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Flying Financial Service Holdings Limited

匯聯金融服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8030)

INSIDE INFORMATION LEGAL PROCEEDINGS AGAINST FORMER EXECUTIVE DIRECTORS

Financial adviser to the Company



瓏盛資本有限公司
Draco Capital Limited

This announcement is made by Flying Financial Service Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2)(a) of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 8 December 2020 and 26 March 2021 in relation to, among others, the Custodies and the litigation involving the then Directors; (ii) the announcement of the Company dated 22 February 2022 regarding, among others, the key findings of independent investigation and the key findings of the report of the PRC legal advisers in relation to the Custodies; (iii) the announcement of the Company dated 15 March 2022, 4 April 2022 and 25 May 2022 regarding the formation of the Remedial Actions Committee and the key findings of the PRC Further Investigation and HK Legal Opinions; (iv) the announcement of the Company dated 18 July 2022 in relation to, among others, the key findings of the independent Internal Control Review; (v) the announcement of the Company dated 29 July 2022 in relation to, among others, the business update of the Company; and (vi) the announcements of the Company dated 2 August 2022 in relation to, among others, the legal proceedings against former executive Directors (collectively, the “**Previous Publication**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Previous Publication.

LEGAL PROCEEDINGS AGAINST FORMER EXECUTIVE DIRECTORS

As stated in the Previous Publication, based on the respective findings in the PRC Further Investigation Report and the HK Legal Opinions, after obtaining the advice from its legal advisers, the Company has instigated legal proceedings in the High Court of Hong Kong against Mr. Zheng and Ms. Guo, the then executive Director at the material time, in respect of, among others, their breach of fiduciary duty and duty of care and had failed to act honestly in the best interest of the Company, to exercise due diligence, and to comply with relevant rules and regulations in executing the Guarantee Documents.

As part of the Group's further actions to seek compensation from Mr. Zheng and/or Ms. Guo, on 17 October 2022, the Company has filed a statement of claim to the High Court of Hong Kong in relation to the legal action instituted by the Company, as the plaintiff (the "**Plaintiff**") against Mr. Zheng (the "**1st Defendant**") and Ms. Guo (the "**2nd Defendant**") as the defendants (collectively, the "**Defendants**").

As a result of the breaches of duties by the Defendants, the Plaintiff claims the Defendants for the following:

- (a) RMB16,306,300 being the amount the writ of civil summons against Mr. Zheng, Ms. Guo, Qianhai Flying and Flying Investment in October 2020 by the PRC officials subject to the agreement dated 18 September 2019 in which in breach of fiduciary duty and/or in breach of trust, the 1st Defendant acting for and on behalf of the Plaintiff as the legal representative, procured the Plaintiff to enter into a guarantee agreement for a personal loan agreement in which himself was the borrower for the amount of RMB15 million;
- (b) The Seized Assets subject to the Guarantee Documents which comprises, inter alia:
 - (i) RMB47,870,000 being the Plaintiff's investment properties;
 - (ii) RMB54,129,000 being the unlisted equity securities classified as financial assets;
 - (iii) RMB128,838,000 being the equity interest of the Plaintiff in certain property development projects;
- (c) Compound interest on the sums in respect of which the Defendants are accountable to the Plaintiff at such rates and for such period as the Court thinks fit; and
- (d) Pursuant to section 48 of the High Court Ordinance, Cap 4 of the Laws of Hong Kong, the Plaintiff is entitled to and is now claiming interest from the Defendants on such sum as may be found due by the Defendants at whatever rate as the Court shall direct from the date of commencement of this action to the date of payment or judgment rate to the date of payment in full or at such rate and for such period as the Court shall direct.

The Plaintiff further claims the Defendants for, among others, the following:

- (a) damages to be assessed;
- (b) a declaration that each of the 1st Defendant and/or 2nd Defendant is in breach of his/her duty of care under common law owed to the Plaintiff;
- (c) compound interest, and/or interest pursuant to section 48 of the High Court Ordinance;
- (d) further and/or other relief; and
- (e) costs.

The Company will continue to use its best endeavours to recover the aggregate damage of approximately RMB247 million in relation to the Custodies from the Defendants for their breach of respective fiduciary duties and duty of care and had failed to act honestly in the best interest of the Company, to exercise due diligence, and to comply with relevant rules and regulations as former directors of the Company.

The Company will keep the shareholders of the Company and potential investors informed of any further significant development in connection with the above proceedings and will make further announcement(s) as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 11:19 a.m. on 29 March 2021 and will remain suspended until the Company fulfils the Resumption Guidance.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares. When in doubt, shareholders of the Company and potential investors are advised to seek advice from professional or financial advisers.

By the Order of the Board
Flying Financial Service Holdings Limited
Leung Man Kit
Executive Director

Hong Kong, 17 October 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Gongjun (Chairman and Chief Executive Officer), Ms. Wan Suyuan, Mr. Leung Man Kit and Ms. Liu Yi; and the independent non-executive Directors are Dr. Vincent Cheng, Dr. Miao Bo, Mr. Hsu Tawei, Mr. Tsao Hoi Ho and Mr. Lau Jing Yeung William.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange at www.hkexnews.hk for a minimum period of seven days from the date of its publication and on the Company’s website at www.flyingfinancial.hk.