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FLYKE INTERNATIONAL HOLDINGS LTD.

飛克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1998)

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

References are made to (a) the announcement of the Company dated 11 March 2019 in relation to results of Internal Control Review, (b) the annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”) despatched on 29 April 2020; and (c) the announcement of the Company dated 18 June 2020 in respect of, among other things, (i) the Proposed Restructuring; (ii) proposed adoption of new memorandum and articles; (iii) proposed termination of existing share option scheme and adoption of new share option scheme; and (iv) proposed appointment of proposed directors, (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements.

BACKGROUND AND RESULTS OF INTERNAL CONTROL REVIEW

As stated in the announcement of the Company dated 11 March 2019, the Company has engaged ZHONGHUI ANDA Risk Services Limited (the “**Internal Control Reviewer**”) to conduct the internal control review on the Group to assist the Board to assess if the Group’s financial reporting procedures and internal control systems are adequate to enable the Company to meet its obligations under the Listing Rules (the “**Internal Control Review**”) and the results of Internal Control Review were published in the same announcement.

However, after publication of the results of the Internal Control Review, the Company has delayed in (i) publication of interim results for the six months ended 30 June 2019 and (ii) publication and despatch of annual report for the year ended 31 December 2018, which constituted a breach of the Listing Rules. The interim results for the six months ended 30 June 2019 and annual report for the year ended 31 December 2018 were published on 31 March 2020 and despatched on 29 April 2020, respectively, which had rectified the breach.

The Company has engaged the Internal Control Reviewer to perform a review on the internal controls of the Company during the course of preparation of the 2019 Annual Report (the “**2019 Internal Control Review**”).

The 2019 Internal Control Review was conducted with reference to (i) Internal Control — Integrated Framework (2013) issued by Committee of Sponsoring Organisations of the Treadway Commission (the “**COSO Framework 2013**”); and (ii) Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 of the Listing Rules as well as other relevant Listing Rules (the “**Corporate Governance Code**”).

The 2019 Internal Control Review excluded the Schemes Companies as upon completion of the Proposed Restructuring, the Scheme Companies will be transferred to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes and excluded from the Group.

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

Major deficiencies	Company’s responses
The Board did not have meetings held at least four times a year at approximately quarterly intervals.	Currently the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. The Board will hold regular meetings at least four times a year at approximately quarterly intervals when the Company resumes to have sufficient operations.
There is no written notice for any Board meeting.	Currently the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. Written notice of at least 14 days will be given to Directors before holding regular Board meetings when the Company resumes to have sufficient operations.

Major deficiencies	Company's responses
<p>The Directors' and officers' insurance expired in April 2019.</p>	<p>Currently the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. The Board will arrange appropriate insurance for the Directors and officers when the Company resumes to have sufficient operations.</p>
<p>The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. However, during the period from 1 January 2016 to 17 June 2016, Mr. LIN Wenjian was chairman and chief executive of the Group.</p>	<p>The Board is in the process of identifying appropriate persons to fill the vacancies of the chairman and chief executive. During transitional period, the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. Having considered the current situation of the Group, the Board considers that the existing Board members are able to share the power and responsibilities of chairman and chief executive among themselves. As at the date of this announcement, the role of the chairman and chief executive is currently being performed collectively by the Board. The 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.</p>
<p>The independent non-executive Directors (“INEDs”) are not appointed for a specific term after 13 July 2019 as the Company did not enter into new appointment letters with the INEDs.</p>	<p>Each of the INEDs was re-elected by a separate resolution approved at the annual general meeting of the Company held on 24 June 2020 in accordance with the Corporate Governance Code.</p>

Major deficiencies	Company's responses
<p>Each of Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe was appointed as an independent non-executive Director (“INED”) of the Company since 24 February 2010, which is more than 9 years. The further appointment should be subject to a separate resolution to be approved by the Shareholders.</p>	<p>Each of Mr. CHU Kin Wang and Mr. ZHU Guohe was appointed by a separate resolution approved at the annual general meeting of the Company held on 24 June 2020.</p>
<p>The Company should be responsible for arranging appropriate training and provide relevant resources, as well as focusing on the roles, functions and responsibilities of directors of listed companies. However, the Company has not arranged relevant continuous professional training for its Directors.</p>	<p>Currently the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. The Group will arrange continuous professional training for Directors in order to develop and update their knowledge and skills on Directors' duties and corporate governance issues when the Company resumes to have sufficient operations.</p>
<p>Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties. However, no monthly management account is prepared to the Board for approval.</p>	<p>Currently the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. The outsourced accountant will prepare monthly management accounts and submit to the Board for monthly approval when the Company resumes to have sufficient operations.</p>

Major deficiencies	Company's responses
<p>The Company did not have written dividend policy and no plan to disclose such policy in its annual report.</p>	<p>Currently the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. The Company will adopt written policy on payment of dividends and disclose in the corporate governance report of the Company's annual report when the Company resumes to have sufficient operations.</p>
<p>The Board must include at least three independent non-executive Directors ("INED"). As Mr. WANG Dong resigned as INED and member of the Audit Committee of the Company on 17 June 2016, the number of INED was changed from 3 persons to only 2 persons.</p>	<p>The Company is in the process of identifying suitable candidate(s) to fill the vacancy of INED and member of the Audit Committee. In light of the fact that trading of shares of the Company is currently suspended, it will take more time to identify the additional INED, who will also serve as a member of the Audit Committee. Nevertheless, upon completion of the Proposed Restructuring, a suitable candidate to fill the vacancy of INED and member of the Audit Committee will be appointed.</p>
<p>The Company failed to meet the requirements of Rule 13.46(2)(a) of the Listing Rules as the annual report for the year ended 31 December 2018 has not been despatched to shareholders within 4 months after end of the financial year.</p>	<p>The delay was due to financial capacity issue. The Company has despatched the annual report for the year ended 31 December 2018 on 29 April 2020. The Company will continue to comply with the relevant requirements.</p>

Major deficiencies	Company's responses
<p>The Company failed to meet the requirements of Rule 13.49(6) of the Listing Rules as it did not make a preliminary announcement of interim results for the six-month period ended 30 June 2019, nor did it publish such results within 2 months after the end of the six-month period. In addition, the Company failed to meet the requirements of Rule 13.48(1) of the Listing Rules as the relevant interim report has not been despatched to shareholders within 3 months after the end of the six-month period.</p>	<p>The delay was due to financial capacity issue. The Company has published the interim results for the six months ended 30 June 2019 on 31 March 2020. The Company has despatched the interim report for the six months ended 30 June 2019 on 29 April 2020. The Company will continue to comply with the relevant requirements.</p>
<p>No financial budget and variance analysis.</p>	<p>During transitional period, the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Financial budget and variance analysis will be prepared when the Company resumes to have sufficient operations.</p>
<p>The Group did not have formulated policy and procedures for information system management.</p>	<p>Currently the Company has lost control over its operating subsidiaries and the Group has no substantive operation. Furthermore, the Company is in the course of implementing the Proposed Restructuring. The Company will enhance relevant internal control when the Company resumes to have sufficient operations.</p>

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

The Internal Control Reviewer reviewed the Group's financial reporting procedures and internal control systems at the corporate level and the key operating cycles including financial reporting and business activities in order to assess and identify significant weaknesses in relation to the Company's financial procedures, systems and controls. During the 2019 Internal Control Review, the Internal Control Reviewer has identified a number of internal control issues and deficiencies and proposed recommendations to the Board. The Board has reviewed such issues and deficiencies, and has taken appropriate actions and steps to address those internal control issues and deficiencies with reference to the recommendations of the Internal Control Reviewer. The Internal Control Reviewer has reviewed the Company's responses and concluded that the major internal control deficiencies will be remediated by implementation of the recommended remedy measures when the Company resumes to have sufficient operations.

Having considered the results of the 2019 Internal Control Review conducted by Internal Control Reviewer and remedy measures to be implemented when the Company resumes to have sufficient operations, the Directors are of the view that the Group's financial reporting procedures and internal control systems are sufficient to meet the obligations under the Listing Rules.

SUSPENSION OF TRADING IN THE SHARES

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

By Order of the Board
Flyke International Holdings Limited
CHIN Chang Keng Raymond
Executive Director

Hong Kong, 29 June 2020

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

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