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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 announcements of the Company dated 28 June 2021, 28 September 2021, 28 December 2021 and 4 April 2022 in relation to, among others, the quarterly update on the status of Resumption; (iii) the announcement of the Company dated 24 December 2021 in relation to, among others, the formation of an Independent Investigation Committee and the change of auditor; (iv) 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; (v) 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; (vi) the announcement of the Company dated 26 January 2022, 1 June 2022 and 29 June 2022 and the circular of the Company dated 10 May 2022 in relation to, among others, the Very Substantial Disposal; (vii) the announcement of the Company dated 18 July 2022 in relation to, among others, the key findings of the independent Internal Control Review; and (ix) the announcement of the Company dated 29 July 2022 in relation

to, among others, the business update of the Company (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 announced by the Company, pursuant to the key findings of CH Chamber and PMT as stated in the HK Legal Opinions, among others:

- (i) The Company’s case is that Mr. Zheng and/or Ms. Guo acted in breach of their duties and obligations and were responsible for the arrangements of Loan Guarantee given by the Company and/or the Company’s subsidiaries within the Group;
- (ii) Mr. Zheng and Ms. Guo owed the Company duty of care under statute and fiduciary duty under common law and equity. There is relatively strong case that Mr. Zheng and/or Ms. Guo failed to discharge the aforesaid duties;
- (iii) In respect of the Loan Guarantee, CH Chambers opine that there is flagrant breach by Mr. Zheng given that the arrangement involves obvious conflicting interest between the Company and himself. Both statute and common law principles prohibit such arrangement made without sufficient authorization or disclosure; and
- (iv) Since the loss of the Company was wholly or partially caused by the alleged breaches by Mr. Zheng and Ms. Guo, the Loan Guarantee is likely to be voidable and equitable compensation may be ordered against Mr. Zheng and Ms. Guo if the Court accept they are in breach.

Based on the aforesaid findings (together with other 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.

The Seized Assets provided by Mr. Zheng and/or Ms. Guo were assets owned by the Company, and were subsequently seized by the Bureau as a result of Mr. Zheng and/or Ms. Guo’s convictions of the criminal offence of illegal absorption of public deposits in the PRC. Nevertheless, it is transpired that there is no record of any meeting minutes or resolution by the then Board at the material time the Guarantee Documents were entered into.

As a result of the aforesaid breaches of Mr. Zheng and/or Ms. Guo, the Company has suffered loss and damage in sum of approximately RMB230,837,000 million, being the value of the Seized Assets as the material time. In the circumstances, the amount recoverable by the Company upon the breach of statutory and/or fiduciary duties by Mr. Zheng and/or Ms. Guo is measured by a sum that amounted to RMB230,837,000 million plus applicable compound interest, if any. Meanwhile, the Company expressly reserve its rights to claim for further loss and damages arising as a result of Mr. Zheng and/or Ms. Guo’s breach of their statutory and fiduciary duties.

The Remedial Action Committee and the Board considers that the aforesaid initiation of the legal action is necessary for protecting the interests of the Group and the shareholders of the Company. The Board is also of the view that one of the top priorities of the Group at present is to act diligently to safeguard the interests of the shareholders, clients and employees of the Group. The Company does not rule out the possibility of joining additional defendants to the claim or instigating further legal action(s) in the future.

The Company will keep the shareholders of the Company and potential investors informed of any further material developments in connection with the above actions by way of further announcement(s) as and when appropriate.

## **CORPORATE GOVERNANCE, INTERNAL COMPLIANCE, SAFEGUARDS AND BUSINESS DEVELOPMENT**

Besides performing independent investigation towards the Investigation Issues, the Company has also taken numerous actions to improve its corporate governance and internal control and internal compliance. As announced by the Company, the Group has rectified the identified deficiencies in the Group's internal control system, the Group's internal control system have been remediated and those newly adopted or modified measures and policies of the Company can be considered to be effectively designed and implemented from the perspective of managing the associated risks commensurate with the existing operations and scale of the Group.

Meanwhile, taking into account of the net proceed of approximately HK\$12.4 million (unaudited) upon the Completion of the Very Substantial Disposal and as previous announced business update of the Group, the financial position of the Group is sound, the Group has sufficient capital resources for its operation, the Group's operation shall be improving, and that the revenue of the Group is expected to increase steadily.

In the past few months, the Company has been continuing to work towards fulfilling the Resumption Guideline prior to the Review Hearing and will present the relevant information to the Listing Review Committee by the time the Review Hearing is held.

As always emphasized by the Company, the Company attaches great importance to the interests of the shareholders of the Company. The Company will use its best endeavor to act in accordance with the rules and regulations of the Stock Exchange, make reasonable efforts and never give up the case until the end.

## **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**  
**Zhang Gongjun**  
*Chairman and Chief Executive Officer*

Hong Kong, 2 August 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](http://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](http://www.flyingfinancial.hk).*