

FU YU CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 198004601C)

**QUALIFIED OPINION BY AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2024**

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors ("**Board**") of Fu Yu Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Baker Tilly TFW LLP (the "**Independent Auditor**"), has in its Independent Auditor's Report dated 5 June 2025 (the "**Independent Auditor's Report**"), included a qualified opinion ("**Qualified Opinion**") in relation to the Group's consolidated financial statements for the financial year ended 31 December 2024 ("**FY2024**").

The Independent Auditor's Report which contains the basis for the qualified opinion is attached to this Announcement for shareholders' reference. The extract of the basis of the qualified opinion issued by Independent Auditor is as follows:

Qualified Opinion

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 108 to 171, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section, the accompanying consolidated financial statements of the Group and statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Qualified Opinion

Ongoing investigation into affairs of Fu Yu Supply Chain Solutions Pte Ltd

During the financial year, the Group initiated investigation into the affairs of a subsidiary, Fu Yu Supply Chain Solutions Pte. Ltd ("FYSCS"). The details of the investigation are disclosed in Note 32 to the financial statements. As at the date of this report, the investigation is still ongoing. We were unable to determine the potential financial impact, if any, to the Group and the Company in respect of the Claims which pertain to FYSCS and have been presented as discontinued operations in the consolidated financial statements. Accordingly, we were unable to conclude whether any adjustments or additional disclosures might be necessary in relation to the ongoing investigation.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditors' responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA

Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Shareholders are advised to read this announcement in conjunction with the Independent Auditors' Report, the Financial Statements and the Company's Annual Report for FY2024 in their entirety and exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

BY ORDER OF THE BOARD

Seow Jun Hao David
Executive Director and Group Chief Executive Officer
5 June 2025

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF FU YU CORPORATION LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the “Company”) and its subsidiaries (the “Group”) as set out on pages 108 to 171, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section, the accompanying consolidated financial statements of the Group and statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Qualified Opinion

Ongoing investigation into affairs of Fu Yu Supply Chain Solutions Pte Ltd

During the financial year, the Group initiated investigation into the affairs of a subsidiary, Fu Yu Supply Chain Solutions Pte. Ltd (“FYSCS”). The details of the investigation are disclosed in Note 32 to the financial statements. As at the date of this report, the investigation is still ongoing. We were unable to determine the potential financial impact, if any, to the Group and the Company in respect of the Claims which pertain to FYSCS and have been presented as discontinued operations in the consolidated financial statements. Accordingly, we were unable to conclude whether any adjustments or additional disclosures might be necessary in relation to the ongoing investigation.

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF FU YU CORPORATION LIMITED (cont’d)

Report on the Audit of the Financial Statements (cont’d)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis of Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment on the Group’s non-current assets

Description of key audit matter:

As at 31 December 2024, the Group’s non-current assets comprise mainly property, plant and equipment (“PPE”) of \$58,603,000 (2023: \$58,229,000) which represented 34% (2023: 33%) of the Group’s total assets.

SFRS(I) 1-36 *Impairment of Assets* requires an entity to estimate the recoverable amount of an asset where there are indications that an asset may be impaired.

The PPE of three subsidiaries in China and the tooling cash generating unit (“CGU”) of the Company were subjected to impairment test due to continued operating losses. The Group performed impairment assessment on the PPE by estimating the recoverable amount based on the fair value less costs of disposal (“FVLCD”) and value in use (“VIU”).

For FVLCD, the Group engaged external valuation experts to assist in estimating the fair values of the leasehold properties and machineries using valuation approaches as disclosed in Note 3 to the financial statements.

For VIU, the Group assessed the recoverable amount using the discounted cash flow technique considering its revenue growth rates, terminal growth rates and discount rates. As the recoverable amount for the PPE was assessed to be lower than the carrying amount, an impairment loss on PPE of \$579,000 (2023: \$Nil) was recognised during the current financial year. The key assumptions and estimates used in the value in use calculation are disclosed in Note 3 to the financial statements.

Given the significant level of judgement and estimation involved, and the significance of the assets to the Group’s consolidated financial position, we identified this to be a key audit matter.

Our procedures to address the key audit matter:

We obtained an understanding of management’s impairment assessment process. In reviewing management’s impairment assessment using FVLCD, we evaluated the competence, objectivity and capabilities of the external valuation experts engaged by the Group and read the terms of engagement of the external valuation experts to understand the scope of their work. We held discussions with the external valuation experts to understand the valuation methodology and significant assumptions and estimates used. We evaluated the appropriateness of the valuation methodology and the reasonableness of the assumptions used by the external valuation experts.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FU YU CORPORATION LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Impairment assessment on the Group's non-current assets (cont'd)

Our procedures to address the key audit matters (cont'd):

In reviewing management's impairment assessment using VIU, we assessed and challenged the key estimates applied in the value in use calculation by comparing the cash flow projections to the CGU's historical data and performance, contracts with customers and expected future financial performances. We also tested management's ability to make reliable estimates by comparing actual results in current financial year to prior year forecast. We involved our internal valuation specialists in assessing the reasonableness of the discount rates used. We recomputed the calculations to verify the accuracy.

We have also assessed the adequacy and appropriateness of the disclosures in respect of the impairment assessment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2024 but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in our report above, we have issued a qualified opinion due to the matters highlighted in the *Basis for Qualified Opinion* section. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FU YU CORPORATION LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Directors for the Financial Statements (cont'd)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FU YU CORPORATION LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matters referred to in the *Basis for Qualified Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Guo Shuqi.

Baker Tilly TFW LLP
Public Accountant and
Chartered Accountants
Singapore

5 June 2025

32 Ongoing investigation into affairs of Fu Yu Supply Chain Solutions Pte. Ltd.

As announced by the Company on 31 January 2025, the Board of Directors (the “Board”) received an internal audit report dated 26 July 2024 on 7 August 2024 from its internal auditors, and noted that Fu Yu Supply Chain Solutions Pte Ltd (“FYSCS”), a wholly-owned subsidiary of the Company, was accorded an overall assessment rating of “4” (Cause for considerable concern). In the internal audit report, the internal auditors highlighted significant weaknesses in FYSCS’s risk management process that could expose the auditable unit to unacceptable levels of risk if left uncorrected. In addition to the agreed-upon scope of internal audit, the internal auditors brought to the Board’s attention certain additional risks areas that were noted during the course of their field work.

Accordingly, the Board acted on the findings of the aforementioned internal audit report and Damodara Ong LLC was engaged on 8 October 2024 to conduct an investigation into the affairs of FYSCS.

The Board received an Interim Status Update Report dated 5 February 2025 from Damodara Ong LLC (“Interim Report”) and updated the shareholders on 6 February 2025 regarding some salient observations highlighted in the Interim Report:

- (1) There are one or more unverifiable arrangements in respect of a payment of US\$2,984,501 by FYSCS to a third party for which services did not appear to have been rendered and there are potential issues of conflict of interest which warrant further review.
- (2) There was unauthorized usage of the email account bd@fuyu-scs.com by third parties which warrant further review.
- (3) The secondment of an individual to FYSCS as its general manager from May 2023 to May 2024 and the individual’s conduct raises questions which warrants further review.
- (4) There were expense claims made to FYSCS by a former employee of FYSCS for herself and on behalf of a current employee of the Company, which appear from documents sighted to be irregular and warrants further review.

On 11 February 2025, the Board appointed professional namely Rajah & Tann Singapore LLP and PricewaterhouseCoopers Risk Services Pte Ltd to review, evaluate, investigate and advise on issues mentioned in the Interim Report

As of the date of this financial statements, based on the progress of the investigation, the Group intends to make claims against certain persons for (collectively, the “Claims”): (a) FYC’s acquisition of Avantgarde Enterprise Pte Ltd (now, FYSCS) (the “AEPL Acquisition Claim”), (b) purported misuse of FYSCS’s resources (the “FYSCS Claim”), and (c) the payment of a pre-paid commission of US\$ 2,984,501 (the “Pre-Paid Commission Claim”) as announced by the Company on 1 April 2025. The Group, through its legal advisors Nine Yards Chambers LLC, have sent demand letters against these persons (or their legal advisors) on the same day, to commence the process of pursuing the Claims.

The Company and the Group will continue to monitor the progress of the investigation, and the Group has expressly reserved its rights in the demands to add, amend, and/or increase the quantum of its Claims.

The Board will deliberate on the next course of action and seek legal advice, as and when necessary, upon the conclusion of the FYSCS investigation.