

Transfer Agreement”), whereby FFGS transferred some of its assets (principally purported accounts receivable and inventory balances) to FFBD.

- 1.5.37 The value of the assets transferred per the 2015 Transfer Agreement was USD 888m. We understand from FF Asia Group’s employees that the transferred assets represented the majority of the fictitious assets that had been created and had accumulated as recorded in FFGS’s books over previous years through the fictitious sales and purchasing activity.
- 1.5.38 Separately, the fictitious Alpha Bank balance (discussed below) was accounted for in FFGS until 31 December 2017 when it was transferred to FF Origins.
- 1.5.39 From a balance sheet perspective, the fictitious historical profits that had been created along with the fictitious assets in FFGS’s books remained recorded within FFGS’s reported retained earnings, even after FFGS transferred the fictitious assets to FFBD and FF Origins.
- 1.5.40 On 29 December 2017, FFBD entered into a further transfer agreement with FF Origins transferring over USD 1 billion in purported assets from FFBD to FF Origins. We understand from discussions with FF Asia Group employees that all such assets are entirely fictitious.
- 1.5.41 For restatement purposes, we propose reversing these fictitious amounts from the FF Asia Group’s FY 2017 results and retained earnings balances. These transfers involved FFGS, FFBD and FF Origins, and are discussed in more detail in Section 4, Section 5 and Section 7, respectively.

Fictitious bank balances

- 1.5.42 In connection with the above described methods of recording fictitious transactions, since 2009, the FF Asia Group recorded over USD 355.3m of fictitious cash as being generated^{26,27}. This cash was generated from the purported settlement of accounts receivable balances originating from fictitious sales (whether made directly or indirectly through controlled entities to NBS), settlement of FFGS’s fictitious intercompany balance with FFBD and the generation of fictitious bank interest receipts. Forged bank statements in the name of Alpha

²⁶ USD 355.3m is the total amount that was recorded as a result of the realisation of fictitious accounts receivable, fictitious intercompany balances and fictitious bank interest by FFGS, FF Origins and FFH.

²⁷ The amount that was transferred to FF Origins on 31 December 2017 is less than the total amount of fictitious cash generated by FFGS due to earlier fictitious outwards transfers made from this account.



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Bank were prepared by FF Asia Group's employees, which were used to support these fictitious accounting balances.

1.5.43 The evidence obtained from our on-going investigation includes considerable information showing that over time, the FF Asia Group engaged in²⁸:

- i) the recording and reporting of fictitious bank account balances in legitimate bank accounts;
- ii) the reporting of fictitious bank account balances in non-existent or fictitious bank accounts; and
- iii) the preparation of forged bank statements to support those balances.

1.5.44 In summary, the following entities reported fictitious bank balances:

- i) FFGS (two accounts);
- ii) FF Origins; and
- iii) FFH.

Bank accounts – FFGS's accounting records

1.5.45 In December 2009, two new bank accounts were opened in the name of Follie Follie Hong Kong Limited²⁹ with Alpha Bank. One of these bank accounts was denominated in Japanese Yen, and the other in US Dollars. These bank accounts were real bank accounts used by FFGS alongside other legitimate bank accounts and were recorded as such within the books and records of FFGS. However, over time, in addition to real transactions recorded in the real bank accounts, fictitious transactions were additionally recorded, and fictitious balances reported within this entity.

²⁸ We have seen no evidence to suggest that Alpha Bank assisted with or had knowledge of the fictitious balances and forged bank statements.

²⁹ Follie Follie Hong Kong Limited is the former name of FFGS.



Bank accounts – FF Origins' accounting records

1.5.51 FF Origins records a balance held in a bank account with Alpha Bank. Our understanding is that there is no FF Origins bank account with Alpha Bank for this entity and therefore any balance recorded in this bank account is entirely fictitious.

1.5.52 The balance recorded and reported at 31 December 2017 was USD 290.2m. The balance reported comprised:

- i) Receipt of transfer of fictitious cash from FFGS – USD 255.2m;
- ii) Realisation of fictitious accounts receivable from NBS – USD 33.6m; and
- iii) Fictitious interest income – USD 1.4m.

1.5.53 We were provided with bank statements that evidenced the fictitious year-end balance of USD 290.2m purportedly held by FF Origins. These bank statements have been forged.

Bank accounts – FFIH's accounting records

1.5.54 FFIH records a balance held in a bank account with Alpha Bank. Our understanding is that there is no FFIH bank account with Alpha Bank and therefore any balance recorded in this account is entirely fictitious.

1.5.55 The reported bank balance at 31 December 2017 is USD 125k. The entire balance relates to the realisation of fictitious accounts receivable due from NBS.

1.5.56 We were provided with bank statements that evidenced the fictitious year-end balance of USD 125k apparently held by FFIH. These bank statements have been forged.

Forged bank statements to support fictitious balances

1.5.57 In order to support the year end bank balances related to the USD Alpha Bank accounts referred to above, FF Asia Group employees informed us that certain Alpha Bank statements were created by and at the direction of FF Asia Group employees.



Alpha Bank USD account

1.5.46 Nearly all activity and balances held in FFGS's USD Alpha Bank account were fictitious³⁰. As at 31 December 2016, the balance in this account was USD 208.5m. Prior to its transfer to FF Origins on 31 December 2017, the fictitious balance was recorded as USD 255.2m.

1.5.47 FFGS's general ledger shows that over the eight years between 31 December 2009 and 31 December 2017, FFGS recorded and built up fictitious cash balances within this bank account through:

- i) The realisation of fictitious accounts receivable created from fictitious sales with controlled entities – USD 183.7m;
- ii) The realisation of group intercompany receivables due from FFBD, which was engaged entirely in fictitious activity – USD 128m; and
- iii) Fictitious interest income – USD 8.4m.

1.5.48 On 31 December 2017, FFGS recorded a transfer of the Alpha Bank USD account and its balance of HKD 1.99 billion (USD 255.2m) to FF Origins thereby leaving HKD 5,277 (USD 676) as recorded in this account as at 31 December 2017. As discussed further in Section 4.3, the real balance of this bank account 31 December 2017 was USD 500.

1.5.49 We were provided with bank statements that evidenced the fictitious year-end balance of USD 208.5m apparently held by FFGS at 31 December 2016, and the movements in the account during the year to 31 December 2017 until the balance was transferred to FF Origins. These bank statements have been forged.

Alpha Bank yen account

1.5.50 We understand from FF Asia Group employees that all six transactions in the Alpha Bank Yen account were genuine transactions. Additionally, the net value of the six transactions is immaterial, being a balance of USD 600. This is the year-end balance in FFGS at 31 December 2017 for the Alpha Bank Yen Account.

³⁰ Legitimate activity and balances appear to relate to a de minimis opening balance, two inward transfers of HKD 15.6m and HKD 7.8m from FFGS's CIC USD account and FFGS's Bank of China USD account respectively, a transfer of HKD 23.4m to FFGS's Bank of China USD account.

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1.5.58 We have seen email communications from FF Asia Group employees providing these forged bank statements to the Hong Kong-based auditors of the FF Asia Group and circulating them amongst finance staff in the FF Asia Group.

1.5.59 The evidence assembled includes documents consistent with the practice of forging bank statements, namely:

- i) Microsoft Word documents constructed in the form of Alpha Bank statements – potentially prepared for printing onto bank statement templates;
- ii) blank PDF Alpha Bank statement template files;
- iii) files indicating a member of FF Asia Group's graphic design team was in possession of a bank statement template;
- iv) discrepancies in balances and activity recorded on purported bank balance confirmations prepared by different FF Asia Group employees. For example, we identified differences in supporting balance confirmations for the same account on the same date prepared independently by the FF Greece office and an employee of FFGS (the latter was provided to FFGS's auditor); and
- v) discrepancies noted by auditors in closing cash balances compared with bank statements provided to purportedly support closing cash balances (for example, a missing bank balance for FFGS's Alpha Bank Yen account in the forgeries that were created).

1.5.60 In an interview with an employee of FF Asia Group, performed on 30 August 2018, it was confirmed that since at least 2011 the employee had assisted in the creation of forged bank statements and other documents.

1.5.61 We also note that after an initial unsuccessful attempt to forensically image the Apple iMac desktop of this same employee, it was returned to the employee at the request of the FF Asia Group's management. The desktop was to be returned to the employee for four days due to 'urgent business requirements'. During this time, A&M did not have access to the machine, which we understand remained with the employee. Following the return of the desktop to A&M, we successfully completed the forensic collection and undertook a deletion

