



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)

**ANNUAL REPORT
2014**

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COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. FONG Sai Mo (appointed on 9 November 2015)

Mr. CHIN Chang Keng, Raymond
(appointed on 13 July 2016)

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. CHIU Kin Wang, Peleus

Mr. FONG Sai Mo

Nomination Committee

Mr. ZHU Guohe (*Chairman*)

Mr. CHIU Kin Wang, Peleus

Mr. FONG Sai Mo

AUTHORISED REPRESENTATIVES

Mr. FONG Sai Mo

Ms. WONG Chi Yan

LEGAL ADVISERS

As to Cayman Islands law:

Conyers Dill & Pearman

AUDITOR

ZHONGHUI ANDA CPA Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 12/F, Seabright Plaza,

9–23 Shell Street,

North Point, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

HONG KONG SHARE REGISTRAR

Union Registrars Limited

Suites 3301–04, 33/F.,

Two Chinachem Exchange Square,

338 King's Road,

North Point, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited

Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

01998

COMPANY WEBSITE

<http://www.chinaflyke.com>

FINANCIAL HIGHLIGHTS

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Turnover	1,289,935	1,543,096	1,092,395	—	—
Profit/(loss) before tax	221,299	269,434	39,786	(849,741)	(4,268)
Income tax expenses	(48,650)	(55,361)	(8,483)	—	—
Profit/(loss) for the year attributable to owners for the Company	172,649	214,073	31,303	(849,741)	(4,268)

ASSETS AND LIABILITIES

	As at 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Non-current assets	137,185	138,163	134,414	—	—
Current assets	732,281	909,649	1,042,351	609	263
Current liabilities	(268,035)	(210,824)	(335,078)	(21,660)	(26,163)
Non-current liabilities	(8,625)	(16,776)	(7,402)	—	—
Net assets/(liabilities)	592,806	820,212	834,285	(21,051)	(25,900)
Total equity/(deficit)	592,806	820,212	834,285	(21,051)	(25,900)

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 financial year ended 31 December 2014 ("FY2014").

PROGRESS OF THE COMPANY'S PROPOSED RESTRUCTURING EXERCISE

It was announced on 20 March 2017 that the Company has entered into a restructuring agreement ("Restructuring Agreement") with Southern Global Holdings Limited, Everlink Development Limited, Hua Rui Xin Investment (Hong Kong) Limited and Mr. Yang Hongpeng in relation to the proposed restructuring of the business and liabilities of the Company ("Proposed Restructuring") on 9 January 2017. The Proposed Restructuring involves (i) a capital reorganisation ("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 Holdings Limited; (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.

On 22 March 2017, the Company filed a new listing application to The Stock Exchange of Hong Kong Limited ("Stock Exchange") in relation to the Acquisition 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 ("the Listing Rules"). The Company will issue further announcements as and when appropriate to update shareholders on the status of the implementation of the Proposed Restructuring.

LOOKING AHEAD

The Company considers that the Proposed Restructuring presents an opportunity for the Company to seek the resumption of trading in its shares. It is envisaged that the financial predicament of the Company will be resolved upon the completion of the Proposed Restructuring and the shareholders ("Shareholders") of the Company will be afforded an opportunity to participate in a viable and profitable business with sustainable earnings which would provide them with a return on their investment in the future.

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.

Fong Sai Mo

Executive Director

Hong Kong, 20 April 2017

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 ("PRC Subsidiaries"), in spite of repeated requests from the Company. Furthermore, since the resignation of Mr. Lin as a director of the Company on 17 June 2016, Mr. Lin has not tendered his resignation as director and legal representative of the PRC Subsidiaries. Neither Mr. Lin nor Mr. Lin Wenzu, both of whom have resigned as directors of the Company, have tendered resignations in relation to their directorship of those subsidiaries outside the PRC or provide assistance to the Company to change the authorised signatories mandates in respect of the bank accounts of the Group, as requested (the "Rejection of Assessment and Resignation").

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

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

FINANCIAL REVIEW

Due to the lack of control and thus the unavailability of these financial records of the PRC Subsidiaries, namely (鑫威(福建)轻工有限公司 Xin Wei (Fujian) Light Industry Co., Ltd.) and (福建省飛克體育用品有限公司 Feike Sports Products Co., Ltd.) Fujian for the period beginning from 1 January 2013, no operation nor turnover was recorded in the financial year 2014 ("FY 2014"). Loss of RMB4,268,000 (2013: RMB849,741,000) was recorded for FY 2014. The decrease in such loss was due to the absence of the loss on deconsolidation of subsidiaries of RMB846,451,000 recorded for the year ended 31 December 2013 ("FY 2013"). The Group's general and administrative expenses of RMB4,268,000 was recorded for FY2014 (2013:RMB3,290,000).

SEGMENT INFORMATION

The Group recorded no turnover generated for FY2014 and FY2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, cash and cash equivalents of the Group were approximately RMB194,000 (2013: RMB599,000). As the Group had a net deficiency in capital as at 31 December 2014 and 2013, the Group's gearing ratio as at that dates were not applicable.

ASSETS AND LIABILITIES

As at 31 December 2014, the Group had total assets of approximately RMB263,000 (2013: RMB609,000), total liabilities of RMB26,163,000 (2013: RMB21,660,000). The net liabilities of the Group as at 31 December 2014 were RMB25,900,000 (2013: net liabilities of RMB21,051,000). Such liabilities mainly comprise the amount due to the controlling shareholder of RMB17,896,000 and the amount due to a deconsolidated subsidiary of RMB5,738,000.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2014.

CHARGES ON GROUP ASSETS

The Group had no other charge as at 31 December 2014 and 31 December 2013.

RESERVES

As at 31 December 2014, 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 16 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 2014, 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 2014.

CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31 December 2014 and 31 December 2013.

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31 December 2014 and 31 December 2013.

EMPLOYEES AND REMONERATION POLICIES

As at 31 December 2014, the Group had 5 (2013: 5) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December

2014 amounted to approximately RMB665,000 (2013: RMB860,000). 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 FY2014, 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 2014 (2013: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 21 to the consolidated financial statements.

PROSPECT

As announced on 20 March 2017, the Company has entered into the Restructuring Agreement to undertake the implementation of the Proposed Restructuring. On 22 March 2017, the Company filed a new listing application to the Stock Exchange in relation to the Acquisition as part of the restructuring proposal, which constitutes a very substantial acquisition, connected transaction and reverse takeover involving a new listing application for the Company under the Listing Rules. The Company will issue further announcements as and when appropriate to update shareholders on the status of the implementation of the Proposed Restructuring.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. FONG Sai Mo (“Mr. FONG”), aged 54, is an executive Director, appointed on 9 November 2015. He is also a member of the nomination committee and remuneration committee of the Company. Mr. FONG has over twenty-five years’ experience in international business and investment management. He was formerly the Greater China General Manager of a European conglomerate and a director of a jewelry chain in China and was responsible for establishing two large distribution networks in China and investing several highly successful joint-ventures in China. Mr. FONG is currently a Managing Director of a well-known China-based luxury goods manufacturing group.

Mr. CHIN Chang Keng, Raymond (“Mr. CHIN”), aged 62, is an executive Director appointed on 13 July 2016. 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 formerly an executive director of BeijingWest Industries International Limited (formerly known as Norstar Founders Group Limited) (stock code: 2339) from 13 September 2013 to 27 January 2014, Fresh Express Delivery Holdings Group Co., Limited (formerly known as FU JI Food and Catering Services Holdings Limited) (stock code: 1175) from 1 June 2011 to 8 July 2013, Zhidao International (Holdings) Limited (formerly known as Ocean Grand Holdings Limited) (stock code: 1220) from 1 September 2008 to 11 January 2012.

Independent Non-executive Director

Mr. CHU Kin Wang, Peleus (“Mr. CHU”), aged 52, is an independent non-executive Director, appointed on 24 February 2010. Mr. CHU is also the chairman of the audit committee, a member of the remuneration committee and nomination committee of the Company. Mr. CHU Kin Wang, Peleus (“Mr. CHU”). He holds a Master of Business Administration degree from The University of Hong Kong. Mr. CHU is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified 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 Limited (stock code: 1823), ITC Corporation Limited (stock code: 372), 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 Wine Holdings Limited (stock code: 8057), SkyNet Group Limited (stock code: 8176) and Telecom Service One Holdings Limited (stock code: 8145). All of the above companies are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. CHU was also an independent non-executive director of National Agricultural Holdings Limited (stock code: 1236) and a non-executive director of Perfect Group International Limited (stock code: 3326) until 11 September 2015 and 1 March 2017 respectively. Both of the companies are listed on the Main Board of the Stock Exchange.

Mr. ZHU Guohe (“Mr. ZHU”), aged 47, is an independent non-executive Director, appointed on 24 February 2010. Mr. ZHU is also the chairman of the remuneration committee and nomination committee, and a member of the audit committee of 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). Since August 2009, Mr. ZHU has been an independent non-executive director of Xi De Lang Holdings Ltd., a company listed on Bursa Malaysia.

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 31 December 2014 ("Review Year"), the Company has complied with applicable Code provisions except the Code provision A.2.1, A.4.1 and A.5.6.

The roles of the chairman and chief executive of the Company were performed by the same individual, Mr. LIN Wenjian during the Review Year. The Company was aware of the requirement under paragraph A.2.1 of the Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Nevertheless, the Board considered that the combination 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 and was of the view that this structure provided the Group with strong and consistent leadership, which could facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently and therefore it was in the interests of the Company as a whole and beneficial to the business prospects of the Group for Mr. LIN Wenjian to undertake the roles of the chairman and the chief executive.

Based on the available records of the Company, the service contracts of each independent non-executive Directors were not renewed on 23 February 2014. The current Board was aware of the non-compliance of the requirement under Code provision A.4.1. Therefore, each of the independent non-executive Directors except Mr. WANG Dong ("Mr. WANG") has entered into a service agreement with the Company for a fixed term of 1 year commencing on 13 July 2016.

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

CHAIRMAN AND CHIEF EXECUTIVE

Mr. LIN Wenjian, executive Director, was the chairman of the Company, responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner as well as the chief executive of the Company. Mr. LIN Wenjian was also responsible for running the Group's business and effective implementation of the strategies of the Group.

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 Mr. CHU Kin Wang, Peleus ("Mr. CHU") and Mr. ZHU Guohe ("Mr. ZHU"), both of whom have confirmed that they have complied with the required standards set out in the Model Code throughout the Review Year. Since Mr. LI Yong and Mr. LIN Mingxu resigned on 10 February 2015, Mr. LIN Wenjian and Mr. WANG resigned on 17 June 2016, and Mr. LEI Geng Qiang ("Mr. LEI") and Mr. LIN Wenzu resigned on 24 June 2016, the current Board cannot confirm whether they had complied with the Model Code during 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 which will report to the Board from time to time on the business activities of the Company.

The Board comprised has four executive Directors, one non-executive Director and three independent non-executive Directors as at 31 December 2014. The composition of the Board was as following:

Executive Directors

Mr. LIN Wenjian (Chairman and Chief Executive)

Mr. LIN Mingxu

Mr. LIN Wenzu

Mr. LI Yong

Non-executive Directors

Mr. LEI Geng Qiang (Appointed on 4 November 2014)

CORPORATE GOVERNANCE REPORT (continued)

Independent Non-executive Directors

Mr. CHU Kin Wang, Peleus

Mr. WANG Dong

Mr. ZHU Guohe

Mr. LIN Wenjian is the elder brother of Mr. LIN Mingxu and Mr. LIN Wenzu. Mr. LI Yong has no relationship with the other executive Directors.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Board as at 31 December 2014 comprises three independent non-executive Directors. Amongst the three 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, only Mr. CHU and Mr. ZHU have confirmed to the Company that they have complied with the independence requirements set out in Rule 3.13 of the Listing Rules. Since there is no available record, the current Board cannot confirm that Mr. WANG had complied with the independence requirements set out in Rule 3.13 of the Listing Rules during the Review Year.

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

Based on the available records of the Company, Mr. LEI has entered into a service agreement with the Company for a fixed term of 2 years commencing 4 November 2014.

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 Mr. CHU and Mr. ZHU’s confirmations on taking continuous professional training. Since there is no available record, the current Board cannot confirm that other Directors had complied with the code provision A.6.5 of the Code.

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 and internal control of the Group, to review the financial information of the Group and to consider issues relating to the external auditor. During the Review Year, the Audit Committee consisted of all three independent non-executive Directors, namely Mr. CHU, Mr. WANG and Mr. ZHU, and one NED namely Mr. LEI. Mr. CHU is the chairman of the Audit Committee.

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

- Discussing the audit issue of the Group for the year ended 31 December 2013.

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. During the Review Year, the Remuneration Committee consisted of three members, Mr. LI Yong, an executive Director and two independent non-executive Directors, Mr. WANG and Mr. ZHU. Mr. WANG was the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT (continued)

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 of the NED who was newly appointed on 4 November 2014.

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 10 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 are to make recommendations to the Board regarding candidates to fill vacancies on the Board. During the Review Year, the Nomination Committee consisted of three members, Mr. LIN Wenzu, an executive Director, and two independent non-executive Director, Mr. WANG and Mr. ZHU. Mr. WANG 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:

- Making recommendation to the Board on matters relating to the appointment of Director.

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.

Since there is no available record, the current Board cannot 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
Executive Directors				
Mr. LIN Wenjian	8/11	N/A	N/A	N/A
Mr. LIN Mingxu	8/11	N/A	N/A	N/A
Mr. LIN Wenzu	8/11	N/A	N/A	1/1
Mr. LI Yong	8/11	N/A	1/1	N/A
Non-executive Director				
Mr. LEI (Appointed on 4 November 2014)	0/3	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. CHU	18/20	1/1	N/A	N/A
Mr. WANG	0/6	1/1	1/1	1/1
Mr. ZHU	16/20	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 RMB397,000 and non-audit services amounted to approximately HK\$220,000.

CORPORATE GOVERNANCE REPORT (continued)

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.

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Group and the interest of the shareholders, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations. The Board acknowledges its responsibility to develop internal control systems and risk management and is also responsible for regular reviewing and maintaining an adequate and effective internal control system of the Group.

Since there is no available record, the Company cannot confirm that the internal control was properly in place during the Review Year.

PRO-WIS Risk Advisory Services Limited, a risk advisory company, was engaged to review internal control procedures on selected areas of the Group.

COMPANY SECRETARY

Mr. CHIM Kam Pang ("Mr. CHIM") was the company secretary of the Company from 27 September 2013 and resigned on 17 June 2016. Mr. CHIM is a member of the Hong Kong Institute of Certified Public Accountants.

Since there is no available record, the current Board cannot confirm that Mr. CHIM had complied with the Rule 3.29 of the Listing Rules, taking more than 15 hours of relevant professional training during the Review Year.

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.

CORPORATE GOVERNANCE REPORT (continued)

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 of 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 2014.

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 20 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 22 of this report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2014 (2013: Nil).

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 report.

SHARE CAPITAL

Details of share capital of the Company during the year ended 31 December 2014 are set out in note 15 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Company are set out in note 16 to the consolidated financial statement.

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 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 2014 within the deconsolidation of some PRC subsidiaries.

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

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 2014.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as those disclosed in the section headed in the "Share Option Scheme" below, at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries which it 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.

DIRECTORS

The Directors during the year ended 31 December 2014 and up to the date of this report are as follows:

Executive Directors

Mr. LI Yong (Resigned on 10 February 2015)

Mr. LIN Mingxu (Resigned on 10 February 2015)

Mr. FONG Sai Mo (Appointed on 9 November 2015)

Mr. LIN Wenzu (Resigned on 24 June 2016)

Mr. LIN Wenjian (Chairman and Chief Executive)
(Resigned on 17 June 2016)

Mr. CHIN Chang Keng Raymond
(Appointed on 13 July 2016)

REPORT OF THE DIRECTORS (continued)

Non-executive Director

Mr. LEI Geng Qiang (Appointed on 4 November 2014 and resigned on 24 June 2016)

Independent Non-executive Directors

Mr. CHU Kin Wang, Peleus

Mr. ZHU Guohe

Mr. WANG Dong (Resigned on 17 June 2016)

Pursuant to article 84 of the Company's articles of association, Mr. FONG, Mr. CHIN, Mr. CHU and Mr. ZHU 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 2014 comprised three 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.

Pursuant to the Listing Rules, only Mr. CHU and Mr. ZHU have confirmed to the Company that they have complied with the independence requirements set out in Rule 3.13 of the Listing Rules. Since there is no available record, the current Board cannot confirm that Mr. WANG had complied with the independence requirements set out in Rule 3.13 of the Listing Rules. 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 7 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing on 24 February 2010 and shall continue thereafter.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a fixed term of two years commencing on 24 February 2012. However, the service contracts of each independent non-executive Directors were not renewed on 23 February 2014. The current Board was aware of the non-compliance of the requirement under Code provision A.4.1.

The NED, Mr. LEI has entered into a service agreement with the Company for a fixed term of 2 years commencing 4 November 2014.

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 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 10 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 participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees.

REPORT OF THE DIRECTORS (continued)

SHARE OPTIONS 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. As at the date of this report, Shares available for issue under the Share Option Scheme representing approximately 6% of the total number of Shares in issue. Options may not be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

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 5 years.

REPORT OF THE DIRECTORS (continued)

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 2014:

NAME OR CATEGORY OF PARTICIPANT	DATE OF GRANT	OUTSTANDING	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED/ LAPSED DURING THE YEAR	OUTSTANDING	EXERCISABLE PERIOD	EXERCISE PRICE	CLOSING PRICE
		AS OF 1 JANUARY 2014				AS OF 31 DECEMBER 2014			IMMEDIATELY BEFORE THE DATE OF GRANT
									HK\$
(a) Directors									HK\$
Mr. LIN Wenjian	4 May 2011	500,000	—	—	—	500,000	4 May 2011 to 3 May 2021	1.620	1.620
Mr. LIN Mingxu	4 May 2011	7,500,000	—	—	—	7,500,000	4 May 2011 to 3 May 2021	1.620	1.620
Mr. LIN Wenzu	4 May 2011	7,500,000	—	—	—	7,500,000	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
		48,160,000	—	—	—	48,160,000			

Note: The information set out in the above table is based on information available to the current board of directors. 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 2014, 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.

CONTRACTS OF SIGNIFICANCE

No 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 a 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 2014.

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 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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.

REPORT OF THE DIRECTORS (continued)

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

As at 31 December 2014, the following Directors or the chief executive 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:

(i) Long positions in shares and underlying shares of the Company

NAME OF DIRECTOR	CAPACITY	NUMBER OF SHARES HELD	NUMBER OF UNDERLYING SHARES HELD PURSUANT TO SHARE OPTIONS	POSITION	TOTAL	APPROXIMATE PERCENTAGE OF ISSUED SHARE CAPITAL (NOTE 2)
Mr. LIN Wenjian	Interest of controlled corporation	480,000,000 (note 1)	—	Long	480,500,000	59.13%
	Beneficial owner	—	500,000	Long		
Mr. LIN Mingxu	Beneficial owner	60,000,000	7,500,000	Long	67,500,000	8.31%
Mr. LIN Wenzu	Beneficial owner	60,000,000	7,500,000	Long	67,500,000	8.31%
Mr. LI Yong	Beneficial owner	—	4,000,000	Long	4,000,000	0.49%

Notes:

- These shares are held by Super Creation International Limited ("Super Creation"), the entire issued share capital of which is wholly and beneficially owned by Mr. LIN Wenjian. By virtue of the SFO, Mr. LIN Wenjian is deemed to be interested in the 480,000,000 shares held by Super Creation.
- The total number of 812,600,000 shares of the Company in issue as at 31 December 2014 has been used for the calculation of the approximate percentage.

(ii) Long positions in associated corporations of the Company

NAME OF DIRECTOR	NAME OF THE ASSOCIATED CORPORATION	CAPACITY	POSITION	NUMBER OF SHARES IN THE ASSOCIATED CORPORATION	APPROXIMATE PERCENTAGE OF SHAREHOLDING IN THE ASSOCIATED CORPORATION
Mr. LIN Wenjian	Super Creation	Beneficial owner	Long	1	100%

Note: The information set out in the above tables are based on disclosure of interest notifications filed with the Company and on the website of the Stock Exchange.

REPORT OF THE DIRECTORS (continued)

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 and chief executive of the Company, as at 31 December 2014, the following persons (not being a Director or chief executive of the

Company) had, or were deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

NAME OF SHAREHOLDER	CAPACITY	NUMBER OF SHARES HELD	POSITION	TOTAL	APPROXIMATE PERCENTAGE OF ISSUED SHARE CAPITAL (NOTE 1)
Super Creation	Beneficial owner	480,000,000	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 2014 has been used for the calculation of the approximate percentage.
2. The information set out in the above tables are based on disclosure of interest notifications filed with the Company and on the website of the Stock Exchange.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 8 to 12 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 note 21 to the consolidated financial statements.

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 2014 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.
Fong Sai Mo
Executive Director

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FLYKE INTERNATIONAL HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

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 22 to 46, which comprise the consolidated statement of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company (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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 2013, 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 going concern basis, details of which are set out in our auditor's report dated 20 April 2017.

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

2. Loss on 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 2014 and 2013.

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 2014 and 2013 and the Group's financial position as at those dates and whether the loss on deconsolidation of those subsidiaries of approximately RMB846,451,000 for the year ended 31 December 2013 was fairly stated.

INDEPENDENT AUDITOR'S REPORT (continued)

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 are 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 2014 and 2013.

4. Amount due to the controlling shareholder

We have been unable to obtain sufficient audit evidence in respect of the amount due to the controlling shareholder of approximately RMB17,896,000 and RMB13,960,000 in the consolidated statement of financial position as at 31 December 2014 and 2013 respectively. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances were fairly stated as at 31 December 2014 and 2013.

5. Amount due to a deconsolidated subsidiary

We have been unable to obtain sufficient audit evidence in respect of the amount due to a deconsolidated subsidiary of approximately RMB5,738,000 and RMB5,579,000 shown in the consolidated statement of financial position as at 31 December 2014 and 2013 respectively. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances were fairly stated as at 31 December 2014 and 2013.

6. Bank balances

We have been unable to obtain sufficient audit evidence in respect of the bank balances of approximately RMB194,000 and RMB599,000 in the consolidated statement of financial position as at 31 December 2014 and 2013 respectively. There were no other satisfactory audit procedures that we could perform to satisfy ourselves whether the aforesaid balances were fairly stated as at 31 December 2014 and 2013.

7. 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 2014 and 2013.

8. 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, related party transactions for the years ended 31 December 2014 and 2013 and balances as at 31 December 2014 and 2013 as required by Hong Kong Accounting Standard ("HKAS") 24 "Related Party Disclosures".

9. 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;
- (b) HKAS 19 "Employee Benefits" for the staff costs as disclosed in note 8 to the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 9 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 December 2014 and 2013 and the financial position of the Group as at 31 December 2014 and 2013, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (continued)

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Practising Certificate Number P03614

Hong Kong, 20 April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
TURNOVER		—	—
Administrative expenses		(4,268)	(3,290)
Loss on deconsolidation of subsidiaries	7	—	(846,451)
LOSS BEFORE TAX	8	(4,268)	(849,741)
Income tax expense	9	—	—
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(4,268)	(849,741)
Other comprehensive (expenses)/income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		(581)	906
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(4,849)	(848,835)
LOSS PER SHARE (RMB)	11		
— Basic		(0.005)	(1.046)
— Diluted		(0.005)	(1.046)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Current assets			
Other receivables		69	10
Cash and cash equivalents		194	599
Total current assets		263	609
Current liabilities			
Other payables		2,529	2,121
Amount due to the controlling shareholder	13	17,896	13,960
Amount due to a deconsolidated subsidiary	14	5,738	5,579
Total current liabilities		26,163	21,660
Net current liabilities		(25,900)	(21,051)
Total assets less current liabilities		(25,900)	(21,051)
NET LIABILITIES			
Capital and reserves			
Share capital	15	71,551	71,551
Reserves	16	(97,451)	(92,602)
TOTAL DEFICIT		(25,900)	(21,051)

The consolidated financial statements on pages 22 to 46 were approved and authorised for issue by the board of directors on 20 April 2017 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 2014

	SHARE CAPITAL RMB'000	SHARE PREMIUM* RMB'000	CAPITAL REDEMPTION RESERVE* RMB'000	SPECIAL RESERVE* RMB'000	STATUTORY RESERVE* RMB'000	SHARE OPTIONS RESERVE* RMB'000	EXCHANGE FLUCTUATION RESERVE* RMB'000	RETAINED PROFITS/ (ACCUMULATED LOSSES)* RMB'000	PROPOSED FINAL DIVIDEND* RMB'000	TOTAL RMB'000
At 1 January 2013	71,551	272,419	945	28,256	73,573	24,766	(3,626)	359,900	6,501	834,285
Total comprehensive income/(expenses) for the year	—	—	—	—	—	—	906	(849,741)	—	(848,835)
Dividend paid during the year	—	—	—	—	—	—	—	—	(6,501)	(6,501)
Deconsolidation of subsidiaries	—	—	—	(28,256)	(73,573)	—	—	101,829	—	—
At 31 December 2013	71,551	272,419	945	—	—	24,766	(2,720)	(388,012)	—	(21,051)
At 1 January 2014	71,551	272,419	945	—	—	24,766	(2,720)	(388,012)	—	(21,051)
Total comprehensive expenses for the year	—	—	—	—	—	—	(581)	(4,268)	—	(4,849)
At 31 December 2014	71,551	272,419	945	—	—	24,766	(3,301)	(392,280)	—	(25,900)

* 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 2014

	2014	2013
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(4,268)	(849,741)
Adjustments for:		
Loss on deconsolidation of subsidiaries	—	846,451
Operating loss before working capital changes	(4,268)	(3,290)
Change in other receivables	(58)	—
Change in other payables	352	583
Net cash used in operating activities	(3,974)	(2,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow arising on deconsolidation of subsidiaries	—	(287,225)
Net cash used in investing activities	—	(287,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the controlling shareholder	3,558	7,582
Dividends paid	—	(6,501)
Net cash generated from financing activities	3,558	1,081
NET DECREASE IN CASH AND CASH EQUIVALENTS	(416)	(288,851)
Cash and cash equivalents at beginning of year	599	289,078
Effect on exchange rate changes, net	11	372
Cash and cash equivalents at end of year	194	599
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	194	599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 was 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 the Company’s subsidiaries are set out in note 20 to the consolidated financial statements.

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 respectively in relation to, among others things, clarification of the press release and delay in publication of the audited consolidated financial statements of the Company and its subsidiaries (collectively “the Group”) for the year ended 31 December 2013. At the request of the Company, trading in shares of the Company has been suspended since 31 March 2014.

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

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

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; (iii) resignation of the chief financial officer and the company secretary on 17 June 2016; and (iv) appointment of the new company secretary on 17 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

2. BASIS OF PREPARATION (continued)

Suspension of trading in shares of the Company (continued)

Reference is made to the Company's announcement 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 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 announcement 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").

Proposed Restructuring of the Group

The restructuring of the Group consists of:

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

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

(ii) *Acquisition*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

2. BASIS OF PREPARATION (continued)

Proposed Restructuring of the Group (continued)

(iii) Subscription

Pursuant to the restructuring agreement, the Company will issue to an investor 126,903,553 subscription shares at the Issue Price for the aggregate subscription consideration of HK\$25,000,000 (approximately RMB22,388,000), which shall be partially settled by setting off against the working capital advanced by the investor and the remaining balance to be settled in cash upon Completion.

(iv) Placing

As part of the Proposed Restructuring, the Company will enter into the placing agreement with a placing agent, being an independent third party. The placing agent will procure independent third parties as the placees to subscribe for the placing shares (i.e. 1,324,873,096 Adjusted Ordinary Shares) at the Issue Price (the "Placing"). The gross proceeds from the Placing before expenses will amount to HK\$261,000,000 (approximately RMB233,733,000).

(v) Open offer

To enable the existing shareholders to participate in the Proposed Restructuring, the Company proposes to undertake the open offer (the "Open Offer") on the basis of three offer shares for every ten existing shares (equivalent to five Adjusted Ordinary Shares) held by the qualifying shareholders on the Open Offer record date. A total of 243,780,000 offer shares will be allotted and issued by the Company to the qualifying shareholders and/or the underwriter at the Issue Price. The gross proceeds from the Open Offer before expenses will amount to approximately HK\$48,025,000 (approximately RMB43,008,000).

(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 RMB5,731,000) out of the subscription consideration; (b) 129,949,239 scheme shares to be allotted and issued at Issue Price, in aggregate amounting to HK\$25,600,000 (approximately RMB22,926,000); and (c) such other sums as may be realised by the scheme administrators from the Scheme Companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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 these financial records of these subsidiaries for the period beginning from 1 January 2013, the Directors considered that it was impracticable to consolidate the results, assets, liabilities and cash flows of these subsidiaries from 1 January 2013.

- (1) 鑫威(福建)轻工有限公司
(Xin Wei (Fujian) Light Industry Co., Ltd.*)
- (2) 福建省飛克體育用品有限公司
(Feike Sports Products Co., Ltd. Fujian*)

* *The English name is for identification purpose only*

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately RMB4,268,000 for the year ended 31 December 2014 and as at 31 December 2014 the Group had net current liabilities and net liabilities of approximately RMB25,900,000. 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 that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. 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 year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the 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 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 its 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 to these consolidated financial statements.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's 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 Company's presentation currency are translated into the Company'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 consolidated profit or loss as part of the gain or loss on disposal.

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 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 and the cumulative gain or loss that had been recognised in other comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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 consolidated 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

- (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).

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the 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 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 to the consolidated financial statements.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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 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 concentrations of credit risk.

(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 to these consolidated financial statements.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period and the earliest date the Group can be required to pay).

	2014		2013	
	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	2,529	2,529	2,121	2,121
Amount due to the controlling shareholder	17,896	17,896	13,960	13,960
Amount due to a deconsolidated subsidiary	5,738	5,738	5,579	5,579
	26,163	26,163	21,660	21,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(e) Categories of financial instruments at 31 December 2014

	2014 RMB'000	2013 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	263	609
Financial liabilities:		
Financial liabilities at amortised cost	26,163	21,660

(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 ON DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2 to these consolidated financial statements, 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 from 1 January 2013.

Net assets of these subsidiaries as at the date of loss of control were as follows:

	RMB'000
Property, plant and equipment	111,432
Prepaid land lease payments	23,495
Inventories	83,679
Trade and other receivables	669,069
Cash and cash equivalents	287,225
Trade and other payables	(89,577)
Tax payables	(5,349)
Bank loans	(232,000)
Amounts due to the controlling shareholder	(162)
Amounts due to a director	(72)
Deferred tax liabilities	(7,402)
Net amounts due from the Group	6,113
Loss on deconsolidation of subsidiaries	846,451
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents	287,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. LOSS BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
Auditor's remuneration	397	396
Operating lease payments in respect of rented premises	—	71
Staff costs (including directors' remuneration — note 10):		
Salaries, bonus and allowances	665	860
Retirement benefits scheme contributions	—	—
	665	860

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for each of the years ended 31 December 2014 and 2013.

The reconciliation between the income tax and the loss before tax are as follows:

	2014 RMB'000	2013 RMB'000
LOSS BEFORE TAX	(4,268)	(849,741)
Tax at the applicable tax rate of 16.5% (2013:16.5%)	(704)	(140,207)
Tax effect of expense not deductible	704	140,207
	—	—

The Group had no significant deferred tax for each of the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) The emoluments of each Director were as follows:

NAME OF DIRECTOR	NOTES	FOR THE YEAR ENDED 31 DECEMBER 2014				TOTAL RMB'000
		FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN-KIND RMB'000	RETIREMENT BENEFIT SCHEME CONTRIBUTIONS RMB'000	SHARE-BASED PAYMENTS RMB'000	
Executive Directors:						
Mr. LIN Wenjian	(i)	—	—	—	—	—
Mr. LIN Wenzu	(ii)	—	—	—	—	—
Mr. LIN Mingxu	(iii)	—	—	—	—	—
Mr. LI Yong	(iii)	—	—	—	—	—
Non-executive Director:						
Mr. LEI Genqiang	(v)	—	—	—	—	—
Independent Non-executive Directors:						
Mr. CHU Kin Wang, Peleus		101	—	—	—	101
Mr. WANG Dong	(iv)	101	—	—	—	101
Mr. ZHU Guohe		101	—	—	—	101
		303	—	—	—	303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) The emoluments of each Director were as follows: (continued)

NAME OF DIRECTOR	NOTES	FOR THE YEAR ENDED 31 DECEMBER 2013				TOTAL RMB'000
		FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN-KIND RMB'000	RETIREMENT BENEFIT SCHEME CONTRIBUTIONS RMB'000	SHARE-BASED PAYMENTS RMB'000	
Executive Directors:						
Mr. LIN Wenjian	(i)	—	—	—	—	—
Mr. LIN Wenzu	(ii)	—	—	—	—	—
Mr. LIN Mingxu	(iii)	—	—	—	—	—
Mr. LI Yong	(iii)	—	—	—	—	—
Independent Non-executive Directors:						
Mr. CHU Kin Wang, Peleus		95	—	—	—	95
Mr. WANG Dong	(iv)	81	—	—	—	81
Mr. ZHU Guohe		113	—	—	—	113
		289	—	—	—	289

Notes:

- (i) Resigned on 17 June 2016.
- (ii) Resigned on 24 June 2016.
- (iii) Resigned on 10 February 2015.
- (iv) Resigned on 17 June 2016.
- (v) Appointed on 4 November 2014 and resigned on 24 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals' emoluments

Three (2013: three) of the five highest paid individuals of the Group were the Directors whose emoluments are set out above. The details of the remaining employees' emoluments of the Group are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	362	571
Retirement benefit scheme contributions	—	—
	362	571

The emoluments of two individuals (2013: 2) fall within the following band:

	NUMBER OF INDIVIDUALS	
	2014	2013
Nil — HK\$1,000,000	2	2

- (c) During the year, 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 year.

11. 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 of approximately RMB4,268,000 (2013: approximately RMB849,741,000) for the year attributable to owners of the Company and the weighted average number of 812,600,000 (2013: 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 2014 and 2013 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the years.

12. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013:nil).

13. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

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

14. AMOUNT DUE TO A DECONSOLIDATED SUBSIDIARY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

15. SHARE CAPITAL

	NUMBER OF SHARES '000	HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31 December 2014 and 2013	2,000,000	200,000

	NUMBER OF SHARES '000	RMB'000
Issued and fully paid:		
At 31 December 2014 and 2013	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 Note 13 and 14, 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 to these consolidated financial statements.

16. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

16. RESERVES (CONTINUED)

(b) Company

	SHARE PREMIUM RMB'000	CAPITAL REDEMPTION RESERVE RMB'000	SHARE OPTIONS RESERVE RMB'000	RETAINED EARNINGS/ (ACCUMULATED LOSSES) RMB'000	PROPOSED FINAL DIVIDEND RMB'000	TOTAL RMB'000
At 1 January 2013	272,419	945	24,766	597	6,501	305,228
Total comprehensive expenses for the year	—	—	—	(391,473)	—	(391,473)
Dividend paid during the year	—	—	—	—	(6,501)	(6,501)
At 31 December 2013	272,419	945	24,766	(390,876)	—	(92,746)
At 1 January 2014	272,419	945	24,766	(390,876)	—	(92,746)
Total comprehensive expenses for the year	—	—	—	(4,835)	—	(4,835)
At 31 December 2014	272,419	945	24,766	(395,711)	—	(97,581)

(c) Nature and purpose of reserves of the Group and the Company

(i) *Share premium account*

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) *Special reserve*

The special reserve represents the differences between the nominal value and premium of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for their acquisition at the time of group reorganisation.

(iv) *Share options reserve*

The share options reserve comprises 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 in note 4.

(v) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

17. 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.

18. CONTINGENT LIABILITIES

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

19. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Non-current assets		
Investments in subsidiaries	—	—
Current assets		
Other receivables	68	10
Bank balances	46	455
	114	465
Current liabilities		
Other payables	2,529	2,121
Amount due to the controlling shareholder	17,896	13,960
Amount due to a deconsolidated subsidiary	5,719	5,579
	26,144	21,660
Net current liabilities	(26,030)	(21,195)
NET LIABILITIES	(26,030)	(21,195)
Capital and reserves		
Share capital	71,551	71,551
Reserves	(97,581)	(92,746)
TOTAL DEFICIT	(26,030)	(21,195)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

20. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2014 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 each	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

21. 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 to these consolidated financial statements.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 20 April 2017.