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FLYKE INTERNATIONAL HOLDINGS LTD.

飛克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01998)

VOLUNTARY WINDING-UP OF A SUBSIDIARY

Reference is made to the announcements of Flyke International Holdings Limited (the “**Company**”) dated 31 March 2014, 30 April 2014, 7 May 2014, 26 May 2014, 11 July 2014, 29 July 2014, 29 September 2014, 31 October 2014 and 4 December 2014 (the “**Announcements**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

VOLUNTARY WINDING-UP OF FLYKE HONG KONG

The Board wishes to inform the Shareholders and potential investors of the Company that on 19 December 2014, written resolutions were passed by the board of directors of Flyke Hong Kong Holdings Limited (“**Flyke Hong Kong**”), a wholly-owned subsidiary of the Company indirectly and solely held through Win Eagle International Holdings Limited (“**Win Eagle**”), pursuant to which (i) Flyke Hong Kong was resolved to be wound up voluntarily (the “**Winding-Up**”); and (ii) Mr. Lai Kar Yan (Derek) and Ho Kwok Leung, Glen, both of 35th Floor, One Pacific Place, 88 Queensway, Hong Kong, were nominated as joint and several liquidators in connection with the Winding-Up.

On the same day and subsequent to the passing of the written resolutions by the board of directors of Flyke Hong Kong, written resolutions under Section 235 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) were passed by Win Eagle to (i) wind up Flyke Hong Kong; and (ii) appoint Mr. Lai Kar Yan (Derek) and Ho Kwok Leung, Glen, both of 35th Floor, One Pacific Place, 88 Queensway, Hong Kong, as joint and several liquidators in connection with the Winding-Up. Accordingly, the Winding-Up process of Flyke Hong Kong commenced on 19 December 2014.

INFORMATION ABOUT FLYKE HONG KONG

Flyke Hong Kong is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, Flyke Hong Kong is directly interested in the entire capital of Feike Sports Products Co., Ltd. Fujian* (福建省飛克體育用品有限公司) (“**Flyke China**”) which is the subsidiary engaging in the Group’s business segment of the design, production and sales of footwear, apparels and accessories across **Flyke** casualwear brand and *Flyke* sportswear brand. The Company, through Win Eagle, owns the entire issued share capital of Flyke Hong Kong, which in turn owns Flyke China.

As the values of the total assets, profits and revenue of Flyke Hong Kong for the year ended 31 December 2012 represented more than 5% of the Company’s consolidated total assets, profits and revenue respectively as shown in the audited consolidated financial statements of the Company for the year ended 31 December 2012, being the latest published audited consolidated financial statements of the Company, Flyke Hong Kong is considered to be a “major subsidiary” of the Company under Rule 13.25(2) of the Listing Rules.

REASONS FOR THE VOLUNTARY WINDING-UP OF FLYKE HONG KONG

The Group is engaged in three principal business segments, including (1) the design, production and sales of footwear, apparels and accessories across two brands, (2) export ODM business and (3) the design, production and sales of soles.

As mentioned in the announcement of the Company dated 4 December 2014, the turnover of sales of footwear, apparels and accessories with **Flyke** casualwear brand and *Flyke* sportswear brand for the 10 months ended 31 October 2014 declined significantly as compared with the turnover of the same business segment for the same period in 2013. The Directors have reviewed the business and financial position of the Group and noted the following:

- i) *Intense competition in the footwear, apparels and accessories industry in the People’s Republic of China (the “PRC”)*

In recent years, high-end international sports brands have targeted to expand their market shares into the second and third tier cities in the PRC, which have been the principal markets for products of mainland mid-end and low-end sports brands, by marketing their products at lower selling prices. At the same time, the increasing popularity in internet sales has also reduced the market share of traditional retail sales channels. This market trend has adversely affected the sales of the Flyke footwear, apparels and accessories which no longer enjoy the competitive edge in the selling prices.

(ii) Reduction in profit margin

In view of the intense competition, the Group has repurchased some of the unsold products from its licensed distributors so as to reduce their inventory levels and to resell those products through other channels at reduced prices. Besides, the soaring rental prices of retail shops, the continuing rise in the labour cost and the upward trend in the costs of raw materials for footwear, apparels and accessories have reduced the profit margin of the business segment.

(iii) Promising prospects in other business segments

The Group has developed stable and long-term business relationships with high-end international brands through participating in international expo events for its ODM/OEM business. Some of these high-end international brands have business relationships with the Group for more than 5 years and have become strategic business partners of the Group. The Directors believe that the ODM/OEM business of Group is competitive enough to resist foreseeable risks in the market.

In light of the above factors which will likely to persist in the foreseeable future, the Directors decided to cease its business of the design, production and sales of footwear, apparels and accessories so that more resources could be inputted into other business segments of the Group.

The Winding-Up of Flyke Hong Kong will effectively carve out Flyke Hong Kong from the existing structure of the Group, thus allowing the remaining Group to continue its business and operations whilst limiting its exposures to matters relating to Flyke Hong Kong.

Taking into the account the above factors, the Board considers that the Winding-Up of Flyke Hong Kong is in the best interests of the Company and will not lead to material adverse impact on the operations of the Group.

EFFECTS OF THE WINDING-UP ON THE GROUP

Following the commencement of the Winding-Up, Flyke Hong Kong will cease to be a subsidiary of the Company.

Further announcement(s) will be made by the Company as and when appropriate if there is any material progress regarding the Winding-Up.

SUSPENSION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 31 March 2014 pending the publication of the annual results announcement for the year ended 31 December 2013. Trading in the Shares will continue to suspend until further notice and full satisfaction of the Resumption Conditions and such other further conditions that may be imposed by the Stock Exchange.

By Order of the Board
Flyke International Holdings Ltd.
LIN Wenjian
Chairman

Hong Kong, 19 December 2014

As of the date of this announcement, the executive Directors are Mr. LIN Wenjian (Chairman and Chief Executive), Mr. LIN Mingxu, Mr. LIN Wenzu and Mr. LI Yong, the non-executive Director is Lei Gengqiang and the independent nonexecutive Directors are Mr. CHU Kin Wang, Peleus, Mr. WANG Dong and Mr. ZHU Guohe.

** For identification purpose only*