current liabilities		**(44,821)**	(37,813)
NET LIABILITIES		**(44,821)**	(37,813)
Capital and reserves			
Share capital	14	**71,551**	71,551
Reserves	15	**(116,372)**	(109,364)
TOTAL DEFICIT		**(44,821)**	(37,813)

The consolidated financial statements on pages 28 to 54 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

FONG Sai Mo
Director

CHIN Chang Keng Raymond
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 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	71,551	272,419	945	24,766	(6,753)	(397,562)	(34,634)
Total comprehensive expenses for the year	—	—	—	—	2,658	(5,837)	(3,179)
At 31 December 2017	71,551	274,419	945	24,766	(4,095)	(403,399)	(37,813)
At 1 January 2018	**71,551**	**272,419**	**945**	**24,766**	**(4,095)**	**(403,399)**	**(37,813)**
Total comprehensive expenses for the year	**—**	**—**	**—**	**—**	**(2,265)**	**(4,743)**	**(7,008)**
At 31 December 2018	**71,551**	**272,419**	**945**	**24,766**	**(6,360)**	**(408,142)**	**(44,821)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(4,743)**	(5,837)
Operating loss before working capital changes	**(4,743)**	(5,837)
Change in other payables	**4,743**	5,837
Net cash generated from operating activities	**—**	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	**—**	—
Cash and cash equivalents at beginning of year	**228**	245
Effect on exchange rate changes, net	**12**	(17)
Cash and cash equivalents at end of year	**240**	228
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	**240**	228

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. The principal activities of its subsidiaries are set out in note 19.

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

References are made to the Company's announcements dated 31 March 2014 and 30 April 2014 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 referred to as "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 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 reports and address any audit qualifications; and

(iii) demonstrate adequate internal controls have been put in place by the Company.

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 ("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 ("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 provided 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.

2. BASIS OF PREPARATION (continued)

Suspension of trading in shares of the Company (continued)

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 announcements 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 announcement dated 24 September 2018, the Company received a letter issued by the Listing Department of the Stock Exchange (the "Listing Department") to reject the Third New Listing Application on the basis that the target company would not be able to meet the minimum profit requirement under Rule 8.05(1)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Decision"). The Company has on 24 September 2018 submitted a written request to the Listing Committee (as defined in the Listing Rules) pursuant to Rule 2B.05(1) of the Listing Rules for a review of the Decision (the "Review").

Reference is made to the Company's announcements dated 1 August 2018 and 1 November 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.

2. BASIS OF PREPARATION (continued)

Suspension of trading in shares of the Company (continued)

Reference is made to the Company's announcement dated 9 November 2018, the Company has withdrawn its request for the Review. The Company does not agree with the Listing Department's analysis and decision to reject the Third New Listing Application, but the Company has decided to withdraw its request for the Review, which is supported by the following practical considerations:

1. The Third New Listing Application submitted on 8 June 2018 contains the financial information of the target group for the four years ended 31 December 2017 and given that it is less than two months from the end of another financial year, the target group is in the process of updating the financial information for the year ended 31 December 2018 for inclusion in the Circular in compliance with Rule 4.06(1) of the Listing Rules;

2. The disposal gain for sale of two office buildings, which the Listing Department considered to be not arisen from the ordinary and usual course of business, is relevant to the financial information for the year ended 31 December 2017, which will no longer represent the most recent year for the purpose of Rule 8.05(1)(a) of the Listing Rules with the inclusion of the audited financial information for the year ended 31 December 2018; and

3. The directors of the target company are of the view that the requirement of Rule 8.05(1)(a) of the Listing Rules will be satisfied with the financial information of the target group updated to include the year ended 31 December 2018.

Reference is made to the Company's announcement dated 24 December 2018, 1 January 2019, 1 February 2019 and 25 February 2019, the Company has on 6 December 2018 submitted a resumption proposal (the "Resumption Proposal") in relation to the modified restructuring as terms and conditions revised and restated with the principal terms of the Proposed Restructuring (the "Modified Restructuring") to the Stock Exchange. As at the date of this announcement, the Company and the relevant parties are working closely to address comments from the Stock Exchange on the Resumption Proposal.

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, 1 August 2018, 27 August 2018, 24 September 2018, 27 September 2018, 26 October 2018, 9 November 2018, 26 November 2018, 24 December 2018, 24 January 2019, 25 February 2019 and 26 March 2019, as additional time is required, despatch of the Circular will be delayed.

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 Shares 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 RMB21,960,000), 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.

(iv) Placing

As part of the Proposed Restructuring, the Company will enter into placing agreement with placing agents, being independent third parties. 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 RMB229,266,000).

2. BASIS OF PREPARATION (continued)

Proposed Restructuring of the Group (continued)

(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 RMB42,186,000).

(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 RMB5,622,000) out of the subscription consideration; (b) 129,949,239 scheme shares to be allotted and issued at Issue Price, in an aggregate amount of HK$25,600,000 (approximately RMB22,487,000); 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 year ended 31 December 2018 are approximately RMB26,000 (2017: RMB26,000) and the net liabilities of the Scheme Companies as at 31 December 2018 are approximately RMB131,496,000 (2017: RMB124,647,000).

2. BASIS OF PREPARATION (continued)

Deconsolidation of subsidiaries

The consolidated 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 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)輕工有限公司

(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 Group incurred a loss attributable to owners of the Company of approximately RMB4,743,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities and net liabilities of approximately RMB44,821,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated 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 consolidated 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.

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

In the current year, 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 (the "HKICPA") that are relevant to its operations and effective for its accounting year 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 Group's consolidated financial statements and amounts reported for the current 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention. The functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). For the purpose of presenting the consolidated financial statements, the Group adopted Renminbi ("RMB") as its presentation currency and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

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.

(a) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss allowances for expected credit losses (continued)

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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group’s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the proposed restructuring of the Group and continuance of its business. Details are explained in note 2.

(b) Deconsolidation of subsidiaries

The consolidated 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 certain 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 financial information, the Directors considered that it was impracticable to consolidate the results, assets, liabilities and cash flows of these subsidiaries.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Group has no significant concentration of credit risk.

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group had net current liabilities and net liabilities at the end of the reporting period. The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the proposed restructuring of the Group as further explained in note 2.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period.

	2018		2017	
	CARRYING AMOUNTS AND TOTAL CONTRACTUAL UNDISCOUNTED CASH FLOW RMB'000	**WITHIN 1 YEAR OR ON DEMAND RMB'000**	CARRYING AMOUNTS AND TOTAL CONTRACTUAL UNDISCOUNTED CASH FLOW RMB'000	WITHIN 1 YEAR OR ON DEMAND RMB'000
Other payables	**37,397**	**37,397**	30,776	30,776
Amount due to the controlling shareholder	**1,369**	**1,369**	1,298	1,298
Amount due to a deconsolidated subsidiary	**6,296**	**6,296**	5,968	5,968
	45,062	**45,062**	38,042	38,042

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

6. FINANCIAL RISK MANAGEMENT (continued)

(e) Categories of financial instruments at 31 December 2018

	2018 RMB'000	2017 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	241	229
Financial liabilities:		
Financial liabilities at amortised cost	45,062	38,042

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. LOSS BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Auditor's remuneration	354	390
Staff costs (including directors' emoluments - note 9):		
Salaries, bonuses and allowances	1,118	1,195
Retirement benefits scheme contributions	—	—
	1,118	1,195

8. 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 the years ended 31 December 2018 and 2017.

The reconciliation between income tax expense and loss before tax is as follows:

	2018 RMB'000	2017 RMB'000
LOSS BEFORE TAX	(4,743)	(5,837)
Tax at the applicable tax rate of 16.5% (2017:16.5%)	(783)	(963)
Tax effect of expenses not deductible	783	963
Income tax expense	—	—

The Group had no significant unrecognised deferred tax for the years ended 31 December 2018 and 2017.

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

	FOR THE YEAR ENDED 31 DECEMBER 2018				
	FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN-KIND RMB'000	RETIREMENT BENEFITS SCHEME CONTRIBUTIONS RMB'000	SHARE-BASED PAYMENTS RMB'000	TOTAL RMB'000
Executive Directors:					
Mr. FONG Sai Mo	304	—	—	—	304
Mr. CHIN Chang Keng Raymond	219	—	—	—	219
Independent Non-executive Directors:					
Mr. CHU Kin Wang, Peleus	170	—	—	—	170
Mr. ZHU Guohe	121	—	—	—	121
	814	—	—	—	814

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	FOR THE YEAR ENDED 31 DECEMBER 2017				
	FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN-KIND RMB'000	RETIREMENT BENEFITS SCHEME CONTRIBUTIONS RMB'000	SHARE-BASED PAYMENTS RMB'000	TOTAL RMB'000
Executive Directors:					
Mr. FONG Sai Mo	313	—	—	—	313
Mr. CHIN Chang Keng Raymond	208	—	—	—	208
Independent Non-executive Directors:					
Mr. CHU Kin Wang, Peleus	156	—	—	—	156
Mr. ZHU Guohe	156	—	—	—	156
	833	—	—	—	833

(b) Five highest paid individuals' emoluments

Four (2017: Four) of the five highest paid individuals of the Group were the Directors whose emoluments are set out above. The details of the remaining employee's emoluments are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**304**	362
Retirement benefits scheme contributions	**—**	—
	304	362

The emoluments of the individual fall within the following band:

	NUMBER OF INDIVIDUALS	
	2018	2017
Nil — HK$1,000,000	**1**	1

(c)

No emoluments was paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office and no Directors waived any emoluments during the years ended 31 December 2018 and 2017.

10. 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 year attributable to owners of the Company of approximately RMB4,743,000 (2017: RMB5,837,000) and the weighted average number of 812,600,000 (2017: 812,600,000) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 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 years.

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

12. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

The amount due to the controlling shareholder is unsecured, interest-free and repayable on demand.

13. AMOUNT DUE TO A DECONSOLIDATED SUBSIDIARY

The amount due to a deconsolidated subsidiary is unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

	NUMBER OF SHARES '000	HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 December 2018 and 2017	2,000,000	200,000

	NUMBER OF SHARES '000	RMB'000
Issued and fully paid:		
At 31 December 2018 and 2017	812,600	71,551

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes amount due to the controlling shareholder and amount due to a deconsolidated subsidiary disclosed in notes 12 and 13, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the proposed restructuring of the Group, as further explained in note 2.

15. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	SHARE PREMIUM RMB'000	CAPITAL REDEMPTION RESERVE RMB'000	SHARE OPTIONS RESERVE RMB'000	ACCUMULATED LOSSES RMB'000	TOTAL RMB'000
At 1 January 2017	272,419	945	24,766	(404,461)	(106,331)
Total comprehensive expenses for the year	—	—	—	(3,134)	(3,134)
At 31 December 2017	272,419	945	24,766	(407,595)	(109,465)
At 1 January 2018	**272,419**	**945**	**24,766**	**(407,595)**	**(109,465)**
Total comprehensive expenses for the year	**—**	**—**	**—**	**(6,972)**	**(6,972)**
At 31 December 2018	**272,419**	**945**	**24,766**	**(414,567)**	**(116,437)**

(c) Nature and purpose of reserves of the Group

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which was paid out of the distributable reserves of the Company.

(iii) Share options reserve

Share options reserve represents the portion of the fair value of unexercised share options granted that has been recognised in accordance with the accounting policy adopted for share-based payments as set out in note 4.

(iv) Exchange fluctuation reserve

Exchange fluctuation reserve represents all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

16. COMMITMENTS

(a) Lease commitments

The Directors were not aware of any significant lease commitments of the Group at the end of the reporting period.

(b) Capital commitments

The Directors were not aware of any significant capital commitments of the Group at the end of the reporting period.

17. CONTINGENT LIABILITIES

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

18. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Current assets		
Other receivables	**1**	1
Bank balances	**78**	74
	79	75
Current liabilities		
Other payables	**37,320**	30,740
Amount due to the controlling shareholder	**1,369**	1,298
Amount due to a deconsolidated subsidiary	**6,276**	5,951
	44,965	37,989
Net current liabilities	**(44,886)**	(37,914)
NET LIABILITIES	**(44,886)**	(37,914)
Capital and reserves		
Share capital	**71,551**	71,551
Reserves	**(116,437)**	(109,465)
TOTAL DEFICIT	**(44,886)**	(37,914)

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2018 are as follows:

NAME	PLACE OF INCORPORATION/ REGISTRATION/ OPERATION	ISSUED AND PAID-UP CAPITAL	PERCENTAGE OF OWNERSHIP INTEREST		PRINCIPAL ACTIVITIES
			DIRECT	INDIRECT	
Win Eagle International Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Xinwei Hong Kong Investment Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Dormant
Flyke Hong Kong Holdings Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Dormant

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's business and financial restructuring in progress, and further details of which are stated in note 2.

21. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2019.