

## I. INTRODUCTION

- 1.1 We are instructed by Fu Yu Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”). We are aware of the Company’s announcements made on 31 January 2025, 6 February 2025, 7 February 2025, 11 February 2025, 26 February 2025, 1 April 2025 and 17 June 2025 (collectively, the “**Announcements**”). The Announcements relate to certain investigations into the affairs of the Company’s wholly owned subsidiary, Fu Yu Supply Chain Solutions Pte Ltd (“**FYSCS**”). These investigations were conducted by external parties, *i.e.*, initially Damodara Ong LLC and subsequently, Rajah & Tann Singapore LLP together with PriceWaterhouseCoopers Risk Services Pte Ltd.
- 1.2 The scope of our current instructions is: (a) to perform Maxwellisation on the investigations and consider the responses received, and (b) to provide the Company’s Board of Directors (the “**Board**”) and its stakeholders this summary of the pertinent aspects of the investigations. The Maxwellisation was a recommended step for the Company to take. We considered this recommendation and reached the same conclusion, before accepting our current instructions.
- 1.3 The use of the “Board” here refers to the reconstituted Board following the Company’s Annual General Meeting held on 27 June 2025, and as announced by the Company on 3 July 2025. The members of the Board are:

Mr Seow Jun Hao David	<i>Executive Director and Group CEO</i>
Mr Gilbert L. Rodrigues	<i>Non-Executive Chairman of the Board and member of the Audit Committee, Nominating Committee and Remuneration Committee</i>
Mr Ralf Pilarczyk	<i>Independent Non-Executive Director, Chairman of the Nominating Committee and member of the Audit Committee</i>
Mr Haytham T KH Al Essa	<i>Independent Non-Executive Director, Chairman of the Audit Committee and member of the Remuneration Committee</i>

Mr Yang Zhenrong	<i>Independent Non-Executive Director, Chairman of the Remuneration Committee and Member of the Nominating Committee</i>

- 1.4 Besides our current scope of work, we were also previously instructed by the Company (with a different composition of Board members, the “**Previous Board**”) to issue demand letters based on the then progress of the investigations. This was done and was announced by the Company on 1 April 2025. The Company has not taken any further steps or engage in any litigation since the issuance of the demand letters, *i.e.*, from 1 April 2025 to 15 June 2025 (being the date that 3 members of the Previous Board resigned), from then on up to the reconstitution of the current Board on 27 June 2025, till to date, as the Board is taking advice as to whether any further actions are required.
- 1.5 In preparing this summary, we relied on, and considered, documents which are part of the Group’s ordinary business records that were made available to us. We assume, and see no reason to doubt, that these documents are authentic in all respects. Where necessary, we have also sought for clarification and instructions from the Company and its employees. We have also relied on the information from interviews conducted by Damodara Ong LLC and Rajah & Tann Singapore LLP.
- 1.6 The following persons voluntarily agreed to be interviewed to assist the Company in its investigations. Save for the Company’s employees, these interviewees have no obligation to agree to the Company’s requests for information, documents and/or an interview. The Company has not obtained any orders of court to compel the provision of information or documents from any of these persons, and the information given by these interviewees were voluntarily and not made under oath:

1	Victor Lim
2	Evllen Sim
3	Wendy Qua
4	Jimmy Tu
5	Issac Liu

6	Jason Ng
7	Geh Si Wei
8	David Seow
9	Royston Tan
10	Daniel Poh
11	Christopher Huang
12	Daisy Ong
13	Elaine Seow

- 1.7 The investigations, including the Maxwellisation process, relate to the following issues of interest. For clarity and convenience, we set out our key findings alongside each issue of interest.

## II. ISSUE #1: THE COMPANY'S ACQUISITION OF FYSCS

- 2.1 The investigations explored possible irregularities regarding the Company's acquisition of FYSCS (the "**FYSCS Acquisition**"), then known as Avantgarde Enterprise Pte Ltd ("**AEPL**"). For clarity, we refer to the target as AEPL pre-acquisition and as FYSCS post-completion of the acquisition, even though they are legally the same target company. The Company paid US\$ 4.5 million for the FYSCS Acquisition. The FYSCS Acquisition was announced by the Company on 16 July 2021, and the transaction was completed on 28 July 2021. An announcement on the completion of the FYSCS Acquisition was made on the same day.
- 2.2 The Company engaged third-party professionals for the FYSCS Acquisition, namely, Focus Law Asia LLC, which provided a due diligence report on 18 June 2021, (b) JLB Alliance Pte Ltd, which provided a valuation report on 10 May 2021, adopting the "*most prudent and lowest probability valuation*" of AEPL, and (c) Acutus Advisory Pte Ltd, which provided its financial and tax due diligence on 25 June 2021 (collectively, the "**Independent Professionals**" and the "**Independent Professionals Reports**"). Contractually, the FYSCS Acquisition was also subject to the Company's satisfactory conclusion of legal and financial due diligence on, *inter alia*, AEPL.
- 2.3 Concerns regarding the FYSCS Acquisition primarily arose from:
- (a) the staffing of AEPL, some of whom were former employees of Aeternum Energy International Pte Ltd, of which Victor Lim used to be

a Managing Director of, and concerns over Victor Lim's influence over the Company to enter into the FYSCS Acquisition,

- (b) the apparent incongruency between acquiring AEPL because of Frank Zhang's expertise as a head trader of AEPL and Frank Zhang "departure" from FYSCS 2 months after the FYSCS Acquisition was completed.

**Our Key Findings:**

- 2.4 In mid-2021, the then Board of the Company was assisted by professionals in the FYSCS Acquisition and had relied on the opinions and findings to enter the FYSCS Acquisition. We further note that the entry into the FYSCS Acquisition contractually provided for the Company to exit the transaction if due diligence on AEPL was unsatisfactory. Legal and financial due diligence, and the valuation of AEPL, were conducted by the Independent Professionals. There is no suggestion of any impediment or interference in the work of the Independent Professionals.
- 2.5 Victor Lim's involvement in any promotion or recommendation of the FYSCS Acquisition appears to have ended when a board memorandum dated 24 May 2021 was presented to the then Board. After this board memorandum was submitted, we do not see any further documents showing Victor Lim being involved in this transaction. We also note that in the Board's deliberations on the transaction, the Company had the benefit of the legal due diligence report prepared by Focus Law Asia LLC and JLC Alliance Pte Ltd's valuation report. Absent evidence showing the same, there is no basis to determine that the Company's then board was misled or improperly influenced in causing the Company to enter the FYSCS Acquisition on its terms.
- 2.6 As for Frank Zhang's departure from FYSCS 2 months after the completion of the FYSCS Acquisition, we note that FYSCS's employment was replaced with the engagement of a company owned by Frank Zhang ("**Yahan**"). Further, it was highlighted in the Maxwellisation process that the Frank Zhang was contractually entitled to terminate his employment contract with FYSCS with notice. After Frank Zhang's departure from FYSCS in September 2021, FYSCS entered into a service agreement for Frank Zhang, through Yahan, to provide services to "*develop trading strategies and establishing business networks and contracts*" to grow FYSCS's business operations. In our view, the service agreement with Yahan conferred onto FYSCS the same benefit as having Frank Zhang as an employee, *i.e.*, the availability of Frank Zhang's trading expertise

and network. We note the Company's CEO was aware of the service agreement with Yahan and had explained that Frank Zhang preferred to render his services to FYSCS through this structure, for efficiency and costs savings reasons. We have not come across any contradictory evidence on this issue.

### **III. ISSUE #2: POTENTIAL MISUSE OF FYSCS'S RESOURCES**

3.1 The investigations also explored the potential misuse of FYSCS's resources. At the material time, Victor Lim was FYSCS's "Director of Strategy". These "resources" relate to:

- (a) An e-mail account, "bd@fuyu-scs.com" (the "**BD E-mail Account**"), and
- (b) Claims, relating to dining and travel expenses, submitted by Victor Lim for reimbursement by FYSCS.

#### **Our Key Findings:**

##### **A. The BD E-mail Account**

3.2 It was discovered during the investigations that Victor Lim's girlfriend, "Hazel" had access to the BD E-mail Account and had used the BD E-mail Account to source for and negotiate deals on FYSCS's behalf. This was done on Victor Lim's request – both Victor Lim and Hazel confirmed that Hazel had access to the BD E-mail Account. This arrangement of Hazel assisting Victor Lim was purportedly done on a "goodwill basis". In attempting to verify this claim, we have not seen any documentation showing any payments made to Hazel.

3.3 The investigations also reveal that at material times, other employees had access to the BD E-mail account.

##### **B. Reimbursement of Expenses**

3.4 The investigations also reviewed reimbursement claims made by Victor Lim during his tenure as FYSCS's "Director of Strategy". The transactions flagged in the course of the investigations range from S\$ 23.72 to S\$ 1,329.29, with a total value of S\$ 9,427.76 and an average value of S\$ 349.18. We are unable to ascertain whether these transactions were solely for the benefit of FYSCS or not. Some of these expenses were incurred with person(s) who do not have any commercial relationship with FYSCS at the material time. That said, we are unable to rule out the possibility that these persons may be prospective clients

or suppliers of FYSCS – the company does not keep any records of its prospects for verification purposes.

- 3.5 On the other hand, we note that these reimbursement claims were submitted and approved through the standard approval process that FYSCS had in place at that time. This reimbursement approval process was utilised by all FYSCS's employees at that time.

#### **IV. ISSUE #3: THE PRE-PAID COMMISSION**

- 4.1 FYSCS entered into an Incentive Agreement dated 1 July 2022 with a company, KWW Consultancy Pte Ltd ("**KWW**") for payment commission by FYSCS to KWW for trades executed for the benefit of FYSCS. The investigations show that KWW is a company owned by Wong Ka Wing ("**WKW**"), an employee of FYSCS. The director of KWW is Tan Xin Yi ("**TXY**"). Through interviews with Victor Lim, it is established that Victor Lim, WKW and TXY are mutual friends.
- 4.2 The investigations highlighted concerns over WKW's performance of his duties as the work-related e-mails sent by WKW from his FYSCS e-mail account were sporadic in frequency. Further, WKW may be in a position of conflict by virtue of FYSCS's entry into the Incentive Agreement with KWW.
- 4.3 The investigations were also concerned with whether commissions paid pursuant to the Incentive Agreement were paid to the correct party, *i.e.*, whether the trades executed for the benefit of FYSCS were in fact introduced by KWW. Specifically, the investigations explored a "Pre-Paid Commission" of US 2,984,501 that was paid by FYSCS. Through a Deed of Assignment and an Indemnity Deed dated 9 November 2022, KWW assigned the Pre-Paid Commission that was due to it from FYSCS to another entity, Arc Intl Energy Pte Ltd, which FYSCS paid. FYSCS had sought legal advice on the Deed of Assignment and the Indemnity Deed, which were subsequently signed by the CEO on behalf of FYSCS. As far as we are aware, Arc is independent of FYSCS and KWW. However, the investigations were unable to conclusively state what the commercial rationale of the Deed of Assignment was. During the Maxwellisation process, the Company's CEO stated that the Company had considered this issue in consultation with its (then) legal advisors – the conclusion of which that there was insufficient evidence of any impropriety. As such, it was decided that no further action was to be taken then.
- 4.4 In any event, the investigations confirmed that the trade underlying the Pre-Paid Commission was executed, and FYSCS received a profit from this trade. We have

confirmation from FYSCS's records that the amount of the Pre-Paid Commission corresponds to the formula set out in the Incentive Agreement to calculate the amount of commissions paid.

**V. ANCILLARY ISSUES**

- 5.1 An ancillary issue arose during the investigations, *i.e.*, of when Victor Lim became a beneficial owner of shares in the Company.
- 5.2 To be clear, these disclosure obligations rest with Victor Lim, not the Company. Any breach of Victor Lim's personal disclosure obligations will *not* cause any losses to the Group. That said, we note that 3 members of the Previous Board confirmed that they were unaware of any facts indicating that Victor Lim was a substantial shareholder of the Company in 2021 and further, they did *not* consider Victor to be a substantial shareholder of Pilgrim then. We are thus unable to express any further views on this ancillary issue; nor do we see the need to do so.

**VI. LIMITATIONS**

- 6.1 This summary ought not be quoted, referred or relied upon, in whole or in part, without our written permission, by any third party or for any other purposes. Further, our scope of work does not constitute an audit, review or any form of assurance. The observations in this summary are based on the information made available to us in the course of our work and reliance has been placed on the integrity, accuracy and completeness of the information provided to us.