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鈞濠集團

鈞濠集團有限公司\*

**GRAND FIELD GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 115)

## **INSIDE INFORMATION AND PROFIT WARNING**

This announcement is made by Grand Field Group Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Directors**”) of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary review of the latest unaudited consolidated management accounts of the Group and other information currently available to the Board, it is expected that the revenue and cost of revenue of the Group as reported in the unaudited condensed consolidated interim results announcement of the Company and its subsidiary and the interim report of the Company for the six months ended 30 June 2022 (“**6M2022**”) would be reversed from approximately HK\$176,563,000 (unaudited) to approximately HK\$74,186,000 (unaudited), and from approximately HK\$171,549,000 (unaudited) to approximately HK\$70,214,000 (unaudited), respectively. The aforesaid reversals of revenue and cost of revenue (the “**Reversals**”) are due to the suspected occurrence of frauds against Hao Kang International Supply Chain (Shenzhen) Limited\* (濠康國際供應鏈(深圳)有限公司), a wholly owned subsidiary of the Company (the “**Subsidiary**”), by its former business partner, a PRC resident (the “**Business Partner**”), who is alleged to have defrauded the Subsidiary with a series of fictitious transactions procured by it and/or its controlled entity(ies), as more particularly described below (the “**Incident**”).

\* For identification purpose only

## THE INCIDENT

In December 2021, the Subsidiary entered into a hog trade cooperation agreement with a company (the “**Partner Company**”), an entity established in the PRC and wholly owned by the Business Partner, pursuant to which, the Partner Company was entrusted to source hogs from suppliers, procure downstream buyers to purchase the hogs and manage the hog transactions for the Subsidiary, and the Subsidiary would provide funds for the hog purchase and receive the purchase price from the buyers directly after the delivery of hogs (the “**Hog Trade Agreement**”). The Subsidiary had contributed a capital of approximately RMB4.4 million to develop and operate the business contemplated under the Hog Trade Agreement. Save for the relationships disclosed above, the Business Partner and the Partner Company were and are independent third parties of the Company.

After the commencement of the business contemplated under the Hog Trade Agreement, the Subsidiary started to experience difficulty in collecting hog purchase price from the buyers procured by the Partner Company and was not able to obtain from the Partner Company the required information or underlying documentations to support the hog transactions. As a result, the management of the Subsidiary pushed the Partner Company to coordinate with the relevant hog buyers for the collection and settlement of the outstanding receivables due from them (which amounted to approximately RMB2.3 million as at the date of this announcement) to manage the Subsidiary’s financial exposure. Upon enquiry made by the Subsidiary with the parties involved in the transactions, the management of the Subsidiary also started to suspect that the Partner Company and/or the Business Partner might have had falsified the hog transaction to induce the Subsidiary to make payments while illegally retaining or remitting to third parties the hog purchase price received from the Subsidiary or the hog buyers for their own benefit.

To protect the Subsidiary’s legitimate interest in its business, the Subsidiary collated the relevant evidence and reported the suspected criminal acts of the Business Partner and the Partner Company to Buji Police Station of Longgang Branch of Shenzhen Municipal Public Security Bureau (深圳市公安局龍崗分局布吉派出所). Following a preliminary investigation, Longgang Branch Police Station (the “**Police**”) issued a notification of case filing (立案告知書) on 29 November 2022 which informed the Subsidiary that they had commenced investigation on the alleged case of fraud by the Partner Company and/or the Business Partner. A PRC legal adviser has also been instructed to advise the Subsidiary in relation to the Incident.

As at the date of this announcement, according to the Police, the Business Partner and the legal representative of the Partner Company had already been arrested for their suspected fraud and misappropriation of funds of the Subsidiary and were pending trial. The Police also arrested other two individuals (where were and are independent third party of the Company) for further investigation, who were suspected to have collaborated with the Business Partner or Partner Company to defraud the Subsidiary with a series of fictitious transactions. To the best of our Directors' knowledge and belief, as at the date of this announcement, none of our Directors or employees of the Group had been arrested by the Police or subject to any charge laid by the Police in relation to the Incident.

As advised by the PRC legal adviser, the Company is considering to commence a civil claim against the Business Partner and/or its related parties in parallel with the criminal proceedings to be conducted against him or them.

In light of the progress of the Police's investigation, the fact that the Business Partner and the legal representative of the Partner Company had been arrested by the Police after the report of the suspected fraud and misappropriation of fund to the Police by the Subsidiary, the information gathered by the Subsidiary so far and after seeking advice from professional parties, notwithstanding that the court trial of the suspects for their suspected criminal acts mentioned above is still pending, there is a reasonable ground to believe that the hog transactions procured by the Business Partner and/or the Partner Company for 6M2022 were not genuine, and were therefore, lacking commercial substance. Accordingly, on a prudent basis, it is expected that HK\$102,377,000 and HK\$101,335,000, representing the total amount of revenue and cost of revenue, respectively, previously derived from the hog transactions and recognised on an accrued basis for 6M2022 have to be reversed and reclassified.

The Company will make further announcement(s) to keep the Shareholders and potential investors informed of any significant developments in respect of the Incident as and when appropriate.

## **ESTABLISHMENT OF SPECIAL COMMITTEE**

In view of the Incident, the Board has established a special committee (the “SC”) comprising three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan. The scope of duties of the SC includes, among other matters, (i) conducting internal review on the occurrence of the Incident and its subsequent development; (ii) making necessary recommendations to the Board on the appropriate remedial actions and corporate governance measures to be taken in respect of the Incident to enhance the Group’s future transaction approval procedures; (iii) arranging training on corporate governance for the management team of the Group; (iv) making recommendations to ensure the management team of the Group will maintain appropriate and effective risk management and internal control systems and review and monitor the effectiveness of the Group’s risk management and internal control policies at least annually covering financial, operational and compliance controls, and ensure that the systems in place are adequate and effective; and (v) obtaining external legal or other independent professional advice, if necessary, to facilitate the performance of duties by the SC.

## **DIRECTORS’ TRAINING**

The Directors will also attend training(s) on internal controls at least annually which shall cover:

- (1) responding to changes in the Group’s business and external environment;
- (2) the quality and scope of the Directors’ ongoing monitoring of risks and of the system of internal control;
- (3) the extent and frequency of the communication of the results of the monitoring to the Board committee;
- (4) any incidence of significant control failure that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group’s financial performance or condition; and
- (5) the effectiveness of the Group’s processes relating to financial reporting and Listing Rules compliance.

## **PROFIT WARNING**

The Board wishes to inform the Shareholders and potential investors that, based on a preliminary review of the latest unaudited consolidated management accounts of the Group and other information currently available to the Board, the Group is expected to record a loss attributable to the owners of the Company of approximately HK\$373 million to HK\$412 million for the year ended 31 December 2022 (“FY2022”), as compared with the net loss of approximately HK\$224 million for the year ended 31 December 2021. Such change was mainly due to (i) decrease in revenue by approximately 74% mainly caused by the decline in trading volume of properties in Shenzhen, the People’s Republic of China (“PRC”); (ii) the decrease in gross profit margin caused by the sale of some properties with lower gross profit margin during the year; (iii) recognition of significant fair value loss on investment properties, impairment loss on goodwill, properties for sale under development, and property, plant and equipment in the PRC of approximately HK\$522 million; and (iv) provision made for losses on litigation of approximately HK\$49 million in connection with certain subsidiaries of the Company (details of which were disclosed in the announcement of the Company dated 19 August 2022).

The Company is still in the process of finalising its annual results for FY2022. This announcement is made based on, among other information, the Board’s preliminary review and assessment of the Group’s unaudited consolidated management accounts and information currently available to the Board. The information or figures contained in this announcement have not been finalised, reviewed or audited by the independent auditor of the Company, have not been confirmed by the audit committee of the Board, and may be subject to further adjustments or amendments. Further details of the Group’s performance will be disclosed in its annual results for FY2022 to be published by the Company.

**Shareholders and potential investors of the Company are reminded that the information provided in this announcement is based on the current available information to the Board. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Grand Field Group Holdings Limited**  
**Ma Xuemian**  
*Chairman*

Hong Kong, 24 March 2023

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Charmaine and Ms. Kwok Siu Wa Alison; and three independent non-executive Directors, namely, Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan.*