



Independent Review Report

GS Holdings Limited

Prepared by: Deloitte & Touche Financial Advisory Services Pte Ltd

Date: 30 March 2023

Contents

Glossary..... 1

1 Executive Summary 6

1.1 Background 6

1.2 Scope of work..... 6

1.3 Methodology 7

1.4 Review of the BOP business10

1.5 Potential breaches of SGX Catalist Rules, applicable regulations and the Companies Act28

1.6 Conclusion and recommendations35

1.7 Disclaimer and limitations39

Annex 41

Glossary

Abbreviation	Description
ACRA	Accounting and Corporate Regulatory Authority, the authority maintaining the source of background searches performed on individuals or companies located in Singapore
Alto Vencap	Alto Vencap Pte Ltd (currently known as Raffles Financial Advisory Pte Ltd)
ARC	Audit and Risk Committee
Audited Financial Statements for FY2020	Audited consolidated financial statements of the GS Holdings Limited and its subsidiaries for the financial year ended 31 December 2020
Board Minutes	Minutes of GS Holdings Limited's Board meetings
BOD	Board of Directors
Board of the Company	Board of Directors of GS Holdings Limited
Board of Wish SG	Board of Directors of Wish Hospitality Holdings Private Limited comprise: 1) Mr Pang Pok, Mr Chong Eng Wee and Mr Zhang Rong Xuan for the period from 27 February 2019 to 31 October 2019; 2) Mr Pang Pok, Mr Chong Eng Wee and Mr Liu Chang Sheng from 31 October 2019 to 16 June 2021; 3) Mr Pang Pok, Mr Zhang Rong Xuan and Mr Liu Chang Sheng from 16 June 2021 to 27 September 2021; and 4) Mr Pang Pok and Mr Zhang Rong Xuan subsequent to 27 September 2021
BOC Hainan bank	Bank of China (Hainan Branch)
BOC Hainan bank account	Wish Hospitality Holdings Private Limited's bank account with Bank of China (Hainan Branch)
BOC Shanghai bank	Bank of China (Shanghai Branch)
BOC Shanghai bank account	Wish Health Management (Shanghai) Co., Ltd.'s bank account with Bank of China (Shanghai Branch)
BOP	Branding, Operations and Procurement
BOP agreements	Branding, Operations and Procurement service agreements entered into by Wish Hospitality Holdings Private Limited with the 14 BOP Outlets
BOP Board of Advisors	The advisors of the BOP business
BOP business	Branding, Operations and Procurement business of Wish Hospitality Holdings Private Limited
BOP Business Diversification Conditions	Conditions set by the then Board of the Company when approval for the Group's entry into the BOP business was given which included (i) the completion of a site visit to observe the ongoing traffic and operations of the outlets of the healthy lifestyle social club operating under Jufel International Group (which was already known as and operating under the brand "WISH") and (ii) the completion of desktop due diligence on the relevant contracting party(ies) to be submitted to the then ARC of the Company
BOP Outlet(s)	Storefront(s) owned by customers of Wish Hospitality Holdings Private Limited's Branding, Operations and Procurement business
BOP Proposal	Branding, Operations and Procurement business proposal prepared by Ms Zhang and Mr Liu on 20 February 2019

Abbreviation	Description
BOP service fees	Service fees earned by Wish Hospitality Holdings Private Limited from its customers, the BOP Outlets, under the BOP service agreements
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China Management team	Subcontractors employed under Wish Hospitality Holdings Private Limited to manage the BOP business in China
Chongqing QYC	Chongqing Qian Yu Cang Private Limited (重庆仟昱仓实业有限公司)
COVID-19	Coronavirus disease
Company or GS Holdings	GS Holdings Limited
Companies Act	Companies Act 1967 (Rev Ed 2020)
Convertible loan agreement	Convertible loan agreement entered into by GS Holdings Limited, Guangzhou Yue Da Environmental Technology Development Co., Ltd. and Guangzhou Green Valley Ecological Environment Co., Ltd. for loan facilities of RMB 68 million (approximately S\$13.6 million)
DOA	Delegation of authority
DRIW	Directors' resolution in writing
DTFAS or we	Deloitte and Touche Financial Advisory Services Private Limited
EGM	Extraordinary General Meeting
Eight Participating BOP Outlets	BOP Outlets which entered into the new Health Management Services Agreements with Wish Hospitality Holdings Private Limited on 31 March 2021
Enlarged Capital	Enlarged share capital of Wish Hospitality Holdings Private Limited after the issuance and allotment of new shares to GS Holdings Limited
F&B	Food and beverage
First BOP Receipts	First batch of net BOP service fees collected by Wish Hospitality Holdings Private Limited amounting to RMB 25.7 million
FY2019	Financial year ended 31 December 2019
FY2020	Financial year ended 31 December 2020
Group	GS Holdings Limited and its subsidiaries including Wish Hospitality Holdings Private Limited and Wish Health Management (Shanghai) Co., Ltd.
Guangfa bank	China Guangfa Bank Co., Ltd.
Guangfa bank account	Wish Health Management (Shanghai) Co., Ltd.'s bank account with China Guangfa Bank Co., Ltd.
Guangzhou Green Valley	Guangzhou Green Valley Ecological Environment Co., Ltd. (广州绿谷生态环境有限公司)
Guangzhou Woxing	Guangzhou Woxing Health Management Co., Ltd. (广州沃兴健康管理有限公司)
Guangzhou Yue Da	Guangzhou Yue Da Environmental Development Co., Ltd. (广州跃达环保科技发展有限公司)
Hangzhou Minxi	Hangzhou Minxi Health Management Co., Ltd. (杭州民析健康管理有限公司)
Hangzhou Woming	Hangzhou Woming Health Management Co., Ltd. (杭州沃明健康管理有限公司)
Hangzhou Woxi	Hangzhou Woxi Health Management Co., Ltd. (杭州沃析健康管理)

Abbreviation	Description
	服务有限公司)
Henan Jie Rui	Henan Jie Rui legal firm (河南杰瑞律师事务所)
Henan Jufeel	Henan Jufeel Technology Group Co., Ltd. (河南九福来科技集团股份有限公司)
Henan KuaiKe	Henan Kuai Ke Building Materials Co., Ltd. (河南快刻建材有限公司)
Henan Woming	Henan Woming Health Management Co., Ltd. (河南沃明健康管理有限公司)
Henan Shengning	Henan Shengning Industrial Co., Ltd. (河南盛凝实业有限公司)
Heng Feng Bank	Heng Feng Bank Co., Ltd. bank
HMS	Health management services
HKD	Hong Kong dollars
ICRIS	Cyber Search Centre of the Integrated Companies Registry Information System, the source of background search performed on individuals or companies incorporated in Hong Kong
IPTs	Interested Party Transactions
Jiangsu Xinchufa	Jiangsu Xinchufa Shengwu Keji Co., Ltd. (江苏新出发生物技术有限公司)
Jufeel Group	Jufeel International Group
JVA	Joint venture agreement entered into by GS Holdings Limited with Ms Abigail Zhang Li Ying on 17 January 2019
Kaifeng Jufeel	Kaifeng Jufeel Biotechnology Co., Ltd. (开封九福来生物技术有限公司)
KMP	Key Management Personnel
KPMG Beijing	KPMG Advisory (China) Limited Beijing Branch
Lawyer letter dated 1 July 2021	Lawyer letter dated 1 July 2021 issued by Wang Xiao Yong of Henan Jie Rui legal firm (河南杰瑞律师事务所) on status of the encumbrance over the RMB 100 million
Management	Mr Pang Pok and Mr Paul Chong Paw Long together with their team involved in the day-to-day operations of the Company including overseeing the BOP business
Marvel	Marvel Earn Limited
Mortgaged Properties	Land and buildings registered under Kaifeng Jufeel Biotechnology Co., Ltd. pledged by Mr Zhang Rong Xuan to ensure Kaifeng Jufeel would successfully collect and return the outstanding BOP service fees to Wish Hospitality Holdings Private Limited
Mr Chan	Mr Chan Chun Kit (陈俊杰)
Mr Chong	Mr Chong Eng Wee
Mr Chow	Mr Chow Kek Tong
Mr Dou Le	Mr Dou Le (窦乐)
Mr Fu	Mr Fu Wen Xing (傅文星)
Mr In	Mr In Nany Sing Charlie
Mr Lee	Mr Lee Dah Khang
Mr Li	Mr Li Er Li (李尔力)
Mr Lim	Mr Irwin Lim Kee Way
Mr Liu	Mr Victor Liu Chang Sheng (刘昌盛)
Mr Pang	Mr Pang Pok

Abbreviation	Description
Mr Paul Chong	Mr Paul Chong Paw Long
Mr Tang	Mr Tang Shu Lin (唐书林)
Mr Wang	Mr Wang Chuan Wang
Mr Yeow	Mr Yeow Choon Hong
Mr Zhang	Mr Zhang Rong Xuan (张荣轩)
Ms Liu	Ms Liu Guang Min (刘光敏)
Ms Zhang	Ms Abigail Zhang Li Ying (张立英)
Ms Zhao	Ms Zhao You Gen (赵幼根)
MSA	Master Service Agreement entered into by Wish Hospitality Holdings Private Limited with Henan Jufel Technology Group Co., Ltd. on 8 March 2019 for Henan Jufel to source for potential customers to procure BOP services provided by Wish SG
NECIPS	National Enterprise Credit Information Publicity System (全国企业信用信息公示系统) maintains publicised information extracted from government departments and market entities including all local Industrial and Commercial Administration in China to protect creditors of enterprises.
Panjin Woxi	Panjin Woxi Health Management Co., Ltd. (盘锦沃析健康管理有限公司)
PRC	People's Republic of China
PRC tax authorities	Tax authorities of the provinces where the 14 BOP Outlets were operating in
QCC	Qichacha (企查查), the source of intelligence search performed on individuals or companies located or incorporated in China
Qinhuangdao Woxi	Qinhuangdao Woxi Health Management Co., Ltd. (秦皇岛沃析健康管理有限公司)
Referral Outlet	A new participating outlet recommended by any of the Eight Participating BOP Outlets to Wish SG for the HMS services
RMB	Renminbi
SAFE	State Administration of Foreign Exchange of the PRC
Second BOP Receipts	Second batch of net BOP service fees collected by Wish Hospitality Holdings Private Limited amounting to RMB 20.8 million
SGD	Singapore dollars
SGXNet	Singapore Exchange Regulation Pte Ltd's platform for corporate announcements
Shanghai Woxi	Shanghai Woxi Health Management Co., Ltd. (上海沃析健康管理有限公司)
Shares Placement Agreement	Placement agreement entered into by GS Holdings Limited with Marvel Earn Limited on 17 December 2018 for placement of 25,555,555 shares at SGD 0.18 per share
Shenzhen Huwa	Shenzhenshi Huwa Co., Ltd. (深圳市护蛙投资控股有限公司)
Shenzhen Woxi	Shenzhen Woxi Life Technology Co., Ltd. (深圳沃析生命科技有限公司)
SMAR	State Administration for Market Regulation (国家市场监督管理总局)
SMS	Short message service
SMS timestamped 9 March	A short message service sent by Mr Chow Kek Tong to Mr Pang Pok

Abbreviation	Description
2019 11:17	on 9 March 2019 11:17 to inform Mr Pang Pok that Mr Lee Dah Khang and himself abstained from granting their approval for the MSA as they did not have sufficient information
SOP	Standard operating procedures
SOP Manuals	Standard operating procedures manuals (管理手册)
Supplementary Agreements	Master Supplementary Agreements signed between Henan Jufeel Technology Group Co., Ltd. and Wish Hospitality Holdings Private Limited on 30 June 2019 in relation to the BOP agreements entered into by Wish Hospitality Holdings Private Limited with the 14 BOP Outlets
Then ARC of the Company	Audit and Risk Committee members for the period from 10 January 2019 to 25 April 2019
Then Board of the Company	Board of Directors of GS Holdings Limited for the period from 10 January 2019 to 25 April 2019
Tianjing Ming Yuan	Tianjing Ming Yuan Technology Private Limited (天津明远科技股份有限公司)
WISH	Existing healthy lifestyle social club, in a F&B outlet setting, purportedly operating under Jufeel International Group
Wish SG	Wish Hospitality Holdings Private Limited
Wish Shanghai	Wish Health Management (Shanghai) Co., Ltd. (未析健康管理 (上海) 有限公司)
WOFE	Wholly-owned foreign enterprises
Xinxiangshi Woxi	Xinxiangshi Woxi Health Management Co., Ltd. (新乡市沃析健康管理有限公司)
Yiwushi Woxi	Yiwushi Woxi Health Management Co., Ltd. (义乌市沃析健康管理有限公司)
Yunnan Wochang	Yunnan Wochang Health Management Co., Ltd. (云南沃长大健康管理有限公司)
Zhejiang Zimaoqu	Zhejiang Zimaoqu Hongde Health Management Co., Ltd. (浙江自贸区泓德健康管理有限公司)
Zhumadian Woxi	Zhumadian Woxi Health Management Co., Ltd. (驻马店沃析健康服务有限公司)

1 Executive Summary

1.1 Background

- 1.1.1 On 14 July 2021, Baker Tilly TFW LLP, the external auditor of GS Holdings Limited (“GS Holdings” or the “Company”) and its subsidiaries, including Wish Hospitality Holdings Private Limited (“Wish SG”) and Wish Health Management (Shanghai) Co., Ltd. (未析健康管理 (上海) 有限公司) (“Wish Shanghai”) (collectively the “Group”), issued a disclaimer of opinion in their Independent Auditor’s Report in relation to the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 (the “Audited Financial Statements for FY2020”).
- 1.1.2 The basis of the disclaimer of opinion by the external auditor was mainly due to the collection of service fees and outstanding receivables relating to the Group’s branding, operations and procurement (“BOP”) business (the “BOP business”) whereby there was an encumbrance on the collection amounting to 100 million in Renminbi (“RMB”). The external auditor was unable to obtain sufficient appropriate audit evidence and supporting documentation to satisfy themselves that the RMB 100 million represents service fees earned from the BOP customers (“BOP service fees”) and whether there would be any implications arising from the encumbrance including any potential recourse to the Group with respect to the receipt. As at the date of the Independent Auditor’s Report, the abovementioned encumbrance had not been removed, leading to the disclaimer of opinion.
- 1.1.3 In view of the various issues noted since the Group’s diversification into the BOP business through Wish SG, the Audit and Risk Committee (“ARC”) has instructed the Company to engage an independent party to carry out an independent review of the Group’s BOP business.

1.2 Scope of work

- 1.2.1 Pursuant to the letter of engagement dated 20 August 2021, the ARC appointed Deloitte and Touche Financial Advisory Services Pte Ltd (“DTFAS” or “we”) to assist in conducting a review on the BOP business of the Group, which includes but is not limited to the establishment of the BOP business, background checks on the individuals owning the storefronts of the BOP business (“BOP Outlets”), collection of the BOP service fees and circumstances leading to the encumbrance on the RMB 100 million.
- 1.2.2 This report sets out details of our review, observations and findings. Specifically, it considers:
- (a) The circumstances and events relating to the establishment, key activities and business model adopted in relation to the BOP business, the delay in collection of the outstanding BOP service fees, the encumbrance on the RMB 100 million collected.
 - (b) The relationship between the BOP Outlets and the Company’s past and present Board of Directors (“BOD”), Chairman, Key Management Personnel (“KMP”), Chief Executive Officer (“CEO”) and controlling shareholders, in order to identify any Interested Person Transactions (“IPTs”) and/or related party transactions that was not disclosed to the public.
 - (c) The adequacy of the Group’s policies, standard operating procedures (“SOP”) and/or controls relating to the:
 - (i) Due diligence on the onboarding of joint venture partner of Wish SG and owners of the BOP Outlets;
 - (ii) Operations of the BOP Outlets;
 - (iii) Operations of the bank accounts and collection of BOP service fees;
 - (iv) Release of announcements on Singapore Exchange Regulation Pte Limited’s platform for corporate announcements (“SGXNet”); and
 - (v) IPTs.
 - (d) Whether there were potential breaches of SGX Catalist rules, and applicable regulations and laws in Singapore.

1.3 Methodology

1.3.1 We performed the following procedures:

- (a) Review of initial establishment, assessment, the operations and control of the BOP business, and the events and circumstances that led to the encumbrance placed on the outstanding RMB 100 million BOP service fees.
 - (i) Obtained an understanding of the circumstances and events relating to the establishment of the BOP business.
 - (ii) Obtained and reviewed details of due diligence performed by the former BOD of the Company and Wish SG on the investment in Wish SG, entering of BOP business and the collaboration with Henan Jufel Technology Group Co., Ltd. (“Henan Jufel”).
 - (iii) Obtained and reviewed internal policies and procedures relating to onboarding and operations of the BOP business.
 - (iv) Obtained and reviewed the minutes of the board meetings and Directors’ resolution in writing (“DRIW”) for Wish SG and/or the Company between 17 January 2019 and 11 May 2022 that are relevant to BOP business.
 - (v) Obtained and reviewed the agreements and contracts which Wish SG or the Company entered into with respect to the BOP business.
 - (vi) Reviewed the events and documents related to the collection of the BOP service fees.
 - (vii) Reviewed the invoices and bank accounts pertaining to the collection of BOP service fees.
 - (viii) Sent confirmation to the BOP Outlets to confirm the outstanding BOP service fees.¹
 - (ix) Considered the adequacy and effectiveness of Wish SG’s internal policies, SOP and controls² relating to (a) onboarding and operations of the 14 BOP Outlets (b) ongoing credit assessment of the 14 BOP Outlets (c) operations of bank accounts and collection of BOP service fees and (d) release of announcements and (e) IPTs.
 - (x) Considered if the relevant SGX announcements on the BOP business were accurate, factual, complete, clear and succinct, and if there was potential non-compliance with the SGX Catalist rules, and applicable regulations and laws in Singapore.
- (b) Corporate intelligence
 - (i) Obtained and reviewed the information of the directors and KMPs of both the Company and Wish SG.
 - (ii) Performed background searches³ on the BOP Outlets, the Company’s Board and KMPs by checking public databases in Singapore, China and Hong Kong, as well as other identified countries of incorporation and places in which the entities operate in, or places where the individuals were born and/or any other places which may have raised concerns arising from DTFAS’ review, to the extent possible.
 - (iii) Analysed and/or mapped the results of the background searches to identify any potential relationships (i.e., undisclosed related parties in the various announcements relating to the BOP business) between the BOP Outlets, the Company’s Chairman, Board and CEO and controlling shareholders to the extent possible.

¹ We have sent confirmations to the 14 BOP Outlets via email and courier. As of the date of this report, we have only received responses from three BOP Outlets. These three confirmation replies were received only after DTFAS insisted that the interviews with the BOP Outlets’ owners can only be conducted subsequent to DTFAS’s receipt of the confirmation replies. The original copies of the confirmation replies from the three BOP Outlets were all mailed to DTFAS by Mr Dou Le (窦乐) (“Mr Dou Le”) (Administration Manager of Wish SG) instead of the respective BOP Outlets.

² Upon commencement of the BOP business, the Company did not have any written policies on onboarding, internal controls and relevant approval matrixes for the BOP business. Although management articulated the standard procedures carried out in relation to the BOP business, we were not provided with the necessary documentation to verify the implementation of the procedures. Therefore, our work done was limited due to the lack of documentation.

³ Background searches performed on relevant parties of interest.

(c) Interviews

- (i) We invited the following directors, KMPs in Singapore and KMPs in the People's Republic of China ("PRC")⁴ who were involved in the BOP business for interviews:

Table 1.0 – List of interviewees

Name	Position(s)	Tenure
Mr Pang Pok ("Mr Pang")	(a) Executive Chairman of GS Holdings; (b) Executive Director and CEO of GS Holdings; (c) Director of Wish SG; and (d) Director of Wish Shanghai	19 September 2014 to 1 January 2020; 1 January 2020 to present; 27 February 2019 to present; and 16 October 2019 to present
Mr Paul Chong Paw Long ("Mr Paul Chong")	Chief Financial Officer ("CFO") of GS Holdings	12 April 2018 to present
Mr Lee Dah Khang ("Mr Lee")	Lead Independent Director of GS Holdings	1 July 2016 to 26 April 2019
Mr Chow Kek Tong ("Mr Chow")	Independent Director of GS Holdings	17 December 2015 to 30 April 2019
Mr Chong Eng Wee ("Mr Chong")	(a) Lead Independent Director of GS Holdings; (b) Director of Wish SG; and (c) Director of Wish Shanghai	Independent Director from 10 January 2019 and subsequently appointed as Lead Independent Director from 3 May 2019 to present; 27 February 2019 to 16 June 2021; and 16 October 2019 to 7 December 2022
Mr Chan Chun Kit (陈俊杰) ("Mr Chan")	Independent Director of GS Holdings	3 May 2019 to 19 July 2022
Mr Irwin Lim Kee Way ("Mr Lim")	Independent Director of GS Holdings	3 May 2019 to present
Mr Zhang Rong Xuan (张荣轩) ("Mr Zhang")	(a) Non-Independent and Non-Executive Director; (b) Non-Independent and Non-Executive Chairman of GS Holdings; and (c) Director of Wish SG	3 September 2019 to 31 December 2019 1 January 2020 to present; and 27 February 2019 to 31 October 2019 and was reappointed on 16 June 2021
Mr Fu Wen Xing (傅文星) ("Mr Fu")	General Manager of Wish SG	From 3 July 2020 to present
Mr Dou Le	Administration Manager of Wish SG	From 15 April 2021 to present

⁴ We were only able to contact the key management in the PRC employed after July 2020 for the interviews.

- (ii) We were informed by Mr Pang and Mr Paul Chong, together with their team involved in the day-to-day operations of the Company and having oversight of the BOP business, (collectively, the “Management”) that they were unable to contact Mr Victor Liu Chang Sheng (刘昌盛) (“Mr Liu”), the Non-Independent and Non-Executive Director of GS Holdings (appointed from 10 January 2019 to 11 February 2021)⁵ and Director of Wish SG (appointed from 31 October 2019 to 27 September 2021).⁶ Hence, we were unable to interview him.
- (iii) We have attempted to contact Mr Liu, Mr Li Er Li (李尔力) (“Mr Li”) (Chief Operating Officer of the general management team of Wish SG residing in China (“China Management team”) appointed from 15 April 2020 to 14 April 2021), Ms Liu Guang Min (刘光敏) (“Ms Liu”) (Accounting and Financial Officer of the China Management team appointed from 15 April 2019 to 14 April 2021) and the other subcontractors⁷ in the China Management team who assisted in the management of the BOP business at the material time but have not been able to establish contact.⁸ Hence, we were unable to interview them.
- (iv) We also interviewed the following representatives of BOP Outlets, as an alternative to the site visits which were hindered by Coronavirus disease (“COVID-19”) travel restrictions imposed by the PRC:

Table 1.1 – List of representatives of BOP Outlets interviewed

Name	Position
Ms Zhao You Gen (赵幼根) (“Ms Zhao”)	Legal representative of Hangzhou Woming Health Management Co., Ltd. (杭州沃明健康管理有限公司) (“Hangzhou Woming”)
Mr Tang Shu Lin (唐书林) (“Mr Tang”)	Legal representative of Xinxiangshi Woxi Health Management Co., Ltd. (新乡市沃析健康管理有限公司) (“Xinxiangshi Woxi”)
Mr Li You Jie ⁹	Supervision of Guangzhou Woxing Health Management Co., Ltd. (广州沃兴健康管理有限公司) (“Guangzhou Woxing”)

- (v) We showed a draft of this entire report to Mr Pang, Mr Chong, Mr Chan, Mr Lim and Mr Zhang, and extracts of a draft of this report to (1) Mr Lee and Mr Chow, insofar as reference is made to matters that transpired when they were still acting as directors, (2) Ms Zhao, Mr Tang and Mr Li You Jie for their comment. Insofar as we have accepted their comments, we have made the necessary amendments to this report. Insofar as we did not agree with their comments or have already dealt with them, we have left the relevant parts of the report in intact. Where relevant, we have included in this report their comments and our responses to these comments. To the extent that our views and conclusions differ, we have set out the Company’s and Mr Lee’s comments at Annex A and Annex B of this report.

⁵ Mr Liu tendered his resignation as the non-executive and non-independent director of the Company on 28 January 2021 and stepped down with effect from 11 February 2021.

⁶ Mr Liu was removed as director of Wish SG with effect from 27 September 2021.

⁷ The China Management team was employed on short term contract basis instead as permanent staff to assist in the operations of the BOP Outlets.

⁸ As no response was received subsequent to requests sent to Mr Liu, Mr Li and Ms Liu on Wechat to establish contact, messages could not be sent out to them. We requested from Management but were not provided with the contacts of the other subcontractors in the China Management team except Mr Fu and Dou Le.

⁹ Management has informed us that the legal representative Mao Xiao Shao (毛小哨) of Guangzhou Woxing was uncontactable. Hence, we were unable to interview him.

1.4 Review of the BOP business

Establishment of the BOP business

Investment in Wish SG

- 1.4.1 GS Holdings is a company listed on the Catalist board of SGX-ST on 18 January 2016. In the past few years, the Group was looking for new business venture(s) as its core business of providing dishware washing and cleaning services had been making losses.
- 1.4.2 According to Mr Pang and Mr Paul Chong, towards the end of 2018, they were introduced to Mr In Nany Sing Charlie (“Mr In”). Mr In initially recommended a business opportunity in the property sector in the PRC, which the Group eventually did not pursue. Mr In subsequently introduced the BOP business, which was accepted by the Group.
- 1.4.3 On 17 January 2019, the Company entered into a joint venture agreement with Ms Abigail Zhang Li Ying (张立英) (“Ms Zhang”) (the “JVA”). Ms Zhang was the sole owner of Wish SG at the material time. Through the JVA, the Company became an 80% shareholder of Wish SG, by subscribing to 400 shares in Wish SG at SGD one dollar each, i.e., SGD 400. Ms Zhang held the remaining 20% shares of Wish SG. The purpose of the joint venture was to carry out a food and beverage (“F&B”) business in the PRC.
- 1.4.4 Prior to entering into the JVA with Ms Zhang, it appears that the Company did not conduct a thorough background check on Wish SG and its shareholder(s) and/or director(s), namely Ms Zhang and Mr In.¹⁰ This is despite the fact that the JVA itself specifically stated “[t]his Agreement shall be conditional upon the following being satisfied or waived by GS [Holdings]...(a) completion of GS [Holdings]’s Due Diligence Exercise, and the results thereof being satisfactory to GS [Holdings]...”¹¹
- 1.4.5 We understand from the Company that even though the policy on ‘Investment and Acquisition of Company/Business’ came into effect only on 23 March 2022, the Company or Group have been following these policies and SOP since the first acquisition of companies undertaken by the Company or Group in December 2018.¹² Assuming this is so, it appears that the SOP has room for improvement and Management did not perform all the procedures prescribed in the policy when they entered into the JVA:¹³
- (a) The board paper to be prepared prescribed in the SOP, amongst others, should include:
 - (i) Background and key business information about the vendor and the target company or business. It did not set out in detail the specific due diligence to be undertaken, and for a summary of the due diligence to be set out in the board paper.
 - (ii) Financial information about the target company (applicable to the proposed acquisition of or investment in an active company or group). This is ambiguous and leaves room for interpretation as to what “active” is intended to cover.
 - (b) No legal and/or financial due diligence was performed except for an ACRA business profile search on Wish SG purportedly performed by Management as they were of the view that Wish SG was newly incorporated and a dormant company, and that the investment itself was not substantial as the value of the investment into Wish SG was only SGD 400. Notwithstanding the Company’s position, we are of the view that insufficient due diligence was performed. The risks associated with an investment remain the same whether or not a company is newly incorporated. Even if Wish SG was dormant when the JVA was entered into, Wish SG could still

¹⁰ Ms Zhang and Mr In appear to have a close relationship. According to the DRIW of Wish SG dated 17 January 2019 and 27 February 2019, Mr In transferred his entire shares of Wish SG (i.e., 100 shares) to Ms Zhang on the same date of the JVA (i.e., 17 January 2019) and stepped down as sole director of Wish SG on 27 February 2019. According to the results of the people profile searches extracted from the Accounting and Corporate Regulatory Authority (“ACRA”) of Mr In and Ms Zhang dated 15 December 2021 and 31 January 2022 respectively, they share the same residential address. In addition, Mr In’s personal email address was included in the incorporation form (Form NNC1) of Marvel Earn Limited (“Marvel”) submitted on 5 November 2018, where Ms Zhang was listed as the founder of the company, extracted from the Cyber Search Centre of the Integrated Companies Registry Information System (“ICRIS”) records.

¹¹ See Annex A – Maxwellisation comments of the Company.

¹² Our scope of work does not cover the first acquisition in December 2018.

¹³ See Annex A – Maxwellisation comments of the Company.

have been legally bound by agreement(s) or have been involved in litigation matter(s) with third parties or have been involved in other business activities. Further, even though the investment value was only SGD 400, that does not reflect the risks of the business to be undertaken by Wish SG. These risks warrant legal and/or financial due diligence.¹⁴

Entry into BOP business and collaboration with Henan Jufeel

- 1.4.6 Shortly after the signing of the JVA, at the board meeting held on 26 February 2019, the BOP business proposal prepared by Ms Zhang and Mr Liu dated 20 February 2019 (the “BOP Proposal”) was tabled for discussion and approval.¹⁵ The members of the Board and the ARC of the Company that evaluated the Company’s BOP business were as follows:

Table 1.2 – Board and ARC of GS Holdings in office up to 25 April 2019

Name	Position(s)
Mr Pang	Executive Chairman and CEO
Mr Liu	Non-Independent and Non-Executive Director and ARC member
Mr Lee	Lead Independent Director and ARC Chairman (retired on 26 April 2019)
Mr Chong	Independent Director and ARC member
Mr Chow	Independent Director and ARC member (resigned on 30 April 2019)

(collectively referred to as the “then Board of the Company” and/or “then ARC of the Company”).

- 1.4.7 We noted from Board Minutes that the then Board of the Company discussed for the Group to diversify into the BOP business on 26 February 2019 and requested for Management to (i) make a site visit to the PRC and to investigate the ongoing traffic and operations of the outlets of the healthy lifestyle social club operating under Jufeel International Group (“Jufeel Group”) (which was already known as and operating under the brand “WISH”¹⁶) and (ii) perform a desktop due diligence on the contracting parties, Jufeel and WISH to be submitted to the then ARC of the Company¹⁷ prior to the entering of an agreement for the provision of advisory services on matters relating to BOP to the BOP Outlets (the “BOP Business Diversification Conditions”). We noted one of the agenda stipulated in the notice of directors’ meeting dated 21 February 2019 was to discuss and approve business plans of Wish SG.
- 1.4.8 Whilst the Board Minutes on 26 February 2019 did not record at length and in detail the BOP business plan, we have been informed by the then Board of the Company that Mr Liu presented the details of the BOP business plan.
- 1.4.9 According to the presentation by Mr Liu, it was intended that Wish SG would enter into the BOP business to provide the following services to stores operating under the brand “WISH”:¹⁸
- (a) Branding – standardisation of all brand images across all contact points and at all stores;
 - (b) Operation – training and delivery of customer services at all stores; and
 - (c) Procurement – central buying of F&B related products for stores and customers.
- 1.4.10 On 8 March 2019, Wish SG entered into a legally binding Master Service Agreement with Henan Jufeel (“MSA”), a company wholly owned by Mr Zhang, after obtaining approval from three out of five directors

¹⁴ During maximisation, we understand from the Company that (a) “...Wish SG was incorporated in December 2018. The Company entered into the JVA with Ms Zhang barely a month from the date of Wish SG’s incorporation. The Company understood from Ms Zhang that Wish SG was a dormant company since its incorporation. Being a dormant company that had not conducted any business, and given the very short period of time between its incorporation and the execution of the JVA, it was highly unlikely that Wish SG could have been involved in litigation with third parties or have significant financial records that need to be reviewed...” and (b) the Company had obtained the curricula vitae of Ms Zhang and Mr In prior to engaging them. We further understand from Mr Lee “...[o]n potential litigations, I wish to highlight that Wish SG Pte Ltd is a private limited company that has limited liability and the said risk is also mitigated as the previous shareholders of the company remained as shareholders...”.

¹⁵ Based on the BOP Proposal dated 20 February 2019 enclosed in the minutes of GS Holdings Limited’s Board meetings (“Board Minutes”) dated 26 February 2019.

¹⁶ Based on the BOP Proposal, WISH was a retail front which allowed the customers to interact and engage in matters related to healthy lifestyle and was also positioned as a healthy lifestyle social club.

¹⁷ The then ARC of the Company comprised Mr Lee, Mr Liu, Mr Chong and Mr Chow.

¹⁸ The BOP services to be provided by Wish SG was described in the BOP Proposal.

of the Company.¹⁹ Under the MSA, Henan Jufel was to assign and secure “at least 200 current and future F&B outlets” for Wish SG to provide BOP services within two years. In this regard, we noted that while the SGX Announcement dated 8 March 2019 states that “pursuant to the Master Service Agreement, Henan Jufel will, on a best effort basis, secure at least 200 current and future F&B outlets located in various parts of the world...”, this does not appear to be the case under the terms of the MSA. We also noted that there was no direct monetary exchange between the two parties under the MSA. We understand from our communications with Management that the approval was granted by three out of five directors of the Company subsequent to a desktop due diligence performed on Jufel Group by Mr Paul Chong. The desktop due diligence report is dated 28 February 2019.

- 1.4.11 It is noted that although the MSA was signed on 8 March 2019, the directors of Wish SG, comprising Mr Pang, Mr Zhang and Mr Chong (“Board of Wish SG”), only passed the DRIW on 13 March 2019 to ratify the business collaboration between Wish SG and Henan Jufel.
- 1.4.12 We further noted that there appears to be lack of a due diligence on Henan Jufel (the contracting party under the MSA) prior to entering into the MSA. Due diligence was only conducted on the Jufel Group instead of Henan Jufel.²⁰ This is inadequate as Henan Jufel is not owned directly or indirectly by the Jufel Group and *vice versa*. Henan Jufel was only a 51% shareholder of Kaifeng Jufel Biotechnology Co., Ltd. (开封九福来生物技术有限公司) (“Kaifeng Jufel”) whose economic benefits were purportedly controlled by Jufel Group through series of contractual agreements. Based on our background search performed on Qichacha (企查查) (“QCC”)²², Mr Zhang is the ultimate beneficiary owner of Henan Jufel with 99% shareholding interest since its incorporation on 29 April 2011.²³
- 1.4.13 In conducting its due diligence, the Company should have at the minimum obtained an independent corporate search on the contracting party or conducted a general adverse news check on the contracting party prior to entering into such MSA with Henan Jufel.
- 1.4.14 We understand from Mr Zhang that the commercial rationale for Henan Jufel to assist Wish SG in sourcing the potential BOP business was to provide stability to the sales of the Jufel Group’s products to his existing customers through the enhanced branding brought by GS Holdings as a Singapore listed company.

¹⁹ Management provided approvals of Mr Pang, Mr Chong and Mr Liu via email on 8 March 2019. During maxwellisation, (a) we understand from Mr Lee “*[f]or the record, I had abstained from any formal approval of the MSA...*”. Mr Lee did not provide any formal correspondence informing the Company that he abstained from the formal approval of the MSA. Instead, his decision was conveyed by Mr Chow to Mr Pang via a short message service (“SMS”) that Mr Chow sent to Mr Pang on 9 March 2019 11:17 informing Mr Pang that both Mr Lee and himself abstained from granting their approval for the MSA as they did not have sufficient information (the “SMS timestamped 9 March 2019 11:17”). It appears that Mr Pang acknowledged the content of the SMS timestamped 9 March 2019 11:17 on the same day. We further understand from Mr Lee during maxwellisation “*[a]s I recall, the Board of GS Holdings did not require its members to expressly state his/her abstention of approval via a formal correspondence. Accordingly, no formal correspondence was sent.*”; (b) we understand from Mr Chow “*...I categorically state on record that I did not provide such approval via whatsapp message as claimed by the management. In fact, I informed the chairman of the Board Mr Pang at [11:17] hours on the [9]th March 2019 via SMS that both Mr Lee and I have abstained from this approval. My SMS message was duly acknowledged by him.*”; and (c) we understand from the Company “*Management had emailed the draft BOP Master Service Agreement (“MSA”) and draft announcement pertaining to the entry into MSA with Henan Jufel to all directors (including Mr Lee and Mr Chow) for comments and approval on 28 February 2019 and 1 March 2019 respectively. The initial draft announcement was revised on 7 and 8 of March 2019 after receiving comments from some directors of the Company, of which Management has also emailed both revised draft announcement to all the directors for their comments and approval. The Company received email from Mr Pang, Mr Liu and Mr Chong stating their approval.*”. See Annex A – Maxwellisation comments of the Company.

²⁰ Based on our review of the due diligence conducted by the Company, we noted that (a) the financial information of Jufel Group does not indicate the financial credibility of Henan Jufel. In conducting its due diligence, the Company should have at the minimum obtained an independent corporate search on the contracting party or conducted a general adverse news check on the contracting party, Henan Jufel; (b) no legal review was performed by Management for the purpose of assessing the potential legal risk of Henan Jufel in the BOP business context. Instead, Management relied on a legal review performed on the Jufel Group, focusing on its listing exercise instead of on a due diligence exercise. It appears that the focus of the legal review was on various agreements of Kaifeng Jufel and its subsidiaries, and it did not cover the review of Henan Jufel; and (c) there appears to be lack of information of Henan Jufel. There was no independent corporate search on Henan Jufel apart from that extracted from the Jufel Group’s prospectus.

²¹ See Annex A – Maxwellisation comments of the Company.

²² QCC is a search platform which contains data and analytics of companies doing business in the PRC. It extracts data from sources including the National Enterprise Credit Information Publicity System (全国企业信用信息公示系统) (“NECIPS”), Public China Judgments Documents (中国裁判文书网), Public China Civil Litigation Enforcement Information Disclosures (中国执行信息公开网), State Intellectual Property Office of the PRC (国家知识产权局), National Trademark Office (国家商标局) and National Copyright Administration (国家版权局).

²³ Based on background search performed on QCC on 6 April 2022.

- 1.4.15 Our understanding is that these customers of Mr Zhang which were operating as health management service outlets, under the brand name “WISH”, have been selling Jufee Group’s aloe vera products for over 10 years.
- 1.4.16 It was intended that Mr Zhang would invite his existing customers of the Jufee Group who achieved certain targets in the sale of the aloe vera products to participate in the “BOP program” managed by Wish SG. Taking the above in totality, it appears that Henan Jufee entered into the MSA with Wish SG without any direct monetary benefit on the basis that Mr Zhang, the controlling shareholder of Henan Jufee, had a vested interest in his role as the introducer of BOP Outlets to Wish SG’s BOP business - the performance of these BOP Outlets would directly affect the sales of Jufee Group’s aloe vera products.

Onboarding of the 14 BOP Outlets for the BOP business and execution of the BOP agreements.

- 1.4.17 After entering into the MSA with Henan Jufee, Wish SG entered into 14 BOP agreements with the following BOP Outlets on 24 April 2019 and 3 May 2019 (the “BOP agreements”). Under the BOP agreements, Wish SG provided BOP services to the BOP Outlets in return for fixed quarterly service fees.

Table 1.3 - BOP agreements entered into by Wish SG and the respective quarterly service fees

S/N	Name of BOP Outlet	Date of agreement	BOP service fees per quarter (RMB in million)
1	Henan Woming Health Management Co., Ltd. (河南沃明健康管理有限公司) (“Henan Woming”)	24 April 2019	5.0
2	Hangzhou Minxi Health Management Co., Ltd. (杭州民析健康管理有限公司) (“Hangzhou Minxi”)	24 April 2019	5.0
3	Shanghai Woxi Health Management Co., Ltd. (上海沃析健康管理有限公司) (“Shanghai Woxi”)	24 April 2019	4.5
4	Qinhuangdao Woxi Health Management Co., Ltd. (秦皇岛沃析健康管理有限公司) (“Qinhuangdao Woxi”)	24 April 2019	3.5
5	Yiwushi Woxi Health Management Co., Ltd. (义乌市沃析健康管理有限公司) (“Yiwushi Woxi”)	24 April 2019	3.5
6	Hangzhou Woming	24 April 2019	3.0
7	Hangzhou Woxi Health Management Co., Ltd. (杭州沃析健康管理服务有限公司) (“Hangzhou Woxi”)	24 April 2019	3.5
8	Yunnan Wochang Health Management Co., Ltd. (云南沃长大健康管理有限公司) (“Yunnan Wochang”)	24 April 2019	2.0
9	Guangzhou Woxing	3 May 2019	4.0
10	Jiangsu Xinchufa Shengwu Keji Co., Ltd. (江苏新出发生物科技有限公司) (“Jiangsu Xinchufa”)	3 May 2019	3.0
11	Panjin Woxi Health Management Co., Ltd. (盘锦沃析健康管理有限公司) (“Panjin Woxi”)	3 May 2019	4.0
12	Xinxiangshi Woxi	3 May 2019	3.0
13	Zhejiang Zimaoqu Hongde Health Management Co., Ltd. (浙江自贸区泓德健康管理有限公司) (“Zhejiang Zimaoqu”)	3 May 2019	3.0
14	Zhumadian Woxi Health Management Co., Ltd. (驻马店沃析健康服务有限公司) (“Zhumadian Woxi”)	3 May 2019	3.0
Total contract value of the 14 BOP agreements per quarter			50.0

1.4.18 We noted that in this case, no DRIW was passed by Wish SG to authorise the entry into the BOP agreements.²⁴ When queried by DTFAS, Management took the position that the DRIW dated 13 March 2019 (which was drawn up specifically to authorise the entry into the “MSA and all ... ancillary ... agreements”) was sufficient to provide approval for the BOP agreements with the 14 BOP Outlets.²⁵

1.4.19 On or around 3 May 2019, there were changes in the composition of the board of the Company. The BOD from 3 May 2019 were as follows:

Table 1.4 – Board of GS Holdings from 3 May 2019

Name	Position(s)
Mr Pang	Executive Chairman and CEO
Mr Liu	Non-Independent and Non-Executive Director and ARC member
Mr Chong	Lead Independent Director and ARC member
Mr Irwin	Independent Director and ARC Chairman
Mr Chan	Independent Director and ARC member

1.4.20 It is noted that the above directors remained on the board of the Company, and together with Mr Zhang, who was appointed on 3 September 2019 as Non-Independent and Non-Executive Director and subsequently appointed on 1 January 2020 as Chairman, (collectively referred to as the “Board of the Company”), they managed and oversaw the affairs of the Company, including but not limited to the BOP business. Mr Liu and Mr Chan resigned from their board and ARC positions with effect from 11 February 2021 and 19 July 2022 respectively.

1.4.21 We noted that (a) all 14 BOP agreements were signed by Mr Pang on behalf of Wish SG and (b) Mr Zhang executed all 14 BOP agreements on behalf of the BOP Outlets.

1.4.22 We further noted the following irregularities in the execution of these agreements:

- (a) First, we noted that there was no DRIW passed specifically authorising entry into the BOP agreements.²⁶ As explained above, Management took the position that the DRIW approving the MSA was sufficient to cover the BOP agreements. However, as the terms of the BOP agreements created obligations on Wish SG (including financial obligations, such as bearing the burden of deposits), we consider it proper practice for the Board of Wish SG to have deliberated on the terms of the BOP agreements and the risks associated with them, and specifically approved the BOP agreements.
- (b) Second, we noted that the letters purporting to authorise Mr Zhang to execute the BOP agreements on behalf of the BOP Outlets, appear to be unusual given that Mr Zhang was neither a shareholder, a director nor an employee of the BOP Outlets at the material times.²⁷ We have sighted 14 authorisation letters from the respective BOP Outlets’ owners dated 20 April 2019,

²⁴ During maxwellisation, we understand from Mr Paul Chong “Victor Liu, Mr Pang and [Mr Chong] Eng Wee had reviewed the agreements prior to Nadiah [legal counsel appointed by the Company to assist in drafting of SGX announcement] sent out the announcement for directors’ comments and approval. We did not have one email to show that we have sent the BOP agreements to these 3 directors for their review prior to Nadiah sending out the announcement to directors.”. See Annex A – Maxwellisation comments of the Company.

²⁵ We separately noted that the Company announced on 29 April 2019 the signing of the eight BOP agreements dated 24 April 2019. In the said announcement, it was noted that “...[t]he Company intends to release such relevant announcements [in relation to the entry into new BOP agreement(s)] as and when (i) the Service Fee payable pertaining to new BOP Service Agreement(s) entered into by Wish, on an accumulated basis, is RMB 30,000,000 or more, or (ii) material developments such as litigation or termination/ dissolution of the Company’s joint venture in respect of Wish occurs...”. It was further noted that the said announcement was approved by three out of four directors, Mr Pang, Mr Liu and Mr Chong. During maxwellisation, (a) we understand from Mr Chow “...I was not involved in any of the assessment and approval of these BOP outlets nor from my recollection that the then Board and ARC was asked to assess or approve these BOP outlets.”; and (b) we further understand from the Company “...[a]s the then Company Secretary released the announcement without informing the Company that they have yet to receive approval from Mr Chow, the Company assumed that Mr Chow has given his approval directly to the Company Secretary to release the announcement via whatsapp as he had occasionally done in the past.”. We have requested from the corporate secretary at the material time, BDO Corporate Services Pte Ltd, for the Mr Chow’s communication or approval but understood that they “do not have documentation of Mr Chow’s confirmation in relation to the approval of the Master Service Agreement entered by Wish Hospitality Holdings Private Limited on 8 March 2019 with Henan Jufel Technology Group Co., Ltd and its announcement kept in our office. The previous secretary, Ms Eunice Chan, has left the service of BDO and we do not have access to her Whatsapp messages.”. Separately, Mr Lee retired from the then Board and ARC of the Company on 26 April 2019.

²⁶ See Annex A – Maxwellisation comments of the Company.

²⁷ See Annex A – Maxwellisation comments of the Company.

2 May 2019 and 3 May 2019 respectively, purportedly authorising Mr Zhang to execute the BOP agreements on their behalf.

1.4.23 All 14 BOP agreements were signed by Mr Zhang on behalf of the BOP Outlets, but without official company seals of the BOP Outlets being affixed on the BOP agreements. In addition, the authorisation letters were issued under the names of the legal representatives of the respective BOP Outlets instead of the BOP Outlets as legal entities. The letters on behalf of all 14 BOP Outlets were identical save for the names of the legal representatives and the names of the BOP Outlets. The authorisation letters only had the fingerprints of the respective legal representatives without the official company seals. Based on our findings above, this suggests that the authorisation letters might have been intended to be issued by the legal representatives of the 14 BOP Outlets in their own personal capacities instead of on behalf of the 14 BOP Outlets.²⁸ Given the above, and subject to Chinese legal advice on the corporate capacities of the 14 BOP Outlets, the enforceability of the 14 BOP agreements could be questionable.²⁹

1.4.24 We also noted the following:

- (a) The authorisation letters did not contain the signature of the witness to evidence that the authorisation letters were indeed signed by the legitimate legal representatives.³⁰
- (b) Management did not obtain the operating licences of the BOP Outlets to independently verify that the legal representatives who executed the authorisation letters were the legitimate persons.

1.4.25 In our discussions with Mr Pang and Mr Zhang, they both acknowledged the importance of official company seals in executing the contracts in the PRC but could not explain why such seals were not affixed on the BOP agreements and the letters of authorisation. No satisfactory explanation was provided as to why the BOP agreements could not be executed by the respective legal representatives of the 14 BOP Outlets.³¹ There was also no explanation as to why the Company and/or Wish SG did not ensure that the BOP agreements and letters of authorisation were properly executed when the collaboration and the fees involved were significant.

1.4.26 Upon commencement of the BOP business, the Company did not have any written policies on onboarding, internal controls and relevant approval matrixes for the BOP business, including but not limited to the escalation and reporting to the board of the Company matters pertaining to the BOP business and/or BOP Outlets and the collection of outstanding BOP service fees.³² Prior to entry into the

²⁸ During maxwellisation, we understand from the Company “It was the first time the Group was doing business with PRC companies. The omissions highlighted by DTFAS were oversights on the part of Management due to their lack of experience in doing business with PRC companies...”. See Annex A – Maxwellisation comments of the Company.

²⁹ During maxwellisation, we understand from the Company “...it was intended that Mr Zhang would invite his existing customers of the Jufee Group who had achieved certain targets in the sale of aloe vera products to participate in the “BOP program” managed by Wish SG. Detailed benefits of participating in the “BOP program” ... were explained to the owner(s) by Mr Zhang. Other benefits communicated to them by Mr Zhang included potential high income from the expansion of their business through a franchising model at a later stage, facilitated by a professional team backed by a Singapore listed company which could attract more interest from and instill more confidence in consumers patronising their BOP outlets. The Company understands that the 14 BOP outlets then decided to appoint Mr Zhang to handle the BOP matters, including signing on their behalf, all agreements and relevant documents, as they had been reassured by the said briefings given by Mr Zhang and they deemed that such an arrangement would be more effective and efficient instead of each of them having to negotiate and deal with Wish SG individually on different terms of service and payment.”.

³⁰ See Annex A – Maxwellisation comments of the Company.

³¹ From our interviews with Ms Zhao and Mr Tang of Hangzhou Woming and Xinxiangshi Woxi respectively, whilst they acknowledged the existence of the BOP agreements entered into with Wish SG, it appears that they signed the official documents without having knowledge of the exact content of the documents as they trusted Mr Zhang. When we queried on the execution of the letters of authorisation in the absence of the official company seal, they responded that it could be they did not have the official company seal with them when the letters were executed. When queried by DTFAS on why Mr Zhang signed the BOP agreements instead of the representatives of the BOP Outlets, we were informed by Mr Pang that this was done out of convenience.

³² Although management articulated the standard procedures carried out in relation to the BOP business, we were not provided with the necessary documentation to verify the implementation of the procedures. Therefore, our work done was limited due to the lack of documentation. Furthermore, while we noted a SOP on ‘Credit Assessment, Accounts Receivables and Collections – BOP Services’ was developed only around the termination of the HMS and BOP agreements, on 1 April 2021 which includes procedure over debt collection and monitoring, there was a lack of specific details around the process of collecting long outstanding BOP service fees and lack of documentation in relation to the implementation of the SOP.

14 BOP agreements, we understand that Management relied on the recommendation of Mr Zhang³³ to onboard the 14 BOP Outlets.³⁴

- 1.4.27 Management informed us that Mr Liu and Mr Zhang conducted interviews with the 14 BOP Outlets to assess their financial ability and interest in the BOP business prior to the 14 BOP Outlets entering into the BOP agreements with Wish SG. We understand from Management that there were no records of these interviews, and therefore no such records were shared with the then Board and/or the Board of the Company.³⁵
- 1.4.28 Given the above, we are unable to establish the extent of the due diligence, if any, conducted on the 14 BOP Outlets.³⁶ No proper justification has been given for the Group's reliance solely on the recommendations of Mr Zhang, who at the material time was a third party introduced to the Group merely a few months earlier and appears to have no substantial shareholdings in the Company, to onboard and enter into the BOP agreements with the 14 BOP Outlets. There were also no documentary records of any requests for updates from Management to Mr Liu and/or Mr Zhang on the status of the due diligence on the BOP Outlets.
- 1.4.29 Based on searches performed on QCC, it appears that the 14 BOP Outlets were owned by parties not related to Mr Zhang except for Shenzhenshi Huwa Co., Ltd. (深圳市护蛙投资控股有限公司) ("Shenzhen Huwa").³⁷ We noted that from 6 July 2018 up to 26 March 2019, Mr Zhang held 32% interest in Shenzhen Huwa which in turn had indirect interests in Henan Woming and Hangzhou Woxi. However, Mr Zhang's indirect interest in the two BOP Outlets were not disclosed to the Company.³⁸ The current shareholders are Mr Liu Gu Ze (刘鸽则) and Ms Tu Yu Fang (涂玉芳) who are holding 93% and 7% shareholdings in Shenzhen Huwa respectively.³⁹
- 1.4.30 Separately we understand from our interviews with Ms Zhao, Mr Tang and Mr Li You Jie⁴⁰ that they agreed to enter into the BOP agreements with Wish SG on the understanding that they would benefit from the future listing of their business or company in Singapore. It is not clear to us how the arrangements under the BOP agreements would lead to such future listing. When further queried by DTFAS on the intended listing plans, they informed us that they were not aware of the details and acted under Mr Zhang and/or Jufel Group's guidance. Notwithstanding that Mr Tang agreed to enter into the BOP agreement with Wish SG, Mr Tang responded that his BOP Outlet received the BOP services from Shenzhen Woxi Life Technology Co., Ltd. (深圳沃析生命科技有限公司) ("Shenzhen Woxi") as his BOP Outlet is a BOP Outlet under the care of Shenzhen Woxi. We did not establish that there was any direct involvement of Shenzhen Woxi in the BOP business of Wish SG.
- 1.4.31 We noted that only four out of the 14 BOP Outlets were visited by Mr Pang, between 22 April 2019 and 25 April 2019, prior to the execution of the BOP agreements.
- 1.4.32 We understand from Mr Pang that when he made a site visit to China in April 2019, only one out of the

³³ We understand that Mr Zhang has a long-standing relationship with the 14 BOP Outlets and/or their legal representatives. Based on our background searches, it appears that three BOP Outlets, Panjin Woxi, Hangzhou Woming and Xinxiangshi Woxi, were incorporated less than three months prior to the signing date of the BOP agreements.

³⁴ See Annex A – Maxwellisation comments of the Company.

³⁵ See Annex A – Maxwellisation comments of the Company.

³⁶ See Annex A – Maxwellisation comments of the Company.

³⁷ We noted that Section 156 of the Companies Act requires every director who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the company must as soon as practicable after the relevant facts have come to his or her knowledge (a) declare the nature of his or her interest at a meeting of the directors of the company or (b) send a written notice to the company containing details on the nature, character and extent of his or her interest in the transaction or proposed transaction with the company. Mr Zhang informed us that (i) he had disposed of his shareholding in Shenzhen Huwa prior to the entry into the BOP agreements with Henan Woming and Hangzhou Woxi and (ii) Mr Zhang stated that he was not aware at the material time that Shenzhen Huwa held shares in any of the BOP Outlets. Therefore, Section 156 of the Companies appears to not have been engaged.

³⁸ During the interview, Mr Zhang informed us that he was not aware that Shenzhen Huwa held shares in any of the 14 BOP outlets.

³⁹ Information was extracted from the QCC search result of Shenzhen Huwa dated 5 December 2021.

⁴⁰ Ms Zhao, Mr Tang and Mr Li You Jie were the representatives of Hangzhou Woming, Xinxiangshi Woxi and Guangzhou Woxing respectively whom we interviewed.

four outlets he visited was in operation whilst the other three were still under renovation.⁴¹ Mr In was present at some of the site visits to the BOP Outlets together with Mr Pang.

- 1.4.33 Close to or subsequent to the signing of the BOP agreements, Mr Pang purportedly visited each of the 14 BOP Outlets at least once during the six trips he made to China between 22 April 2019 and 19 January 2020,⁴² with the purpose of getting to know and obtaining updates from the BOP Outlets' owners and to discuss operational matters. However, we have not been provided with and have not sighted any reports documenting his observations of any of the 14 BOP Outlets and his discussions with any of the BOP Outlets' owners.
- 1.4.34 As Mr Pang only visited four out of the 14 BOP Outlets prior to the signing of the BOP agreements and there was no documentation recording the due diligence conducted by the Company, we are of the view that the BOP Business Diversification conditions set by the then Board of the Company for the Group to diversify into the BOP business were not fulfilled.⁴³
- 1.4.35 Given that the BOP business contributed to the majority of the Group's revenue and 100% of the Group's net profit in financial year ended 31 December 2019 ("FY2019"),⁴⁴ there are no proper justifications as to why the Company or Wish SG did not put in place, prior to or immediately after the establishment of the BOP business, any formal written policies and SOPs governing the onboarding, credit assessment, accounts receivables and collections in relation to the BOP business. The relevant written policies only came into effect on 1 April 2021,⁴⁵ almost a year after the commencement of the BOP business.⁴⁶
- 1.4.36 We further noted that on 30 June 2019, Wish SG entered into two Master Supplementary Agreements with Henan Jufel in relation to the BOP agreements executed with the eight BOP Outlets on 24 April 2019 and six BOP agreements executed with the six BOP Outlets on 3 May 2019 (the "Supplementary Agreements"). The Supplementary Agreements were for the purpose of revising clauses stated in the original 14 BOP agreements between Wish SG and the 14 BOP Outlets. However, we noted that the Supplementary Agreements were entered into with Henan Jufel instead of the BOP Outlets themselves.⁴⁷
- 1.4.37 We understand from Management that as per the authorisation letters from the BOP Outlets' owners, Mr Zhang, the controlling shareholder and legal representative of Henan Jufel, was authorised to sign the BOP related agreements. Notwithstanding that the BOP Outlets authorised Mr Zhang to sign the BOP related agreements, the scope of authorisation does not appear to extend to the execution of the BOP related agreements.⁴⁸ As such, the Supplementary Agreements should have been executed by each of the 14 BOP Outlets with Wish SG (as the original contracting parties to the BOP agreements) instead of Henan Jufel. Henan Jufel was never a contracting party to the BOP agreements entered into between the individual BOP Outlets and Wish SG on 24 April 2019 and 3 May 2019.

⁴¹ During maxwellisation, we understand from the Company "Mr Pang would like to explain that he could not remember exactly what he mentioned to DTFAS during the interview pertaining to this point. It could also be that wrong information had been given to DTFAS during the interview as the visit took place about 2 years ago at the time of the interview, as he had also visited some other BOP outlets in June, August, September, October and December 2019, and January 2020 prior to the closure of China borders due to the outbreak of Covid-19 pandemic. It could also be that he visited some other shops unrelated to the 14 BOP outlets which were being renovated and intended to enter into BOP service agreement with Wish SG in the near future but did not eventually do so."

⁴² Based on the photos taken during Mr Pang's site visits to the BOP Outlets.

⁴³ During maxwellisation, we understand from Mr Lee "...due diligence was to be conducted prior to the signing of individual BOP outlet service agreements. I retired as an Independent Director on 26 April 2019 and was not presented with any request to assess or approve any BOP outlet agreement at any time prior to and up to the day of my retirement.". We further understand from Mr Chow "...For the record the then ARC and Board was not informed of such due diligence findings nor involved in approval process.". See Annex A – Maxwellisation comments of the Company.

⁴⁴ According to GS Holdings' audited financial statements for FY2019, the consolidated revenue and consolidation profit before tax from continuing operations for FY2019 amounted to SGD 35.6 million and SGD 25.4 million respectively. Of which, the revenue and profit before tax contributed by the BOP business amounted to SGD 29.4 million and SGD 28.7 million respectively. The remaining three operating segments, F&B, cleaning services and Investment Holdings, were in loss positions.

⁴⁵ General procedures over onboarding of BOP customers are detailed in the formal policy dated 1 April 2021. During maxwellisation, the Company provided a SOP titled 'Accounts Receivables and Collections' dated 18 June 2015. However, it was noted that the SOP did not refer to the BOP business and did not have detailed procedures around the credit assessment of new customers.

⁴⁶ See Annex A – Maxwellisation comments of the Company.

⁴⁷ See Annex A – Maxwellisation comments of the Company.

⁴⁸ See Annex A – Maxwellisation comments of the Company.

Operations of the BOP business

Reporting structure and key activities of the BOP business

1.4.38 The subcontractors in the China Management team (see Table 1.5 below), recruited and led by Mr Liu, were responsible for providing the BOP services to the BOP Outlets. Mr Liu was appointed as a consultant of Wish SG between 1 July 2019 to 30 June 2021 and received consultancy fees at 9,600 Singapore dollars (“SGD”) per month. We understand that some of these subcontractors were substituted within one month, subsequent to the commencement of the BOP business. Given the subcontractors in the China Management team were running the entire BOP business operations in China and their manpower cost, together with Mr Liu’s consultancy fees, made up majority of the Company’s cost of running the BOP operations, it calls for an explanation as to why there was a lack of continuity in that the subcontractors were substituted within a short period of one month. It appears that only Mr Liu had consistent oversight of the China Management team and the BOP business.⁴⁹

Table 1.5 – China Management Team

Employment date	Termination date	Name	Position
15 Apr 2019	14 Apr 2020	Tong Lu (佟璐)	Former Chief Operating Officer
15 Apr 2019	14 Apr 2021	Liu Yan bin (刘炎彬)	Chief Procurement Officer
15 Apr 2019	14 Apr 2020 ⁵⁰	Wang Xian Hui (王献晖)	Chief Sales Directorate
15 Apr 2019	14 Apr 2020	Zhang Xu (张旭)	Procurement Officer
15 Apr 2019	14 Apr 2021	Ms Liu	Accounting and Financial Officer
15 Apr 2020	14 Apr 2021	Liu Jun Ling (刘俊玲)	Human Resource Director
15 Apr 2020	14 Apr 2021	Liu Jian (刘建)	Market planning & development Officer
15 Apr 2020	14 Apr 2021	Huang Yan Ping (黄燕萍)	Lawyer Representative
15 Apr 2020	14 Apr 2021	Mr Li	Chief Operating Officer
3 Jul 2020	2 Jul 2021	Mr Fu	General Manager ⁵¹
1 Apr 2021	1 Apr 2022	Mr Dou Le	Administrative Manager

1.4.39 It was noted that the Group’s payment of consultancy fees to Mr Liu constitutes an IPT under *SGX Catalist Rule Chapter 9 – IPT*. In relation to *Rule 907* which states that the Company “must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report”, the Group had complied with the rule to disclose the value of Mr Liu’s consultancy fees for financial year ended 31 December 2020 (“FY2020”) amounting to SGD115,200 in its FY2020 Annual Report.

1.4.40 We also noted that the MSA required Wish SG to recruit, train, evaluate and send its employees and executives to Henan Jufee’s designated operating locations on a secondment basis and Henan Jufee to bear the responsibility for the remuneration and all related mandatory expenses in respect of these employees. However, according to the BOP Proposal, the staff cost intended to be borne by Wish SG included chief operating officer, trainers and assistants. Notwithstanding the above, Wish SG has been the party bearing the expense of the China Management team instead. It appears that Wish SG

⁴⁹ See Annex A – Maxwellisation comments of the Company.

⁵⁰ Management has commented that the responsibilities of the Chief Sales Directorate were taken over by Mr Li (assisted by Ms Liu) from 15 April 2020.

⁵¹ Mr Fu is employed by Wish SG as an employee instead of agent. We understand from Management that before his appointment, his role and responsibilities were taken up by Mr Liu, Tong Lu and Mr Li.

eventually paid for the staff cost which was not initially contemplated and set out in the BOP Proposal.⁵²

- 1.4.41 We were informed by Mr Pang, Mr Zhang and Mr Paul Chong during their interviews that the Company had relied on Mr Liu to run the operations of the BOP business. We further understand from Mr Zhang that Mr Liu would approach him only if Mr Liu himself was unable to resolve matters relating to the BOP business.⁵³
- 1.4.42 In addition, based on the write-up in the BOP Proposal, the MSA and the BOP agreements, it was intended from the outset for Wish SG to provide BOP services in relation to setting up and managing the F&B facilities within the 14 BOP Outlets which were primarily providing health management services. We were informed by Mr Pang that subsequent to the signing of the BOP agreements, the Group did not continue with the plan to set up and manage the F&B facilities within the 14 BOP Outlets.⁵⁴ Instead, Wish SG started providing BOP services in relation to the health management businesses of the BOP Outlets not long after the signing of the BOP agreements.⁵⁵ In this regard, we noted that the Company held an Extraordinary General Meeting (“EGM”) on 30 December 2019 to seek approval from shareholders to “diversify the Group’s BOP business beyond the F&B industry”. We were informed by Management that the Board of the Company had considered SGX Catalist Rule 1014, read in conjunction with Practice Note 10A (effective 29 September 2011 to 6 February 2020) – Shareholder Approval for Major Transactions, in particular paragraph 7(c), and had assessed that such diversification would not (a) increase the scale of the Company’s and/or Group’s operations significantly, or (b) have a significant adverse impact on the Company’s and/or Group’s earnings, working capital and gearing. We have not sighted any Board Minutes which documented such discussions or assessment.⁵⁶
- 1.4.43 We have been provided with the standard operating manual (管理手册) which prescribed guidelines for key operational matters including the provision of services to customers, procurement and instructions on operating health-check machines of the BOP Outlets (“SOP Manuals”). However, we have not been provided with any job reports documenting the work carried out by Wish SG for the 14 BOP Outlets. Without the job reports, we are unable to determine the services provided by the China Management team to the 14 BOP Outlets and conclude whether the 14 BOP Outlets in fact implemented these guidelines.
- 1.4.44 It appears that up till the termination of the BOP agreements with the 14 BOP Outlets, the contents of the SOP Manuals adopted by Wish SG were that of WISH’s manuals. Management explained that it was the intention of Wish SG to revise the SOP Manuals in the future, once the operations of the 14 BOP Outlets became more established and their business plans were clearer.
- 1.4.45 Although we were provided with letters issued by the BOP Outlets stating that they were satisfied with the services provided by Wish SG, the nature and scope of the actual work that was undertaken by Wish SG are not clear to us. We have requested from Management but have not been provided with any job reports, evidence of procurement and/or documented correspondence between the China Management team and personnel of the BOP Outlets on issues handled and/or resolutions provided by Wish SG to the

⁵² During maxwellisation, we understand from the Company “...To manage the entire BOP business, Mr Liu recruited a team of 5 to 8 persons for Wish SG to support the BOP outlets on job functions relating to central procurement, sales and marketing, public relations, general management, operational support, recruitment and human resources (“China Management team”). It was not appropriate for the expenses of the China Management team to be borne by Henan Jufel. As stated earlier, Henan Jufel was only an introducer, assisting Wish SG in sourcing the BOP customers. Henan Jufel did not have the intention to get involved in the running and management of the BOP business, and therefore most of the clauses in the MSA were intended to be abided by the BOP outlets secured by Henan Jufel. The Company did not pay any commission or other form of incentives to Henan Jufel or Mr Zhang for every outlet that it secured for the Company as well.”. See Annex A – Maxwellisation comments of the Company.

⁵³ We noted from the Company’s response to SGX Queries dated 7 April 2021 that there was a BOP board of advisors comprising Mr Pang, Mr Liu, Mr Zhang and Ms Zhang (“BOP Board of Advisors”). The BOP Board of Advisors apparently oversaw and advised the China Management team. However, we noted that the interviewees did not raise the existence of the BOP Board of Advisors in our interviews with them.

⁵⁴ See Annex A – Maxwellisation comments of the Company.

⁵⁵ Mr Pang was unable to recall when the initial intention of the Company to provide BOP services related to styling the traditional retail stores as F&B outlets was discontinued.

⁵⁶ According to the Board Minutes dated 14 November 2019, the Board tabled Management’s proposal to expand the Group’s BOP business which would potentially be one of the core businesses of the Group in the future and to diversify beyond the F&B industry at the upcoming EGM for shareholders’ approval i.e., EGM held on 30 December 2019. There was no discussion on the consideration by the Board of the Company for considering SGX Catalist Rule 1014, read in conjunction with Practice Note 10A (effective 29 September 2011 to 6 February 2020) – Shareholder Approval for Major Transactions, in particular paragraph 7(c).

14 BOP Outlets.

- 1.4.46 As we have been unable to contact Mr Liu and the China Management team who were involved in the day-to-day operations of the BOP Outlets, we have been unable to ascertain the work performed, if any, in relation to the BOP business.
- 1.4.47 Whilst we understand that Mr Liu would report the business affairs to the Board of Wish SG, comprising Mr Pang, Mr Chong and Mr Liu himself, or the Company, we did not sight any minutes of the Board of the Company which recorded the updates of the BOP operational matters presented by Mr Liu.⁵⁷ We also understand from Mr Chong, one of Wish SG's directors, that no discussion in relation to the BOP business was held at Wish SG since all directors of Wish SG also sat on the Board of the Company.
- 1.4.48 In addition, we noted that since the commencement of the BOP business, Wish SG lacked an ongoing process and the fundamental information, to perform assessments on the credit and repayment ability of the 14 BOP Outlets.

Collection of BOP service fees

Initial BOP service fees collection

- 1.4.49 Under the terms of the BOP agreements, the total BOP service fees to be collected from the 14 BOP Outlets aggregated to RMB 50 million per quarter.⁵⁸ The total BOP service fees earned and amount outstanding as at 31 March 2021 are set out below:

Table 1.6 – Total BOP service fees earned and amount outstanding as at 31 March 2021

(RMB in million)	BOP service fees in FY2019	BOP service fees in FY2020	BOP service fees in FY2021	Total BOP service fees
Gross BOP service fees earned	150.0	200.0	50.0	400.0
Amount waived / reduced	Nil	(163.3)	(40.0)	(203.3)
Net BOP service fees earned	150.0	36.7	10.0	196.7
Collection	(30.0)	(20.8)	Nil	(50.8)
Total outstanding BOP service fees	120.0	15.9	10.0	145.9

- 1.4.50 The Company and Wish SG faced challenges in receiving the BOP service fees into Wish SG's offshore bank account in the PRC given that Wish SG is a foreign company.⁵⁹ To facilitate the collection of the BOP service fees, the Company incorporated a wholly-owned subsidiary in the PRC, Wish Shanghai,⁶⁰ to receive funds from the 14 BOP Outlets.
- 1.4.51 The following are the bank accounts of Wish SG and Wish Shanghai and the respective authorised signatories:

⁵⁷ During maxwellisation, we understand from the Company "...details of matters relating to operations...would have been discussed between the 3 directors (i.e., Mr. Liu, Mr Zhang and Mr Pang who were overseeing the BOP business) and the China BOP management team...". See Annex A – Maxwellisation comments of the Company.

⁵⁸ We understand from Management that Mr Zhang and Mr Liu have informed the Company that the BOP service fees were intended to be charged at "...a min of RMB 2 m per quarter per outlet and based on approximately 2.5% of the expected turnover of the respective outlet. Mr Zhang and Mr Liu have yet to finalise the basis as the basis could be changed later taking into account many factors.". We understand from Management that notwithstanding the above initial intention, the BOP service fees were agreed based on negotiation between Mr Zhang and Mr Liu with the 14 BOP Outlets and there is no documentation of such negotiation.

⁵⁹ See ARC Meeting Minutes dated 26 February 2020. We further understand from Management that payments by any PRC company into an offshore bank account must have prior clearance from the relevant PRC authorities, including the Business and Trade Department, Tax Department and the State Administration of Foreign Exchange of the PRC ("SAFE").

⁶⁰ On 26 March 2020, the Company announced limitations for Wish Shanghai to receive the BOP service fees as it was a newly incorporated wholly-owned foreign enterprises ("WOFE").

Table 1.7 – Bank accounts in relation to the collection of the BOP service fees

Name of company	Name of Bank	Bank account opening date ⁶¹	Authorised signatory(ies)
Wish SG	Bank of China (Hainan Branch) bank (“BOC Hainan bank”)	On or around 13 March 2019	1) Mr Pang 2) Mr Paul Chong 3) Mr Wang Chuan Wang (“Mr Wang”) acting on behalf of Mr Liu
Wish Shanghai	Bank of China (Shanghai Branch) bank (“BOC Shanghai bank”)	On 1 November 2019	1) Mr Paul Chong ⁶² 2) Mr Liu
	China Guangfa Bank Co., Ltd. bank (“Guangfa bank”)	On or around 27 April 2021	1) Mr Liu

1.4.52 We noted that the signing mandates for the above bank accounts were not in line with the Company’s usual practice.⁶³

- (a) A non-employee, Mr Wang, who was the Finance Manager of Henan Jufel in Haikou, was nominated by Mr Liu to be one of the authorised signatories of Wish SG’s BOC Hainan bank account (the “BOC Hainan bank account”). We understand from Management that such an arrangement was to facilitate the execution of documents, as a person located at Haikou was required to execute various documents from time to time.
- (b) Mr Pang is not an authorised signatory of the Wish Shanghai’s BOC Shanghai bank account (the “BOC Shanghai bank account”) and Mr Liu is the sole authorised signatory of the Wish Shanghai’s Guangfa bank account (the “Guangfa bank account”).⁶⁴

1.4.53 On 11 July 2019, Wish SG announced receipt of a net amount of RMB 25.7 million (the “First BOP Receipts”) after settlement of a RMB 4.3 million tax liability with the tax authority in the PRC (the “PRC tax authorities”). The collections were credited into the BOC Hainan bank account. Based on the bank statements of BOC Hainan bank account, the First BOP Receipts were remitted directly from the eight BOP Outlets whose BOP agreements were signed on 24 April 2019.⁶⁵

1.4.54 On 4 February 2020, the Company announced that Wish SG had not received the outstanding BOP service fees as of 31 December 2019, amounting to RMB 120 million. The delay in the payment was stated to be due to ongoing consultations between Wish SG and the PRC tax authorities in relation to tax issues which had to be settled before the 14 BOP Outlets were permitted to remit funds to Wish SG. The PRC tax authorities required the 14 BOP Outlets to pay higher tax payables based on higher effective tax rates than what was applied to the First BOP Receipts.

1.4.55 On or about 21 January 2020, Wish SG engaged a tax consultant, KPMG Advisory (China) Ltd Beijing Branch (“KPMG Beijing”), to assist in negotiation with the PRC tax authorities with the objective of lowering the effective tax rate.

1.4.56 We understand from Management and the Board of the Company that the taxes determined by the PRC tax authorities on the First BOP Receipts made by the eight BOP Outlets described in paragraph 1.4.53

⁶¹ Dates mentioned are the dates on which the respective bank accounts were opened as informed by Management.

⁶² See the Company’s responses to SGX queries announced on 10 May 2022. We were informed by Management that there is no DRIW passed for the opening of the BOC Shanghai bank account as it is not required.

⁶³ Whilst the Company had a SOP on ‘Accounts Payables and Payments’ dated 18 June 2015 and subsequently updated on 1 March 2021, it did not describe the requirement in relation to the signing mandate for newly opened bank accounts. The said SOP listed the respective signatures required for payments to be made from each of the Group’s bank accounts, including the bank accounts listed in Table 1.7, and it was noted that each bank account had three authorised signatories, with Mr Pang and Mr Paul Chong being two default signatories. See Annex A – Maxwellisation comments of the Company.

⁶⁴ We were made to understand the arrangements were as such because Mr Pang and Mr Paul Chong were unable to travel to the PRC to execute the authorisation mandates due to COVID-19 travel restrictions.

⁶⁵ We were provided with the BOC cross border payment receipt advices for verification of the receipts except for Hangzhou Minxi which Management could not locate.

above were relatively lower⁶⁶ as the PRC tax authorities had determined the taxes based on the understanding that the remittance was one-off and not recurring. Subsequently, the PRC tax authorities made further enquiries and requested more information when the 14 BOP Outlets attempted to settle the outstanding BOP service fees. However, as the BOP Outlets were uncomfortable to share more information⁶⁷ and the Company was looking to negotiate with the tax authorities for lower tax rates, the collection of the outstanding BOP service fees was delayed. We were unable to verify the extent of the tax issues. We requested from Management but were not provided with communication between the PRC tax authorities and the 14 BOP Outlets.

1.4.57 On 16 November 2020 and 7 December 2020, Wish SG announced receipts of net amounts of RMB 10.5 million and RMB 10.3 million (“Second BOP Receipts”) respectively, net of tax liability of RMB 3.2 million as agreed with the PRC tax authorities. These collections pertained to BOP service fees of three BOP Outlets, namely Henan Woming, Qinhuangdao Woxi and Yiwushi Woxi.⁶⁸ We understand from Management that KPMG Beijing had successfully negotiated reasonable tax rates for these three BOP Outlets.

1.4.58 We noted from the bank statements of the BOC Shanghai bank account, the bank account which the collections were credited into, that the Second BOP Receipts of RMB 20.8 million was remitted by Henan Shengning Industrial Co., Ltd. (河南盛凝实业有限公司) (“Henan Shengning”), Henan Kuai Ke Building Materials Co., Ltd. (河南快刻建材有限公司) (“Henan Kuaike”) and Mr Liu, from his personal bank account, in multiple tranches as follows:⁶⁹

Table 1.8 – Second BOP Receipts from third parties

Date	Payor	Number of remittances	Amount per remittance (RMB in million)	Total amount received (RMB in million)
10 Nov 2020	Henan Shengning	4	0.5	2.0
11 Nov 2020	Henan Kuaike	1	2.5	2.5
	Henan Shengning	4	0.5	2.0
12 Nov 2020	Henan Shengning	4	0.5	2.0
13 Nov 2020	Henan Shengning	4	0.5	2.0
16 Nov 2020	Henan Shengning	4	0.5	2.0
17 Nov 2020	Henan Kuaike	1	2.4	2.4
18 Nov 2020	Henan Kuaike	1	2.6	2.6
19 Nov 2020	Henan Shengning	2	0.5	1.0
3 Dec 2020	Mr Liu	1	1.0	1.0
4 Dec 2020	Mr Liu	1	1.0	1.0
7 Dec 2020	Mr Liu	1	0.3	0.3
Total receipts from Henan Shengning				11.0
Total receipts from Henan Kuaike				7.5
Total receipts from Mr Liu				2.3
Total Second BOP Receipts				20.8

1.4.59 We sighted three separate letters, all dated 14 December 2020, issued by the three BOP Outlets which informed Wish SG that they were arranging funds aggregating to RMB 20.8 million through Henan Shengning, Henan Kuaike and Mr Liu as partial payment of their outstanding BOP service fees.

⁶⁶ We understand from Mr Paul Chong during his interview that for the First BOP Receipts, Mr Liu and the China Management team attempted to convince the PRC tax authorities to agree to reasonable tax rates. We further noted from the Board Minutes dated 26 February 2020 that the PRC tax authorities were of the view that Wish SG’s expenses are not high and therefore a higher effective tax rate of approximately 15%, as compared to 10% tax liability on the First BOP Receipts, be imposed on the revenue.

⁶⁷ Management explained that the rationale of BOP Outlets being uncomfortable to share more information was due to concerns that GS Holdings might be obliged to disclose their financial information to the public and the PRC tax authorities which could also lead to scrutiny by the PRC authorities on the BOP Outlets’ businesses.

⁶⁸ We understand from Management that these three BOP Outlets have yet to make tax payments to the PRC tax authorities as at the date of this report.

⁶⁹ For the avoidance of doubt, we were unable to obtain bank confirmation from BOC Shanghai bank to verify whether the Second BOP Receipts collected remains in the bank account as of current date as Mr Liu, the authorised signatory and holder of the official company seal, has been uncontactable.

- 1.4.60 We noted that Henan Kuaike and Henan Shengning were related to Mr Liu⁷⁰ up till on or around June 2020 and July 2020 respectively, prior to the remittance of the Second BOP Receipts, as follows:
- (a) Mr Liu was the legal representative of Henan Kuaike. On 9 June 2020, he stepped down as the legal representative and relinquished his management role.
 - (b) Mr Liu was the shareholder and legal representative of Henan Shengning. On 24 July 2020, he disposed 90% of his shareholdings in Henan Shengning, stepped down as the legal representative and relinquished his management role.⁷¹
- 1.4.61 From our interviews with Management and directors, it appears that the KPMG Beijing's tax services were not continued for the remaining BOP Outlets due to the substantial professional fees. Instead, we understand from Management that Mr Liu and the China Management team undertook the role to negotiate with the PRC tax authorities for reasonable tax rates.⁷²
- 1.4.62 Subsequent to the Second BOP Receipts, the collection of the BOP service fees appeared to have been further hindered by the setback in the business performance faced by the 14 BOP Outlets after COVID-19 outbreak in early 2020, as we understand from Management some of the BOP Outlets were struggling with high rental costs and had to shift to smaller store spaces.
- 1.4.63 Between 26 June 2020 and 31 March 2021, as requested by the BOP Outlets, the Company waived or reduced a total of RMB 203.3 million in outstanding BOP service fees. Notwithstanding the Company's waiver or reduction of the outstanding BOP service fees owing from the 14 BOP Outlets, the Company continued to face challenges in collecting the remaining outstanding BOP service fees of RMB 145.9 million.⁷³
- 1.4.64 As at the date of this report, only the First BOP Receipts of RMB 25.7 million (equivalent to SGD 5.0 million based on the prevailing exchange rates on the respective date of transfers) were remitted back to GS Holdings' and Wish SG's DBS bank accounts in Singapore.⁷⁴
- 1.4.65 We understand from Management that the First BOP Receipts were mainly used to pay the salaries of the China Management team and Mr Liu's consultancy fees, amounting to RMB1.0 million and RMB 1.7 million in FY2019 and FY2020 respectively,⁷⁵ and dividends amounting to RMB 20.4 million paid to shareholders of Wish SG in FY2020.⁷⁶ As the Company is the 80% shareholder of Wish SG, it was entitled to RMB 16.3 million dividends. In FY2020, the Company declared and paid dividends of SGD 1.85 million (approximately RMB 9.3 million based on the exchange rate of SGD one to RMB five) to its equity shareholders.⁷⁷
- 1.4.66 Notwithstanding that only RMB 25.7 million of the RMB 150 million BOP service fees recognised in FY2019 was remitted back to Singapore as at 31 December 2019, no loss allowance was made on the outstanding BOP service fees receivables. According to the Independent Auditor's Report in relation to the audited consolidated financial statements of the Group for FY2019, *"The Group has considered the personal guarantees and securities (provided in respect of the entire outstanding receivables from the 14*

⁷⁰ Based on the relationship mapping of relevant individuals and entities.

⁷¹ As we have been unable to interview Mr Liu, we have not been able to understand the reasons behind the payment arrangement set out at Table 1.8 above and the change in Mr Liu's positions / shareholdings in Henan Kuaike and Henan Shengning.

⁷² We are unable to verify this as we were unable to interview the China Management team.

⁷³ Refer to announcements by the Company dated 26 June 2020, 2 October 2020, 22 January 2021 and 31 March 2021. The RMB 145.9 million excludes the RMB 100 million limited by information to conclude whether the RMB 100 million was received by Wish SG for the purposes of the BOP service fees earned from the BOP Outlets (see paragraphs 1.4.73 to 1.4.80).

⁷⁴ We were provided with bank statements of Wish SG's BOC Hainan bank account for the period between August 2019 to March 2020 and noted a total of RMB 25.7 million was transferred out between 30 August 2019 to 26 March 2020, in six tranches. Correspondingly, we sighted the bank statements of the DBS bank accounts of GS Holdings and Wish SG and noted a total of SGD 5.0 million was received between 30 August 2019 to 31 March 2020, in six tranches.

⁷⁵ We have sighted the payment vouchers and bank statement clearance for the payments of salaries to the subcontractors in the China Management team and payments of consultancy fees to Mr Liu in FY2019 and FY2020.

⁷⁶ In FY2020, Wish SG declared total dividends of RMB 32.7 million which included a final dividend for FY2019 of RMB 20.4 million and an interim dividend for FY2020 of RMB 12.3 million, of which based on Wish SG's audited statement of cash flows for FY2020, RMB 20.4 million was paid to its shareholders.

⁷⁷ Based on the Company's audited financial statements for FY2020. The Company announced the declaration of dividends at SGD 0.01 per share on 14 August 2020.

BOP Outlets as at 31 December 2019) (See paragraph 1.4.69) *and assessed that no credit loss allowance is required on these receivables.*” We requested but were not provided with the Company’s credit loss allowance assessment performed on the personal guarantees and securities.⁷⁸

- 1.4.67 Whilst the outstanding BOP service fees for FY2019 and FY2020 amounting to RMB 135.9 million remained uncollected, Wish SG proceeded to declare total dividends of RMB 32.7 million in FY2020.⁷⁹ Had loss allowance been made on the outstanding BOP service fees in the FY2020 audited accounts, Wish SG would have been in a loss position instead of a profit position of RMB 26.7 million.⁸⁰

Unusual arrangements relating to the collection of outstanding BOP service fees

- 1.4.68 As no SAFE approval for the BOP agreements was obtained by the Company, the Company had to make alternative arrangements for the collection of the BOP service fees. We understand that the Company entered into the following arrangements.

- 1.4.69 First, on or around 26 March 2020, the Company and Wish SG jointly appointed Ms Zhang as the “authorised representative” to collect the outstanding BOP service fees. In addition, the Company obtained the following securities which according to the Company would cover the entire amount of the outstanding BOP service fees at that time of RMB 120 million:

- (a) A first fixed charge in favour of the Company over the shares held by Ms Zhang in Wish SG;
- (b) A first fixed charge in favour of the Company over the shares held by Marvel⁸¹ in the Company; and
- (c) Personal guarantees by Mr Pang, Mr Liu and Mr Zhang. The personal guarantee provided by Mr Zhang dated 14 April 2020 states that if requested by the Company acting reasonably, Mr Zhang was required to procure security over the following assets: (i) A two-story office building held in the name of Mr Zhang, which was estimated to be worth approximately RMB 46.8 million (ii) 113 acres of land held by Kaifeng Jufel, which was estimated to be worth approximately RMB 90.4 million and (iii) Two buildings of Kaifeng Jufel with a combined area of 15,217.86 square meters held by Kaifeng Jufel, which were estimated to be worth approximately RMB 76.09 million. We have requested from Management but have not been provided with the registration documents to ascertain if the said land and buildings were indeed pledged to Wish Shanghai.

- 1.4.70 Subsequently, on or around 26 January 2021, the Company and Wish SG jointly appointed Kaifeng Jufel as the “authorised representative” to collect the outstanding BOP service fees. As a result of this arrangement, the Company terminated the appointment of Ms Zhang as the authorised representative and terminated the personal guarantees provided by Mr Pang, Mr Liu and Mr Zhang. As security for the appointment of Kaifeng Jufel’s appointment, the Company procured the following:

- (a) A performance guarantee agreement between Kaifeng Jufel and Wish Shanghai.
- (b) A mortgage over land and factory buildings in Kaifeng City, Henan, held by Kaifeng Jufel in favour of Wish Shanghai. We have requested from Management but have not been provided with the registration documents to ascertain if the said land and buildings were indeed pledged to Wish Shanghai.⁸²
- (c) Commitment letters by each of Kaifeng Jufel, Henan Jufel and Mr Zhang in favour of Wish Shanghai.

⁷⁸ According to Mr Paul Chong, the Company held discussions on the credit loss allowance assessment via Wechat calls which were not minuted. The Company only performed valuation on the shares of GS Holdings and Wish SG pledged by Ms Zhang and/or Marvel. It was noted that the valuation of the shares of Wish SG was performed based on the unaudited financial statements of Wish SG for FY2019 with no credit loss allowance made on the outstanding BOP service fees owing from the 14 BOP Outlets.

⁷⁹ Out of the RMB 32.7 million, RMB 20.3 million and RMB 12.4 million were declared and approved by the Board of Wish SG on 15 June 2020 and 30 December 2020 respectively. During maxwellisation, we understand from Mr Chong “he did not attend and therefore did not vote in favour of the board resolution to approve the declaration of dividends to its 2 shareholders by Wish SG in respect of FY2020 on 30 December 2020.”. See Annex A – Maxwellisation comments of the Company.

⁸⁰ Based on Wish SG’s audited financial statements for FY2020.

⁸¹ Marvel was at the material time wholly owned by Ms Zhang.

⁸² Refer to announcement by the Company on 26 January 2021 informing shareholders that “Wish (SG) has received the relevant copies of certificates of registration”.

- (d) Personal guarantee by Mr Zhang.⁸³

1.4.71 We noted several unusual arrangements in the appointment of Ms Zhang and Kaifeng Jufel as authorised representatives for the collection of outstanding BOP service fees:⁸⁴

- (a) First, the Letter of Appointment appointing Ms Zhang as the authorised representative does not provide for any remuneration for her services. The Deed of Appointment of Kaifeng Jufel goes a step further and provides that *“there shall be no fee, remuneration, compensation or consideration of any kind or form payable by the Company, Wish or any Group Company to [Kaifeng Jufel]”*.
- (b) Second, both Ms Zhang and Kaifeng Jufel were authorised to deposit the outstanding BOP service fees collected into the bank accounts solely in their names.
- (c) Third, Ms Zhang provided security over her own personal assets in favor of the Company even though she was not receiving any remuneration as a result of her appointment as authorised representative. Similarly, Kaifeng Jufel mortgaged its properties, provided a performance guarantee and a commitment letter even though it was not being remunerated as authorised representative.
- (d) Fourth, three directors of the Company, Mr Pang, Mr Liu and Mr Zhang provided personal guarantees in relation to the obligations of Ms Zhang under the Undertaking Deed dated 26 March 2020 and the collection of the outstanding BOP service fees by 15 October 2020. It is unclear why the directors provided personal guarantees.

1.4.72 As described at paragraphs 1.4.69 (c) (ii) – (iii) and 1.4.70 (b), certain land and buildings held in the name of Kaifeng Jufel were pledged as collateral for both the appointments of Ms Zhang and Kaifeng Jufel as the collecting agent for Wish SG. However, the value of certain land and buildings quoted for Ms Zhang’s appointment as collecting agent, represented in the personal guarantee agreement between Mr Zhang and the Company, were much lower than the values stated in the valuation report obtained by Wish Shanghai when Kaifeng Jufel was appointed as collecting agent. The Company and/or Wish SG did not independently assess the valuations of the land and buildings when Ms Zhang was appointed as collection agent and merely accepted those valuations declared by Mr Zhang.⁸⁵

Collection of RMB 100 million in outstanding BOP service fees

1.4.73 On 29 April 2021, the Company announced that a payment of RMB 100 million in outstanding BOP service fees was received by Wish Shanghai.

1.4.74 However, on 11 June 2021, the Company’s external auditor alerted the Board of the Company that there was an existing encumbrance placed over the RMB 100 million. For the avoidance of doubt, we requested from Management but were not provided with the bank confirmation received by the external auditor indicating the encumbrance over the RMB 100 million. However, we were provided with a snippet of the bank confirmation included in the email from the external auditor to Management on 11 June 2021 notifying Management of their discovery of the encumbrance on the RMB 100 million.

1.4.75 During our interview with Mr Zhang, we understood that Mr Liu arranged a loan of RMB 100 million between Kaifeng Jufel and a third party, Chongqing Qian Yu Cang Private Limited (重庆仟昱仓实业有限公司) (“Chongqing QYC”). The land and buildings pledged to Wish Shanghai were supposed to be pledged to Chongqing QYC as collateral to the RMB 100 million loan. Mr Zhang further explained this loan amount was used to settle the outstanding BOP service fees owed by 12 BOP Outlets to Wish SG, on behalf of the 12 BOP Outlets. Mr Zhang was of the view that he was obliged to assist the BOP Outlets to settle the outstanding BOP service fees as these BOP Outlets were Jufel Group’s long-term customers and he did want to jeopardise his relationship with the owners of the 14 BOP Outlets. However, we have

⁸³ We noted that based on our independent background search of Mr Zhang on QCC, Mr Zhang’s shares in Kaifeng Jufel, aggregating to RMB 153.8 million, were frozen by the court in the PRC in 2020.

⁸⁴ During maximisation, we understand from the Company *“...the Board believed that it was the most efficient and fastest way to collect the outstanding BOP service fees quickly from the BOP outlets first while waiting for the PRC tax issues to be resolved in view of the unusual circumstances faced by the Company at that time.”* See Annex A – Maximisation comments of the Company.

⁸⁵ See Annex A – Maximisation comments of the Company.

not identified the commercial rationale for this arrangement as the amount for which Mr Zhang had assumed liability for is significant.

1.4.76 We noted that Kaifeng Jufel entered into individual loan agreements with the 12 BOP Outlets and these loan agreements were purportedly signed by the respective legal representatives of the 12 BOP Outlets with the official company seals affixed, except for the following:

- (a) Hangzhou Minxi and Guangzhou Woxing whereby the loan agreements were not executed by the legal representatives of these two companies.
- (b) Official company seals used by Hangzhou Woxi and Jiangsu Xinchufa in the loan agreements appear to be different from the official company seals used to execute other BOP-related official documents.

1.4.77 We further noted that Management and the BODs of Wish SG and/or the Company were made aware of the RMB 100 million loan but did not make further enquiries into details of it:⁸⁶

- (a) The Company was under the impression that the RMB 100 million was credited to the Guangfa bank account directly by Chongqing QYC⁸⁷ on 29 April 2021. However, we noted from the bank statement of the Guangfa bank account⁸⁸ that the RMB 100 million was in fact remitted into the BOC Shanghai bank account on 29 April 2021 by Tianjing Ming Yuan Technology Private Limited (天津明远科技股份有限公司) (“Tianjing Ming Yuan”)⁸⁹ instead of Chongqing QYC. On the same day the RMB 100 million was remitted from the BOC Shanghai bank account to the Guangfa bank account.⁹⁰
- (b) Separately, we understand from Management that Chongqing QYC requested Wish SG to open an alternative bank account at Guangfa Bank to receive the RMB 100 million fund. This is inconsistent with the DRIW dated 27 April 2021 passed by the Board of Wish SG, which recorded in the said DRIW that such request was from the 14 BOP Outlets as they had their bank accounts with Guangfa Bank.⁹¹

1.4.78 Notwithstanding that the encumbrances on the land and buildings pledged to Wish Shanghai have been discharged,⁹² we are unable to verify whether the encumbrance on the RMB 100 million has been released and whether the RMB 100 million remains in the Guangfa bank account. This is because Mr Liu, the authorised signatory and the person who holds the official company seal of Wish Shanghai, has been uncontactable. The lack of transparency on this issue appears to be attributable to the Company’s decision to solely rely on Mr Liu to handle the collection of the RMB 100 million. Based on the above, we are limited by information to conclude whether the RMB 100 million was received by Wish SG for the

⁸⁶ During maxwellisation, we understand from the Company “[a]s announced on 13 June 2021, at the material time on or around April 2021, the Board’s and the Management’s primary focus was to ensure that the outstanding accounts receivables of RMB100 million was collected by Wish Shanghai. The Board and the Management were also not informed by Mr Zhang and/or Mr Liu that there was an encumbrance created on the RMB100 million deposited and despite their queries subsequently, did not receive any detailed response and/or explanation from Mr Zhang and/or Mr Liu as to why the RMB 100 million was remitted into the BOC Shanghai bank account by Tianjin Ming Yuan or the actual flow of the RMB 100 million.”.

⁸⁷ According to the lawyer’s letter dated 1 July 2021 issued by Wang Xiao Yong of Henan Jie Rui legal firm (河南杰瑞律师事务所) (“Henan Jie Rui”) (the “lawyer letter dated 1 July 2021”), the land and buildings were intended to be pledged to Chongqing QYC prior to the release of the encumbrance over the RMB 100 million.

⁸⁸ Based on bank statement of Guangfa bank account for the period from 1 January 2021 to 31 May 2021.

⁸⁹ Based on bank statement of BOC Shanghai bank account for the period 1 April 2021 to 30 April 2021.

⁹⁰ For the avoidance of doubt, we have requested but were not provided with the bank advice to verify the authorised signatory(ies) who approved the transfer of RMB100 million from the BOC Shanghai bank account to the Guangfa bank account. During maxwellisation, we understand from Mr Paul “Mr Pang informed me that Victor Liu had informed him that he had transferred the RMB100 million from BOC [Shanghai bank account] to Guangfa Bank without telling him the mode of transfer. He also informed Mr Pang that my BOC [Shanghai bank account] bank token had been disabled as BOC [Shanghai bank account] had upgraded our bank tokens, and he had collected my new token as well ... However, the token was not sent to me as it is a prohibited sensitive item that cannot be sent by courier services. Therefore, the transfer of the RMB100m could have been done by using my new token (without my knowledge) and his token. It could also be that Victor Liu was present physically at BOC to do the transfer on 29 April 2021 by submitting relevant fund transfer forms chopped signed by him.”.

⁹¹ It was also noted that the Board of Wish SG approved the opening of Guangfa bank account shortly after approving the opening of a bank account under Heng Feng Bank Co., Ltd. (“Heng Feng Bank”) on 9 April 2021. Management had explained that the Heng Feng bank account was initially opened as the location was convenient for Mr Zhang.

⁹² According to the lawyer’s letter dated 1 July 2021 issued by Henan Jie Rui, Management was informed that the registration of land and buildings under the name of Wish Shanghai was discharged on or around June 2021.

purposes of the BOP service fees earned from the BOP Outlets.

- 1.4.79 Subsequently, the Company announced on SGXNet on 31 December 2021 that *“...to expedite the collection of the outstanding BOP service fees, ... the Company has entered into an agreement with Mr Zhang (and a named brokering firm) ... for Mr Zhang to procure the transfer(s) of Listed Shares, with an aggregate value of RMB 100 million ... by 31 March 2022”*. Based on the latest statement issued by West Bull Securities Limited dated 29 April 2022,⁹³ the Company had received five million listed shares of Simplicity Holdings Limited which were valued at approximately 1.2 million in Hong Kong dollars (“HKD”) based on a closing price at HKD 0.242. Based on an independent search on Yahoo Finance performed on 16 May 2022, the closing share price of Simplicity Holdings Limited was HKD 0.093 with average trading volume of 1.6 million shares per day. As the average trading volume of Simplicity Holdings Limited is thin, the Company may face challenges in disposing of these shares in the open market.
- 1.4.80 Based on further updates from the Company announced on 5 June 2022, *“Mr Zhang has agreed to pay to the Company a sum of HKD 1 million to assure the Board of his commitment to resolve the matter”*. On 4 July 2022, the Company announced that it has neither received the sum of HKD one million nor the 100 million listed shares from Mr Zhang. Subsequently, on 14 July 2022, the Company announced *“... the Company has received the sum of HKD 1 million from a third party procured by Mr Zhang ... for and on behalf of Mr Zhang ...”*.⁹⁴ As at the date of this report, the Company has yet to receive the entire 100 million listed shares from Mr Zhang. Whether the RMB 100 million BOP service fees can be recovered remains questionable.

Termination of BOP business and HMS business

- 1.4.81 On 31 March 2021, the Company announced that it entered into new health management services (“HMS”) agreements with eight out of the 14 BOP Outlets (“Eight Participating BOP Outlets”) while the process of onboarding the remaining six BOP Outlets onto the new HMS system was in progress.
- 1.4.82 Pursuant to the new HMS agreements, the BOP service fees for the Eight Participating BOP Outlets were charged by way of a variable commission, calculated at 50% of the sales of the BOP Outlets, or a fixed fee, whichever is higher. Additionally, under the HMS agreements, Wish SG would issue a monthly bill instead of quarterly bill for the BOP service fees. It was also noted that Wish SG was working towards implementing and effecting an automated system to enable Wish SG to receive the commission immediately upon payment being made by customers of the BOP Outlets.
- 1.4.83 We understand from the ARC minutes dated 25 February 2021 that the rationale for the variable commission arrangement was mainly to ensure that Wish SG could earn minimal fixed fees considering the business of the BOP Outlets was deteriorating due to COVID-19. We have requested but were not provided with the computation to determine the basis of the HMS service fees (fixed or variable) billed to the Eight Participating BOP Outlets. We further noted that the HMS service fees were billed based on fixed fees instead of the commission basis as set out in the HMS agreement.
- 1.4.84 On 28 July 2021, all six BOP Outlets terminated the BOP agreements. Thereafter, on 13 August 2021, all eight HMS agreements were terminated upon the request of the Eight Participating BOP Outlets due to the poor performance of the businesses attributed to COVID-19.

⁹³ We further noted from the Company’s announcement on 5 June 2022 that no additional Listed Shares were received from Mr Zhang subsequently.

⁹⁴ Based on the bank statement of the DBS bank account of GS Holdings, we sighted a SGD178,000 (equivalent to HKD one million based on the prevailing exchange rate on the date of transfer) received on 14 July 2022. We further sighted to Mr Zhang’s email dated 14 July 2022 indicating he authorised a William to transfer the amount. We have requested but were not provided with the bank advice for the receipt.

1.5 Potential breaches of SGX Catalyst Rules, applicable regulations and the Companies Act

1.5.1 We reviewed the announcements in relation to the BOP business to establish whether the announcements were accurate, factual, complete, clear and succinct and in compliance with the SGX Catalyst Rules, applicable regulations and the Companies Act 1967 (Rev Ed 2020) ("Companies Act") which were relevant and in force during the period of the BOP business. Our findings are set out below.

Potential breaches in relation to SGX Catalyst Rules Chapter 7 – continuing obligations

1.5.2 We identified potential concerns with the Company's internal controls and risk management process in relation to the BOP business, which may be in breach of SGX Catalyst Rule 719 (1):⁹⁵

Table 1.9 – SGX Catalyst Rule 719 (1)

S/No.	Rule	Potential Breaches
1	Catalist Rule 719 (1) states that <i>"An issuer should have a robust and effective system of internal controls, addressing financial, operational and compliance risks. The audit committee (or such other committee responsible) may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the systems of internal control. In arriving at the decision, the audit committee should consider the recommendation of the continuing sponsor."</i>	General due diligence on acquisitions and/or significant business transactions:⁹⁶ 1) We noted that the Company has no prescribed policy, process or procedure for the evaluation and approval of potential acquisitions, investments or significant business transactions during the material times when the Group ventured into the BOP business.⁹⁷ We noted the SOP on 'Investment and Acquisition of Company/Business' was only formally approved on 23 March 2022. 2) This could be a factor in the Company failing to perform and document appropriate due diligence prior to entering into the JVA in relation to Wish SG, entering into the MSA with Henan Jufel and entering into the 14 BOP agreements. 3) In this case the Company appears to be of the view that minimal due diligence was required as Wish SG was a dormant and newly incorporated company, and that the investment itself was not substantial as the value of the investment into Wish SG was SGD 400. However, this is insufficient to dispense with adequate due diligence. First, the risks

⁹⁵ See Annex A – Maxwellisation comments of the Company.

⁹⁶ See Annex A – Maxwellisation comments of the Company.

⁹⁷ During maxwellisation, we understand from Mr Lee "[t]he then Board has in place a formal delegation of authority ("DOA"), an internal control which was approved on 11 August 2017...BOP transactions fall under 'any transactions not in the ordinary course of business' of the DOA. Under the DOA, any transactions not in the ordinary course of business have to be authorised by the Board...". We have requested from the Company the said DOA and was provided with a DOA dated 18 June 2015 purportedly approved by the Board of the Company on 11 August 2017. However, we understand from Mr Lee that "A revised DOA, not the one dated 18 Jun 2015, was approved during the ARC meeting held on 11 August 2017.". Mr Lee provided us with an email dated 8 August 2017 with an attachment in excel file titled 'Delegation of Authority Matrix – 11 Aug 2017.xlsx'. Based on our review of the ARC meeting minutes for the meeting held on 11 August 2017, it was minuted that "[a] set of limits of authority had been circulated to the ARC and ARC took the position that the limits of authority for the Company and its subsidiaries should be kept low until the financial position stabilises. Chairman emphasized that the limits of authority should be strictly enforced until such time when the Company is profitable. Management may request ARC to review and consider increasing the limits when that happens.". Notwithstanding there was discussion on the revised DOA, we did not note any formal approval by the Board of the Company to approve and adopt the said DOA. Hence, we are unable to conclude if either the DOA dated 18 June 2015 or the revised DOA was properly adopted by the Board of the Company. See Annex A – Maxwellisation comments of the Company and Annex B - Maxwellisation comments of Mr Lee.

S/No.	Rule	Potential Breaches
		associated with an investment remain the same whether or not a company is newly incorporated. Even if Wish SG was newly incorporated or dormant when the JVA was entered into, Wish SG could still have been legally bound by agreements and/or involved in litigation arising from business activities undertaken. Second, even though the investment value was only SGD 400, that does not reflect the risks of the business intended to be undertaken by Wish SG. These risks warrant legal and / or financial due diligence. 4) Whilst the Company has taken the position that it followed the SOP prior to 23 March 2022, assuming this is so, it appears that the key procedures prescribed in the SOP were not followed. In any event, we are of the view that the SOP has room for improvement: (i) The SOP states that financial information about the target company need only be included in the board paper if the investment is to be made in an “active” group or company. This is ambiguous and leaves room for interpretation as to what “active” is intended to cover. The SOP should instead recommend that financial and legal due diligence be performed in respect of all investments. (ii) The SOP requires that “background” “key business information” and “financial information” be provided in the board paper relating to the investment. It would be better if the SOP also set out in detail the specific due diligence to be undertaken, and for a summary of the due diligence to be set out in the board paper. <u>The BOP business</u>⁹⁸ 1) From the commencement of the BOP business in April 2019 up till 1 April 2021, the Company

⁹⁸ During maxwellisation, we understand from Mr Lee “[d]ue to its nature, the correct approach for BOP transactions policy is to set one up with a comprehensive coverage on key BOP transactions processes (end-to-end) covering onboarding, execution, monitoring and reporting. Given the end-to-end coverage, the right timing for such a policy is when there is visibility on the process flow and key control points i.e., when the business has started and related processes have stabilised. Up till my retirement, there was limited visibility on actual process flow and key control points cannot be identified to develop a practicable policy...I retired as an Independent Director on 26 April 2019. Given that the first batch of BOP outlets were onboarded on 24 April 2019 (which I was also not informed), I would not be in a position to provide oversight on the setup of the BOP business related policies. Policy set up is typically an extensive project that could take months or more.”. We further understand from Mr Chow “...Notwithstanding formal BOP transactions policies, SOP and internal controls etc are necessary...at the point of the involvement of the then ARC/Board this BOP business was still in its infancy phase, as such relevant internal controls and procedures needs to be developed in line with the process flow and nature of the transactions as an ongoing basis...Mr Lee and myself had already given notice of our intended resignation and many of these comments are not within our involvement and tenure as the then Board and ARC members.”. See Annex A – Maxwellisation comments of the Company.

S/No.	Rule	Potential Breaches
		did not have written policies on the BOP business. 2) We further noted that the SOP on <i>'Credit Assessment, Accounts Receivables and Collections – BOP Services'</i> was developed only around the termination of the HMS and BOP agreements, on 1 April 2021. 3) In addition, whilst the Company had a SOP on <i>'Accounts Payables and Payments'</i> dated 18 June 2015 and subsequently updated on 1 March 2021, we have not sighted any controls over the authorised bank signatories for newly opened bank accounts.⁹⁹ 4) The issues identified above are corroborated by the observations of the internal auditors of the Company raised during the ARC meeting held on 26 February 2020 on the <i>"lack of updated SOP and policies to ensure collection of accounts receivables"</i> in relation to the BOP business.¹⁰⁰

1.5.3 In addition, we have identified potential breaches in relation to SGX Catalist Rule 703(4), read in conjunction with Appendix 7A Corporate Disclosure Policy of the SGX Rulebook. Part IX Content and Preparation of Public Announcement prescribes that *"each announcement should be factual, clear and succinct"*. We noted the following inaccuracies in the content of the announcements released by the Company in relation to the BOP business:

Table 1.10 – Inaccuracies in SGX announcements relating to the BOP Business

S/No.	Date of announcement	Content of announcement	Potential Breaches
1	8 March 2019 ¹⁰¹	Information on the parties relevant to the MSA entered into by Wish SG with Henan Jufeel	1) As described in paragraph 1.4.10 above, the Company announced the entry into the MSA with Henan Jufeel on 8 March 2019. In the announcement, Henan Jufeel was described as a <i>"limited liability company registered in the People's Republic of China that conducts F&B related business as approved by the relevant government authorities in the PRC"</i>. However, from our independent search performed on Henan Jufeel on QCC, we noted that Henan Jufeel did not have any food business licence registered under its name. 2) It was stated in the announcement that Henan Jufeel was to secure F&B outlets to join the BOP program. However, it appears that the outlets onboarded were not all F&B outlets. From our

⁹⁹ See Annex A – Maxwellisation comments of the Company.

¹⁰⁰ During maxwellisation, the Company provided a SOP in relation to *'Accounts Receivables and Collections'* dated 18 June 2015. However, it was noted that the SOP did not refer to the BOP business and did not have detailed procedures around the credit assessment of new customers.

¹⁰¹ The then BODs at the material time except for Mr Lee and Mr Chow gave their approval for the release of the SGX announcement via email.

S/No.	Date of announcement	Content of announcement	Potential Breaches
			independent search on the 14 BOP Outlets subsequently onboarded, we noted that only seven of the outlets had a food business licence during the period the BOP business was in operation, whilst the remaining seven BOP Outlets did not have any food business licence registered in their names. If at the time the announcement was issued, the Company's intention was to secure F&B outlets, but there was later a change in the implementation of this intention, this could indicate that the Company's representation was not factually incorrect.¹⁰² 3) The Company represented that pursuant to the MSA (which is a legally binding agreement), Henan Jufel will <i>"on a best effort basis"</i> secure at least 200 current and future F&B outlets located in various parts of the world. However, from our review of the MSA, Henan Jufel is required to <i>"assign and secure at least 200 current and future F&B outlets located in various parts of the world"</i> within two years from the date of the MSA. The idea that Henan Jufel's contractual obligation is on a best effort basis is not an accurate representation of the terms of the MSA.¹⁰³
2	29 April 2019 ¹⁰⁴	Announcement of 8 BOP agreements ¹⁰⁵	1) We noted that SGX Catalist Rule 703(4), read in conjunction with Appendix 7A requires a company to provide <i>"timely disclosure of material information"</i>. 2) In this case, although the eight BOP agreements were signed on 24 April 2019, the Company only announced the entry into the eight BOP agreements on SGXNet on 29 April 2019.¹⁰⁶
3	7 April 2021	Information on the China Management team managing the BOP business in the PRC ¹⁰⁷	1) The China Management team described in paragraph 1.4.38 above were employed as subcontractors on contract for a one-year period,

¹⁰² See Annex A – Maxwellisation comments of the Company.

¹⁰³ See Annex A – Maxwellisation comments of the Company.

¹⁰⁴ The then BOD at the material time, Mr Pang, Mr Liu and Mr Chong gave their approval for the release of the SGX announcement via email.

¹⁰⁵ See Annex A – Maxwellisation comments of the Company.

¹⁰⁶ We conducted an independent search of the Company's share price on SGX Investor Portal and noted that the Company's closing share price fluctuates around SGD 0.23 and SGD 0.24 between 24 April 2019 and 29 April 2019. There is no trading volume on 24 April 2019 and 25 April 2019 and the trading volume of the Company's shares remained low at 100,000 shares on 26 April 2019 and 115,000 shares on 29 April 2019 (27 and 28 April 2019 are non-trading days).

¹⁰⁷ See Annex A – Maxwellisation comments of the Company.

S/No.	Date of announcement	Content of announcement	Potential Breaches
			although this was subject to renewal. We noted that there were some discrepancies disclosed in the Company's replies to SGX enquiries in relation to the subcontractors in the China Management team announced on 7 April 2021. 2) We noted from the service contracts of the following subcontractors that their employment ended on 14 April 2020. However, we noted that they were identified as part of the China Management team in the announcement dated 7 April 2021: (a) Tong Lu (Chief Operating Officer) (b) Wang Xian Hui (Chief Sales Directorate) (c) Zhang Xu (张旭) (Procurement Officer) 3) We noted from the service contracts of the following subcontractors that their employment ended on 14 April 2021 or commenced on 1 April 2021. However, they were not included as part of the China Management team in the announcement dated 7 April 2021: (a) Liu Jun Ling (Human Resource Director) (b) Liu Jian (Market Planning and Development Officer) (c) Mr Dou Le (Administrative Manager)

Potential breaches of Sections 156 and 157 of the Companies Act and duties of directors at common law

1.5.4 We have considered whether the various acts of the directors and officers of the Company and/or Wish SG are in compliance with the Companies Act.

1.5.5 Directors have duties under the Companies Act and under common law:

- (a) Section 157 (1) of the Companies Act provides that *"a director must at all times act honestly and use reasonable diligence in the discharge of the duties of his or her office"*.
- (b) Section 157A (1) states that *"the business of a company is to be managed by, or under the direction or supervision of, the directors"*.
- (c) Section 157C (1) allows a director to, when exercising powers or performing duties as a director to rely on *"... statements ... and other information prepared or supplied, and on professional or expert advice given, by ... (b) a professional adviser or an expert in relation to matters which the director believes on reasonable grounds to be within the person's professional or expert competence"* provided the director (a) acts in good faith (b) makes proper inquiry where the need for inquiry is indicated by the circumstances and (c) has no knowledge that such reliance is unwarranted.

- (d) Directors of a company have a general duty under Singapore Law to act in good faith and in the best interest of the company to discharge all duties, powers, responsibilities, obligations and functions assigned or vested in them as directors.

1.5.6 Having considered the manner in which the BOP business was entered into and managed for the duration from 2019 to 2021, we highlight the following:

- (a) As the Board Minutes dated 26 February 2019 provided that the BOP Business Diversification Conditions were to be followed up by Management, Management had the responsibility to ensure that the conduct of the site visits and the desktop due diligence on the contracting parties which was to be submitted to the then ARC of the Company were satisfied and update the then Board of the Company if there were any difficulties faced in satisfying such conditions. The Company or Wish SG entered into the MSA even though the site visits were incomplete and the due diligence performed was inadequate. Whilst onus would have been on Management to flag any issues with due diligence to the Board of the Company, it would have been good practice for the Board of the Company to have followed-up on the BOP Business Diversification Conditions given by them for the Group to enter into the BOP business.¹⁰⁸
- (b) We also noted that the BOP agreements were signed without there having been desktop due diligence conducted on the BOP Outlets which was one of the conditions.
- (c) Whilst it is permissible for directors to delegate day-to-day operations to management, they must retain general oversight of the business. In this regard, we noted that there may have been lapses in the following areas:
 - (i) It appears that no guidance was given by the board of the Company at the material time on internal policies to be implemented in relation to the BOP business, including due diligence to be conducted to onboard new BOP Outlets, how periodic monitoring of the BOP Outlets should be undertaken, and assessing the financial position of existing BOP Outlets.
 - (ii) Based on our interviews with the directors and Management, the Company relied entirely on Mr Liu to run the BOP business. Mr Liu had in place a consultancy agreement with Wish SG under which he was to manage, amongst other things, “*all matters relating to (the) BOP business*”. However, save for general updates that were provided at board meetings and ARC committee meetings, it appears that the directors were not kept updated on the BOP business. Although the BOP business contributed to majority of the Group’s revenue and 100% of the Group’s net profit in FY2019, both Mr Pang and Mr Paul Chong did not appear to take an active involvement in the BOP business. Notwithstanding reliance may have been placed on Mr Liu, Mr Pang and Mr Paul Chong ought to have asked for or obtained periodic reports on the status of the BOP Business. This is especially so for Mr Pang, who was the Executive Chairman at the material time.¹⁰⁹
 - (iii) The BOD should have taken a more prompt and active role in supervising the collection of the BOP service fees as and when the BOP service fees become due and payable to Wish SG in around 2019.¹¹⁰ Based on our interviews with directors and Management, the Company appears to have relied on Mr Zhang and Mr Liu to manage the collection of the outstanding BOP service fees despite the significant long outstanding BOP service fees being uncollected. Whilst it is permissible for reliance to be placed on Mr Zhang and Mr Liu to collect the BOP service fees, a more prompt and active role should have been taken

¹⁰⁸ See Annex A – Maxwellisation comments of the Company and Annex B - Maxwellisation comments of Mr Lee.

¹⁰⁹ See Annex A – Maxwellisation comments of the Company.

¹¹⁰ It was noted that there were BOP service fees that became due and payable since April / May 2019 (according to clause 2.2 of the BOP agreements). We noted that written records of the board discussions in relation to the BOP service fees collections were only first maintained on 26 February 2020 in respect of the ARC meeting. During maxwellisation, we understand from the Company “[p]lease note that the Board held many ad hoc discussions and/or meetings (in addition to the quarterly board meetings) with Mr Zhang and Mr Liu to request for updates on the collection of the BOP service fees once the Board was made aware of the difficulties in collection of the outstanding BOP fees. This in turn led to the numerous arrangements which were subsequently implemented and announced by the Company including amongst others, (a) the appointment of KPMG Beijing to advise on PRC withholding taxes issues which resulted in part of the BOP services fees being remitted back to the Group’s bank accounts in Singapore, (b) the personal guarantees being procured from Mr Zhang, Mr Liu, Ms Zhang and Mr Pang, (c) the third party loan procured by Kaifeng Jufei to pay for and on behalf of the BOP outlets, and (d) the current arrangement whereby Mr Zhang has committed to procure transfer of shares in a certain Hong Kong listed company and/or monthly instalment payments of S\$1 million.”.

by the Board of Directors once it became clear that there were difficulties in the collection of the remaining outstanding BOP service fees.¹¹¹

- (iv) Although Mr Liu was a Non-Independent and Non-Executive Director of the Company, he appeared to have undertaken an executive role specifically in relation to the BOP business, based on information given by the interviewees. Further, while Mr Liu was to manage the BOP business, we have not been able to locate any job report or correspondence documenting the actual work done by Wish SG vis-à-vis the BOP Outlets. These observations are made without the benefit of locating and interviewing Mr Liu.
- (d) There appears to have been a lapse in ensuring that Wish SG retained its security over the outstanding BOP service fees. As explained at paragraph 1.4.70 above, when appointing Kaifeng Jufel as the authorised representative to collect the outstanding BOP service fees, Wish SG obtained securities, including a mortgage over land and factory buildings owned by Kaifeng Jufel. However, the security was discharged in or around June 2021. Based on our review, we have been unable to conclude if the sum of RMB 100 million remains in the Guangfa bank account, whether the RMB 100 million remains encumbered, and whether security was given in favour of Chongqing QYC, the party that loans the sum of RMB 100 million to Kaifeng Jufel. The discharge of security given by Kaifeng Jufel, the provision of security to Chongqing QYC and the transfer of RMB 100 million to Wish SG's bank account should have been done contemporaneously, to avoid a situation where Wish SG is left either without security for the outstanding BOP receipts or without receipt of an unencumbered sum of RMB 100 million. Given the substantial amount involved, an argument can be made that the BOD ought to have supervised this process.¹¹²
- (e) We noted that Mr Zhang was appointed as Chairman of the Company from 1 January 2020. According to the Company's announcement dated 2 January 2020, we understand that he was appointed Chairman as the Company intended to grow the BOP business and the Company would be able to benefit from Mr Zhang's strategic advice, guidance and network to make further inroads into the BOP business. However, in this report, we have noted some shortcomings in the management of the BOP business by Mr Zhang, including his failure to adequately oversee the business (see for example, paragraph 1.4.41). In the circumstances, it is questionable if the decision to appoint Mr Zhang as Chairman was overall in the best interest of the Company.¹¹³
- (f) In addition, although a significant portion of the BOP service fees had not been received as at 31 December 2019, no loss allowance was made on the outstanding BOP service fees receivables in the FY2019 audited financial statements. The Company and its subsidiaries essentially represented that given the personal guarantees and securities (set out at paragraphs 1.4.69 and 1.4.70 above) covered the outstanding BOP service fees, a loss allowance was not required. However, it appears that the value of these securities may have been overstated (see paragraph 1.4.72 above).¹¹⁴ It is unclear if the Company conducted a fresh valuation of the securities at the time and assessed whether the personal guarantees and the value of these securities was sufficient to cover the outstanding BOP service fees when the representation was made.

1.5.7 Our observations at paragraphs 1.5.6(a) to (f) also apply to the BOD of Wish SG. Additionally, specifically in relation to Mr Pang, we noted that while he undertook site visits to the 14 BOP Outlets, only four site visits were conducted prior to the signing of the BOP agreements. The remaining 10 were done after the signing of the BOP agreements. Further, when Mr Pang signed the BOP agreements he did not raise queries or take steps to obtain legal advice on whether it was appropriate for Mr Zhang to sign the BOP agreements on behalf of the counterparty and/or whether a common seal was required.

¹¹¹ See Annex A – Maxwellisation comments of the Company.

¹¹² See Annex A – Maxwellisation comments of the Company.

¹¹³ See Annex A – Maxwellisation comments of the Company.

¹¹⁴ See Annex A – Maxwellisation comments of the Company.

1.6 Conclusion and recommendations

1.6.1 Based on our review in relation to the BOP business for the period from February 2019 to August 2021, we have identified lapses and oversight of Management and the BODs of Wish SG and the Company in venturing into and managing the BOP business and collections of the BOP service fees. Our key findings are as follows:

- (a) There were no policies and SOP governing the operations of the BOP business.
- (b) Management did not fulfil the BOP Business Diversification conditions set by the then Board of the Company for the Group to diversify into the BOP business. Mr Pang visited only four out of the 14 BOP Outlets prior to signing the respective BOP agreements and conducted the remaining site visits after the signing of the BOP agreements. It appears that the Group relied on Mr Liu and Mr Zhang to conduct the due diligence on the BOP Outlets and their owners. We have not sighted any documentation on the due diligence work performed by Mr Liu and Mr Zhang.
- (c) From as early as June 2019, the Group recognised revenue earned from the BOP business in relation to the health management services instead of F&B facilities, as intended in the BOP Proposal dated 20 February 2019, the Board discussions held on 26 February 2019, the MSA entered into by Wish SG with Henan Jufel and the BOP agreements entered into by Wish SG. We were informed by Management that the Board of the Company had considered SGX Catalyst Rule 1014, read in conjunction with Practice Note 10A (effective 29 September 2011 to 6 February 2020) – Shareholder Approval for Major Transactions, in particular paragraph 7(c), and had assessed that such diversification would not (a) increase the scale of the Company's and/or Group's operations significantly, or (b) have a significant adverse impact on the Company's and/or Group's earnings, working capital and gearing. We have not sighted any Board Minutes which documented such discussions or assessment.
- (d) The MSA required Henan Jufel to bear the responsibility for the remuneration and all related mandatory expenses for the employees and executives seconded to the BOP Outlets. The BOP Proposal, on the other hand, provided that staff cost, including that of the chief operating officer, trainers and assistants, are to be borne by Wish SG. Eventually, Wish SG was the party that bore the expense of the China Management Team (including a chief operating officer). Notwithstanding that the actual staff cost incurred by Wish SG was lower than initially provided for (FY2019: RMB 1.9 million (actual) and RMB 2.9 million (budget)) (FY2020: RMB 1.7 million (actual) RMB 4.4 million (budget)), these were not expenses that was initially intended to be borne by Wish SG.
- (e) All the 14 BOP agreements were executed by Mr Zhang on behalf of the BOP Outlets without affixing any official company seals of the respective BOP Outlets. Furthermore, we noted no DRIW was passed by Wish SG to authorise the entry into the BOP agreements and the Company only announced the entry into the eight BOP agreements signed on 24 April 2019 on 29 April 2019.
- (f) We have not sighted any job service report and communications between the China Management team and Wish SG or the Company, as well as board discussion minutes or presentation by Mr Liu discussing the operational matters relating to the BOP business.
- (g) Limited financial information was provided by the 14 BOP Outlets to Wish SG or the Company for them to monitor the financial performance of the 14 BOP Outlets as intended or stated in the BOP agreements.
- (h) There appears to be a lack of control by the Company over the bank account, given that the Guangfa bank account could only be operated solely by Mr Liu. Management was not aware that there was an encumbrance on the RMB 100 million, the payor was Tianjing Ming Yuan instead of Chongqing QYC and the funds were initially remitted to Wish Shanghai's BOC bank account before being transferred to the Guangfa bank account on the same day.

1.6.2 Based on the findings above, we set out our recommendations in the following table:¹¹⁵

Table 1.11 – Areas of concern and recommendations

No.	Findings	Recommendations
1	No internal policies governing the BOP business, such as onboarding new customers, monitoring the operations of the existing customers and performing credit assessments on the existing customers and no guidelines or policies on investing in a company for the purposes of a new business venture.	The Group should ensure that policies and SOP for new businesses are developed and implemented on a timely basis. These policies may be subjected to changes from time to time to be in line with the business needs. There should be strict monitoring of the implementation of the policies and SOP to minimise control lapses in relation to the operations of the business. The Group should also ensure that directors' approvals required for significant matters are obtained and documented on a timely basis, in particular for the necessary approvals to be obtained before the relevant matter is executed.
2	Inadequate legal and financial due diligence conducted on relevant parties to the JVA, MSA and BOP business	The Group should conduct sufficient and thorough due diligence procedures on the correct contracting parties, business partners and their KMPs to assess the legal and financial risks. The due diligence should be properly documented, including (i) steps taken to conduct the due diligence (ii) the Board of the Company's and Management's assessment of any red flags and (iii) any steps taken to manage risks following red flags raised in the course of due diligence. Ideally, the Group should put together a policy to guide Management in evaluating new business ventures or investments in the future. The BOD should be informed on the outcome and the findings of any due diligence conducted by Management and the discussions arising out of the findings should be recorded at length in the minutes of the board meetings.
3	Lack of review of the BOP agreements and/or documents executed to ensure legal enforceability of the BOP agreements and official documents	The Group should conduct robust review of agreements and/or documents in relation to significant business activities and financial commitments and ensure any anomalies in the documents executed are addressed and resolved with counterparties on a timely basis. In particular: 1) The official documents must be executed by the legal representatives, in the name of the company, in accordance with the relevant legal requirements. 2) Correspondence between Management, the BOP Outlets and any other relevant advisers on the verification of the legal requirements in the execution of official documents should be maintained. 3) Agreements entered into by the Group must be executed by the contracting parties themselves

¹¹⁵ See Annex A – Maxwellisation comments of the Company.

No.	Findings	Recommendations
		instead of third parties.
4	Non-compliance with the conditions set by the Board of the Company to conduct site visits of WISH's operations prior to entry into the BOP business	Management should ensure that the conditions set by the Board of the Company when approval was granted are followed through without any deviations. This is especially so for significant business decisions. Where deviations are required or necessary, Management should raise this for the consideration of the Board of the Company and seek express approval, with reasons.
5	Inadequate control over bank accounts	Management should ensure that necessary controls over bank accounts are documented and implemented effectively to ensure authorised personnel have oversight of the cash maintained in the bank accounts and are accountable to the Board of the Company. The Group should adopt the following policy, in relation to designating authorised signatories for its bank accounts: 1) No non-employee of the Group should be the authorised signatory of any bank account. 2) None of the bank accounts should have only one authorised signatory. 3) In any event, no funds should be remitted to a bank account with only one authorised signatory. 4) Where deviations from the above are necessary (for example, where a local resident of a foreign country is required to be a bank signatory), the risks associated with this should be considered before a decision is made to appoint a non-employee or sole signatory. If it is determined that deviations are necessary, steps should be taken to minimise the risks associated with the deviation. For example, non-employees should be made to sign non-disclosure agreements to prevent the disclosure of confidential information. Proper handovers should also be done when the sole authorised signatory tenders his or her resignation.
6	Lack of Management control and supervision over the BOP business	The Group should implement a structured reporting mechanism and conduct robust and in-depth discussions on significant issues, with these discussions being minuted. Work done for the BOP Outlets and the issues faced and resolutions should be recorded in job reports. Management should oversee and/or supervise the work performed by the China Management team and monitor the financial performance of the BOP Outlets instead of leaving it to Mr Liu to manage it entirely. Even where Mr Liu is in charge of overseeing operations, Management should still ensure that

No.	Findings	Recommendations
		proper records are kept of the work done by Wish SG in relation to the BOP business.
7	Lack of independent review of the internal policies	The Group should consider engaging an appropriate independent party to review the internal policies to be implemented on major business processes to ensure the policies are adequate and the intended purpose of them addresses the risks. The Group should also consider conducting regular internal audits to ensure the procedures mentioned in the policies are implemented effectively.
8	Lack of robust review or verification of critical documents and information referred to or stated in announcements made on SGXNet	Management should ensure critical documents or information referred to or stated in SGX announcements are reviewed, verified, maintained and can be retrieved when necessary.
9	Delay in announcement of significant event and information on SGXNet	The Group should ensure that significant event and information are announced in a timely manner. Where necessary, corrections of incorrect factual statements should be done in a timely manner.
10	Lack of appropriate directors' resolutions for major business transactions or acquisitions undertaken by the Group	Whilst Management has taken the position that the DRIW dated 13 March 2019 authorising Wish SG to enter into the MSA also covered "ancillary" agreements, including the BOP agreements, where the Company takes on significant obligations, such as under the BOP agreements Wish SG is required to provide a refundable deposit of RMB 1 million for each of the outlets, good corporate governance requires that such agreements be tabled for approval before the BOD.
11	Inconsistency between terms set out in the BOP Proposal and contractual rights and obligations	We noted at paragraph 1.4.40 above that the MSA required Henan Jufel to bear the responsibility for the remuneration and all related mandatory expenses in respect of the employees and executives seconded to the BOP Outlets. The BOP Proposal, on the other hand, provided that staff cost, including that of the chief operating officer, trainers and assistances, is to be borne by Wish SG. Wish SG was eventually the party bearing the expense of the entire China Management Team which was not initially contemplated in the BOP Proposal. In the course of preparing and implementing any internal policies, Wish SG ought to have considered and ensured consistency with its contractual rights and obligations. In this case, the preparation and implementation of the BOP Proposal relating to staff costs should have accorded to the terms of the MSA. Failure to do so suggests inadequate corporate governance. We would recommend that: 1) Before Wish SG or the Company undertakes any

No.	Findings	Recommendations
		costs in respect of the BOP business or any other business, it reviews the terms of the contracts to determine if there are contractual provisions allocating such costs.
		2) If there are any agreed variations on the terms of the contract, these variations should be recorded in writing so that a record is kept of all the variations.

- 1.6.3 In relation to the potential breaches of SGX Catalyst Rule 719(1) of Chapter 7 on internal control and risk management, Catalyst Rule 703(4), read in conjunction with Appendix 7A corporate disclosure policy and Sections 156 and 157 of the Companies Act on directors' duties identified above, we recommend the Board of the Company seek legal advice, and thereafter, take such steps as may be appropriate to safeguard the interests of the Company. We also recommend the Company to appoint professionals to conduct a corporate governance review and consider whether the policies and processes adopted by the Company are sufficient.

1.7 Disclaimer and limitations

- 1.7.1 Our work has been limited by the time available within which to complete the tasks, the agreed scope of the engagement and nature of the information made available to us during the engagement. We are unable to verify the authenticity, correctness and integrity of any information provided to us.
- 1.7.2 Our work has been limited by access to information sources. In such circumstances, as we may not become aware of all facts or information that may be regarded as relevant, our ability to report adequately may be materially prejudiced and you should not rely on our work and our report as being comprehensive. Some of the documents we requested were given to us by Management as pdf soft copies and we could not verify the authenticity of these documents. We accept no responsibility for matters not covered by our report or omitted due to the limited nature of our review.
- 1.7.3 In carrying out the engagement, DTFAS has assumed that all information made available is complete and reliable for our purposes. We have relied upon the records and representations provided by GS Holdings up to 15 February 2023. In some cases, documentation was not made available to DTFAS for our consideration and inclusion in this document. Our observations may be subject to change if additional information is provided at a later date after the issuance of this report. Any statements provided may result from the subjects' recollection and memory. DTFAS is not responsible for any inaccuracy thereof.
- 1.7.4 For the avoidance of doubt, our work has not included:
- (a) Any statutory audit on the information provided to us and we will not accept responsibility for the accuracy of the information provided to us.
 - (b) An internal audit on the internal control system of the Group and will not be assessing the adequacy and effectiveness of the internal control system.
 - (c) The provision of legal advice on the legal implications/consequences.
 - (d) Any potential issues that may arise under foreign laws, rules and regulations.
 - (e) Any representation or substitution of company management.
- 1.7.5 Our work or procedures performed may not have necessarily resulted in any conclusive findings and / or the uncovering of irregularities such as fraud or corrupt practices. We do not warrant as to the adequacy or sufficiency of the methodology or procedures to be employed.
- 1.7.6 The procedures performed do not and will not constitute an audit, review compilation or attestation services as described in the pronouncements on professional standards issued by the ACRA or any

successor standards setting body nor an evaluation of the Group's internal control systems or an evaluation of compliance with laws, regulations, or other matters.

Limitation of our background searches

- 1.7.7 In carrying out corporate intelligence into individuals or entities, we use our professional judgment to identify the online sources that are searched in our work, taking into consideration the requested scope and purpose of the scope, the location of the subjects, and budgetary and time considerations. While we have access to numerous potential data sources, we cannot possibly search all of them in the course of any one-research assignment. We caution that other professional services firms might reach different judgments about the databases to be searched or produce different findings. In addition, we noted that online records can be incomplete or inaccurate, and that there may be considerable additional information which has either not been reported or is not available through online sources. Since coverage periods may vary depending upon any database provider, the type of information sought, and the source of the information, the possibility exists that the coverage provided by these databases will not yield the information sought. Accordingly, we assume no responsibility for the accuracy of the information obtained from online sources, nor do we guarantee that we have located all relevant information that might exist regarding a certain subject.
- 1.7.8 Save where indicated to the contrary, it should be assumed that information provided has been obtained from an outside source. Whilst we will endeavour, if requested, to provide you as far as possible with information on the type of source from which the information we gather has come, this may not be possible in all cases and we retain the right to refuse to identify any such source.
- 1.7.9 We may not be in a position to test the accuracy or completeness of information from an outside source. The source which we use may itself not have direct information and may rely upon another party. We therefore accept no responsibility for, and do not warrant the accuracy or completeness of, any information, or any inference that you draw from that information. Save as specifically provided, we will not analyse the information received and provided to you.
- 1.7.10 Information is provided to you on the basis that the recipient will not rely upon it as the sole basis for any action or decision. Where necessary, should you so wish, you should seek to confirm our findings through an alternative source. You agree that we will not audit or otherwise test or verify the information given to us, in writing or orally, during the course of the Services provided by DTFAS.

Limitation of maxwellisation

- 1.7.11 Our work and/or procedures performed have been limited by the fact that we are not conferred any statutory or coercive powers to compel the co-operation of the relevant parties to participate in the review process, maxwellisation process or the disclosure of documents, information, and/or devices for the purposes of this report. Should any party reject our invitation to participate in the independent review process, we will have no alternative but to proceed with the information that we are able to gather and finalise the report without the input of such parties and shall not be responsible for any incompleteness and/or inaccuracies arising therefrom and shall not be liable for any damages and/or losses incurred by any party as a result of our findings.

Annex

Annex A – Maxwellisation comments of the Company

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
1.	1.4.4 and 1.4.5 2.1.13 and 2.1.16	Prior to entering into the JVA with Ms Zhang, it appears that the Company did not conduct a thorough background check on Wish SG and its shareholder(s) and/or director(s), namely Ms Zhang and Mr In. No legal and/or financial due diligence was performed except for an ACRA business profile search on Wish SG as Management was of the view that Wish SG was newly incorporated and a dormant company.	The circumstances surrounding Wish SG and the JVA did not warrant a due diligence exercise that involved extensive legal and financial reviews being conducted on Wish SG. Wish SG was incorporated in December 2018. The Company entered into the JVA with Ms Zhang barely a month from the date of Wish SG's incorporation. The Company understood from Ms Zhang that Wish SG was a dormant company since its incorporation. Being a dormant company that had not conducted any business, and given the very short period of time between its incorporation and the execution of the JVA, it was highly unlikely that Wish SG could have been involved in litigation with third parties or have significant financial records that need to be reviewed. In addition, Ms Zhang gave representations and warranties in the JVA that Wish SG did not have any pending legal proceedings against it or outstanding commitments at the time of the execution of the JVA. In light of the foregoing, Management was of the view that it was not meaningful to perform a full due diligence on Wish SG. Instead, a thorough background check was conducted on the shareholders and directors of Wish SG prior to the execution of the JVA. We obtained the Curriculum Vitae ("CV") of Ms Zhang and noted from it that she was a director and chairperson of Raffles Capital Limited, a company listed on Australia Securities Exchange. The Management liaised with the Australia Securities Exchange to conduct a search on Raffles Capital Limited to confirm that Ms Zhang was indeed a director of the company. The Management also noted that Ms Zhang has extensive experience in working closely with investment banks, auditors, lawyers, valuers and other professionals to assist companies in preparing for listings, reverse takeovers, buyouts, joint ventures, and alliances. Prior to the entry of the JVA with Ms Zhang, Ms Zhang had also fulfilled the 1st tranche of payment of approximately S\$1.2m pursuant to the Placement Agreement entered with the Company. This gave the Company assurance that she was a person of means and was a reliable JV partner. As for Mr In, we have also obtained his CV prior to engaging him to introduce potential businesses to the Company. We noted that he was an adjunct faculty member of Singapore Institute of Management for 20 years and 17 years at University of South Australia. Management also understands that he has taught MBA classes at China's JiaoTong, RenMin, Beijing and Tsinghua

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			universities. He was also an advisor to various reputable companies such as AXA, BASF, Citibank, DBS, Hilton, IBM, Microsoft, Motorola, Siemens, Volvo, etc. Given his work experience and the business networks that he developed from it, the Company found him to be a person qualified to introduce businesses to the Company. The Management has also met both Ms Zhang and Mr In in person in Singapore prior to the placement of shares to Marvel Earn Ltd Ltd/Ms Zhang. This aided Management in assessing and understanding Ms Zhang and Mr In's business experience and connections.
2.	1.4.5 (a)	Management did not perform all the procedures prescribed in the "Investment and Acquisition of Company/Business" SOP when entered into the JVA with Ms Zhang. The Board paper to be prepared prescribed in the SOP, amongst others, should include: (i) Background and key business information about the vendor and the target company or business. It did not set out in detail the specific due diligence to be undertaken, and for a summary of the due diligence to be set out in the board paper. (ii) Financial information about the target company (applicable to the proposed acquisition of or investment in an active company or group). This is ambiguous and leaves room for interpretation as to what "active" is intended to cover.	First of all, the entry into JVA with Ms Zhang is about subscribing for 400 shares of a newly incorporated and dormant company for a consideration of S\$400. As the investment amount was just S\$400 and the JV company or the Target has yet to commence operations (therefore there were no principal business activities and financial statements), the Management did not prepare a Board Paper for the Board to approve the JV. Instead, a draft announcement and JV agreement pertaining to the proposed entry into the JVA with Ms Zhang were sent to the directors for their review and approval. All relevant requisite information was disclosed in the draft announcement. Please refer to the Company's announcement dated 17 January 2019. All then directors approved the proposed entry into the JVA with Ms Zhang and the release of the announcement. The directors knew about the JV partner, Ms Zhang, prior to the entry of the JVA with Ms Zhang, as she proposed to take up approximately 25.55 million new shares placement (total value is approximately S\$4.6 million) by the Company in December 2018. Therefore, the directors did not request for a due diligence to be conducted on Ms Zhang. The Company had done a due diligence check on Ms Zhang prior to accepting her proposal to take up the private placement.¹
3.	1.4.10 and Footnote 19	On 8 March 2019, Wish SG entered into a legally binding Master Service Agreement with Henan Jufel ("MSA"), a company wholly owned by Mr Zhang, after obtaining approval from three out of five directors of the Company.	The Management had emailed the draft BOP Master Service Agreement ("MSA") and draft announcement pertaining to the entry into MSA with Henan Jufel to all directors (including Mr Lee and Mr Chow) for comments and approval on 28 February 2019 and 1 March 2019 respectively. The initial draft announcement was revised on 7 and 8 of March 2019 after receiving comments from some directors of the Company, of which Management has also emailed both revised draft

¹ Our scope of work does not cover the private placement in December 2018.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		Mr Lee did not provide any formal correspondence informing the Company that he abstained from the formal approval of the MSA. Instead, his decision was conveyed by Mr Chow to Mr Pang via a short message service ("SMS") that Mr Chow sent to Mr Pang on 9 March 2019 11:17 informing Mr Pang that both Mr Lee and himself abstained from granting their approval for the MSA as they did not have sufficient information (the "SMS timestamped 9 March 2019 11:17"). It appears that Mr Pang acknowledged the content of the SMS timestamped 9 March 2019 11:17 on the same day. We further understand from Mr Chow "...I categorically state on record that I did not provide such approval via whatsapp message as claimed by the management. In fact, I informed the chairman of the Board Mr Pang at [11:17] hours on the [9]th March 2019 via SMS that both Mr Lee and I have abstained from this approval. My SMS message was duly acknowledged by him."	announcement to all the directors for their comments and approval. The Company received email from Mr Pang, Mr Liu and Mr Chong stating their approval. At 10.49pm on 8 March 2019, the then Company Secretary wrote to Mr Pang, copied to all directors (including Mr Lee and Mr Chow) seeking his approval to release the announcement as the Company Secretary has yet to receive any reply from Mr Lee to approve the release of the announcement. The content of the email is as follows: - "Dear Mr Pang Further to our telephone conversation a moment ago at 1030pm and thank you for giving us a green light to proceed with the release of the above subject announcement to SGX later which you had sought agreement with Mr Lee Dah Khang on Wednesday, 6 March ...". The Company did not receive any objection or comments from Mr Lee after this email. As the Company Secretary did not include Mr Chow's name in that email to Mr Pang, we assume that Mr Chow has given his approval directly to the Company Secretary to release the announcement via whatsapp as he had occasionally done in the past.² With that, DTFAS's observation that only three out of the five directors of the Company has approved the entry into MSA with Henan Jufel may not be correct. The announcement pertaining to the entry into MSA with Henan Jufel was released on 8 March 2019, therefore the SMS dated 9 March 2019 from Mr Chow appears to be an afterthought subsequent to the release of the announcement. The Company is also of the view that both Mr Lee and Mr Chow should have informed the Management and other directors of the Company prior to 8 March 2019 on the additional information that they would like to receive for their consideration in view that the Management had sent the draft MSA and announcement to all directors then for their comments and approval on 28 February 2019 and 1 March 2019 respectively.

² We have requested from the corporate secretary at the material time, BDO Corporate Services Pte Ltd, for the Mr Chow's communication / approval but understood that they "do not have documentation of Mr Chow's confirmation in relation to the approval of the Master Service Agreement entered by Wish Hospitality Holdings Private Limited on 8 March 2019 with Henan Jufel Technology Group Co., Ltd and its announcement kept in our office. The previous secretary, Ms Eunice Chan, has left the service of BDO and we do not have access to her Whatsapp messages."

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
4.	1.4.12 2.1.29	There appears to be lack of a due diligence on Henan Jufeel prior to entering into MSA. Due diligence was only conducted on Jufeel Group instead of Henan Jufeel. This is inadequate as Henan Jufeel is not owned directly or indirectly by the Jufeel Group and vice versa. Henan Jufeel was only a 51% shareholder of Kaifeng Jufeel.	The Management performed desktop due diligence on Henan Jufeel and Jufeel Group as requested by the Board during the Board meeting held on 26 February 2019. The Management completed the due diligence report and emailed it to the Board on 28 February 2019 for their comments. The information about Henan Jufeel and Jufeel Group in the due diligence report was mainly extracted from a prospectus filed with the US Securities and Exchange Commission ("US SEC") on 21 February 2019 by Jufeel Group (the "Prospectus") and information available on the Jufeel Group's website. In the due diligence report, the Management clarified the relationship between Henan Jufeel and Jufeel Group and Jufeel Group's group structure in order to explain to the Board that the information extracted from the Prospectus was relevant in performing the desktop due diligence on Henan Jufeel. In essence, the principal activities of Jufeel Group were mainly carried out through Kaifeng Jufeel Biotechnology Co. Ltd, a company which was initially 51% owned by Henan Jufeel with the remaining 49% owned by Mr Zhang. Henan Jufeel was 100% owned by Mr Zhang while Jufeel Group was 67% owned by Mr Zhang. Mr Zhang subsequently transferred to some parties 32.5% of the shareholding interest in Henan Jufeel while retaining a 67.5% direct and deemed shareholding Interest in Henan Jufeel. The Company understands that as at September 2021, Mr Zhang holds approximately 90% of the shareholding interest in Henan Jufeel. The Prospectus contained much information which was relevant for the Company's management and Board to understand Henan Jufeel and Jufeel Group's businesses as well as some information pertaining to Mr Zhang Rongxuan, such as:- i. The history and principal activities of the group ii. The board of directors and management of the group iii. The products, customers and distribution networks of the group iv. The audited financial statements of the group for the financial year ended 31 December 2015, 2016, and 2017, and unaudited financial statements for 9 months ended 30 September 2018 v. List of properties and registered patents of the group vi. Any legal proceedings and litigation cases faced by the group and its directors vii. Future plans of the group The Board and management understood that the Prospectus was a legal document filed with US SEC which was prepared by qualified lawyers on the basis of requisite supporting documents and reviewed and verified by relevant key personnel and directors of Henan Jufeel and/or Jufeel Group. Hence, the

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			Board and management had no reason/ basis to believe that the information contained therein could not be relied upon for the Company's due diligence purpose. In view of the Company's contractual relationship with Henan Jufel under MSA (as we collaborated with them to provide BOP services only in PRC region under MSA) and the low capital investment required to be deployed by Wish SG (as no assets acquisition was involved nor any material capital investment was required for Wish SG), the risks which Wish SG was exposed to under the MSA were not significant. Accordingly, the Board and management considered that it was cost-efficient to conduct the due diligence on Jufel Group and Henan Jufel in the aforesaid way.
5.	1.4.18 and 1.4.22 (a)	No DRIW was passed by Wish SG to authorise the entry into the BOP agreements. When queried by DTFAS, Management took the position that the DRIW dated 13 March 2019 (which was drawn up specifically to authorise the entry into the "MSA and all ... ancillary ... agreements") was sufficient to provide approval for the BOP agreements with the 14 BOP outlets.	Management was of the view that the subsequent entry into BOP agreements with individual BOP outlets was a matter relating to operations and did not require Wish SG Board's oversight. It was also not practical to have a DRIW passed every time Wish SG entered into a BOP agreement with individual outlets as it was initially estimated by Henan Jufel that there could be up to 200 outlets. Further, each BOP agreement would be on substantially identical terms, and in any event, these terms did not expose Wish SG to significant risks that required the Board's oversight. For example, even in respect of the term highlighted at paragraph 2.1.35 of DTFAS's draft report regarding Wish SG having to bear the burden of deposits, the deposits were not in fact paid by Wish SG to the 14 BOP outlets. In any event, the Company was a majority shareholder (80%) in Wish SG and the directors nominated by the Company to the Wish SG Board also represented a majority of the directors of Wish SG.
6.	Footnote 25	DTFAS noted that the said announcement dated 29 April 2019 was approved by three out of four directors, Mr Pang, Mr Liu and Mr Chong. During maxwellisation, DTFAS understand from Mr Chow "...I was not involved in any of the assessment and approval of these BOP outlets nor from my recollection that the then Board and ARC was asked to assess or approve these BOP outlets.". Mr Lee retired	The Management had emailed the draft announcement pertaining to the entry into BOP Service Agreement with 8 BOP outlets to all directors (including Mr Chow) for their comments and approval on 29 April 2019. The Company received emails from Mr Pang, Mr Liu and Mr Chong stating their approval. As the then Company Secretary released the announcement without informing the Company that they have yet to receive approval from Mr Chow, the Company assumed that Mr Chow has given his approval directly to the Company Secretary to release the announcement via whatsapp as he had occasionally done in the past. ³

³ We have requested from then corporate secretary, BDO Corporate Services Pte Ltd for the mentioned Mr Chow's communication but understood that they "do not have documentation of Mr Chow's confirmation in relation to the approval of the Master Service Agreement entered by Wish Hospitality Holdings Private Limited on 8 March 2019 with Henan Jufel Technology Group Co., Ltd and its announcement kept in our office. The previous secretary, Ms Eunice Chan, has left the service of BDO and we do not have access to her Whatsapp messages."

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		from the then Board and ARC of the Company on 26 April 2019.	
7.	1.4.22 (b) and 1.4.23	The letters purporting to authorise Mr Zhang to execute the BOP agreements on behalf of the BOP Outlets, appear to be unusual given that Mr Zhang was neither a shareholder, a director nor an employee of the BOP Outlets at the material times. All 14 BOP agreements were signed by Mr Zhang on behalf of the BOP Outlets as well.	We would like to elaborate on the background facts as to why the BOP outlets appointed Mr Zhang as their representative to sign the BOP agreements. As stated in paragraph 1.4.16, it was intended that Mr Zhang would invite his existing customers of the Jufel Group who had achieved certain targets in the sale of aloe vera products to participate in the "BOP program" managed by Wish SG. Detailed benefits of participating in the "BOP program" (which can be found in the Annual Report of the Company) were explained to the owner(s) by Mr Zhang. Other benefits communicated to them by Mr Zhang included potential high income from the expansion of their business through a franchising model at a later stage, facilitated by a professional team backed by a Singapore listed company which could attract more interest from and instill more confidence in consumers patronising their BOP outlets. The Company understands that the 14 BOP outlets then decided to appoint Mr Zhang to handle the BOP matters, including signing on their behalf, all agreements and relevant documents, as they had been reassured by the said briefings given by Mr Zhang and they deemed that such an arrangement would be more effective and efficient instead of each of them having to negotiate and deal with Wish SG individually on different terms of service and payment.
8.	1.4.23 to 1.4.24	The authorisation letters were issued under the names of legal representatives of the respective BOP Outlets instead of the BOP Outlets as legal entities. Based on our findings above, this suggests that the authorisation letters might have been intended to be issued by the legal representatives of the 14 BOP Outlets in their own personal capacities instead of on behalf of the 14 BOP Outlets. The authorisation letters did not contain the signature of the witness to evidence that the authorisation letters were indeed signed by the legitimate legal representatives.	Mr Zhang was a director of Wish SG prior to the entry into BOP agreements with the BOP outlets. Management has met Mr Zhang in person in Singapore prior to recommending Mr Zhang to the Board for its approval of Mr Zhang being appointed as a director of Wish SG. From the due diligence done on Mr Zhang and his group of companies, and Mr Zhang's commercial rationale for Henan Jufel to assist Wish SG in sourcing the potential BOP business, it did not appear to Management that Mr Zhang would collaborate with the owners/legal representatives of the 14 BOP outlets to legally bind or create unintended legal obligations for the 14 BOP outlets and/or defraud Wish SG or the Company. Also, as Mr Zhang through his Jufel group of companies has been in business relationships with the relevant persons for more than 10 years, Management believed Mr Zhang would get the legitimate authorised persons or owners to sign the authorisation letters. In addition, it should be further noted that subsequent actions by the BOP outlets and the Group's correspondence with each of the 14 BOP outlets confirmed that all the BOP outlets intended to enter into the BOP agreements and abide by their terms. For example: - i. the Company received aggregate gross proceeds of RMB30 million in July 2019 from 8 BOP outlets.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		Given above, and subject to China legal advice on the corporate capacities of the 14 BOP Outlets, the enforceability of the 14 BOP agreements could be questionable.	ii. All audit confirmations on amount owing to Wish SG were signed by the authorised person of the respective BOP outlet with the official company seals for the audit for the financial years ended 31 December 2019 and 2020. iii. In the termination agreements with 8 BOP outlets on 25 March 2021 which were signed by the authorised person of the respective BOP outlets with the official company seals, it was stated in each of the termination agreements that the termination agreement was in respect of BOP agreement signed on 24 April 2019. It is the same for the subsequent 6 BOP outlets which entered into the termination agreements with Wish SG on 28 July 2021.
9.	1.4.26, 1.4.27 and 1.4.28	Prior to entry into the 14 BOP agreements, we understand that Management relied on the recommendation of Mr Zhang to onboard the 14 BOP Outlets. Management informed us that Mr Liu and Mr Zhang conducted interviews with the 14 BOP Outlets to assess their financial ability and interest in the BOP business prior to the 14 BOP Outlets entering into the BOP agreements with Wish SG. We understand from Management that there were no records of these interviews, and therefore no such records were shared with the then Board and/or the Board of the Company. Given the above, we are unable to establish the extent of the due diligence, if any, conducted on the 14 BOP Outlets.	Mr Liu was appointed to the Board of the Company on 10 January 2019 and Mr Zhang was appointed to the Board of Directors of Wish SG on 27 February 2019 after some due diligence checks were performed on them. Mr Zhang was subsequently appointed as a director of the Company on 3 September 2019. On 1 January 2020, Mr Zhang was appointed as a non-independent and non-executive Chairman of the Company. In our previous replies to DTFAS, we stated that the 14 BOP outlets were introduced by Henan Jufel, a company controlled by Mr Zhang. These BOP outlets have many years of business relationship with Jufel Group/Mr Zhang, and have been specially chosen by Mr Zhang after meeting certain criteria, e.g., sales target and financial resources, etc. Coupled with the fact that these 2 PRC directors were much more familiar with the business practices and environment in China than other non-PRC directors and Management of the Company, Management was of the view that Mr Zhang and/or Mr Liu were better placed to conduct the due diligence interviews pertaining to the selection of the BOP customers. It is also incorrect to say that Management relied solely on the due diligence done by Mr Zhang and Mr Liu on the onboarding of the BOP outlets. The Company had first done due diligence checks on Mr Liu and Mr Zhang and his group of companies. Mr Pang had also visited 4 BOP outlets prior to the entry into BOP agreements with the 14 BOP outlets, and continued to visit other BOP outlets frequently in the months of June, August, September, October, and December 2019, and January 2020. The CFO and 2 of the Company's independent directors have also visited some of the BOP outlets, the China BOP management team and Kaifeng Jufel's plant and office in September 2019. Representatives of the Company's then auditor also visited some of the BOP outlets in January 2020.
10.	1.4.34	As Mr Pang only visited four out of the 14 BOP Outlets prior to the signing of the BOP agreements and there was no documentation recording the due	As stated in paragraph 1.4.7, the Business Approval Conditions are:-

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		diligence conducted by the Company, we are of the view that the BOP Business Diversification conditions set by the then Board of the Company for the Group to diversify into the BOP business were not fulfilled.	(i) the completion of a site visit to observe the ongoing traffic and operations of the outlets of the healthy lifestyle social club operating under Jufeel International Group ("Jufeel Group") (which was already known as and operating under the brand "WISH"); and (ii) the completion of desktop due diligence on the relevant contracting party(ies) to be submitted to the then ARC of the Company. As stated above, the desktop due diligence was completed by Management and submitted to the ARC and the Board on 28 February 2019. Management did not receive further comments from the ARC and the Board pertaining to the due diligence report. The Board requested Management to make a site visit to the PRC and to investigate the ongoing traffic and operations of the outlets. Mr Pang had done so prior to the entry into BOP agreements with the 14 BOP outlets in end April 2019 and early May 2019. The Board did not specify that all BOP outlets must be visited prior to entry into the BOP agreements with them. During Mr Pang's first visit to BOP outlets from 22 to 25 April 2019, he also visited Jufeel Group's production plant and office. Mr Pang recalled that he had briefed the Board on the outcome of his visit. He had also briefed the Board at more than one of the quarterly ARC and Board meetings and/or at other ad-hoc Board meetings on his view and observations of the BOP outlets. For example, in the meeting minutes of the Board meeting held on 15 May 2019, the minutes stated that <i>"4.4.1 Noted that Mr Pang had conducted a site visit in the People's Republic of China from 22 to 25 April 2019 and the Company's subsidiary, Wish Hospitality Holdings Private Limited, had entered into an exclusive BOP Service Agreements with eight (8) Secured Outlets on 24 April 2019."</i> In short, Mr Pang observed that all these BOP outlets were all quite well renovated and equipped with health check and scanning equipment. These BOP outlets also had good customer traffic prior to the Covid-19 outbreak. He said that he was very impressed with their business model and potential. Therefore, in his view, it was logical and made commercial sense for them to look for a good business partner to help them to further improve operations systems and to help them to expand their businesses through franchising model.
11.	Footnote 43	We further understand from Mr Chow "...For the record the then ARC and Board was not informed of such due diligence findings nor involved in approval process.	As stated in the Company's response to DTFAS's finding as stated in paragraph 1.4.34, the desktop due diligence was completed by Management and submitted to the then ARC and the Board on 28 February 2019. Management did not receive further comments from the ARC and the Board pertaining to the due diligence report. In addition, Mr Pang recalled that he had informed all directors

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			that he would be traveling to China from 22 to 25 April 2019 and the BOP Service Agreement with some specific outlets may be signed soon. ⁴
12.	1.4.35	The Company or Wish SG did not put in place, prior to or immediately after the establishment of the BOP business, any formal written policies and SOPs governing the onboarding, credit assessment, accounts receivables and collections in relation to the BOP business. The relevant written policies only came into effect on 1 April 2021, almost a year after the commencement of the BOP business.	The Company has, since becoming a listed company in 2016, implemented and/or has in place many internal control policies and procedures, standard operating procedures ("SOP") and risk management systems which are subject to internal and external audit every year. These internal controls policies and procedures cover investments in and acquisitions of company/business, credit controls and provision for credit loss allowance, bank and payments controls, capital expenditure, and purchases, etc. For example, in the acquisition of Hao Kou Wei Pte Ltd in end 2018, financial and legal due diligence was carried out, independent financial adviser and qualified property valuer were appointed in the acquisition process, and SGX-ST's and shareholders' approval were sought for the acquisition. However, some of the Group's existing internal control policies and procedures could not be applied directly to the BOP business, taking into account many factors such as: - - there were no huge investment and operating costs incurred by the Group in relation to the revenue earned; - the BOP outlets/customers were introduced by a PRC director whose company had dealings with them for many years; - the BOP business was mainly managed by 2 PRC directors of the Company, who were much more familiar with the business practices and environment in PRC than the 4 non-PRC directors and Management of the Company; - Notwithstanding that Mr Liu and Mr Zhang are both Non-Executive Directors of the Company, they played an active role in managing the BOP business, in particular Mr Liu. This was due to the familiarity of Mr Zhang with the BOP outlets/ customers and the familiarity of both PRC directors with business practices and environment in PRC. Management would therefore have to seek the input from the PRC directors in formulating appropriate SOPs or policies for the China BOP management team to abide by; - tax and remittance regulations in China; - problems and travel restrictions caused by the Covid-19 pandemic, particularly in China where authorities have adopted strict zero-covid cases policy since the outbreak of Covid-19 up until today, which resulted in frequent lockdowns in a particular city/area of China for a certain period. For example, Shanghai faced a total lockdown for almost 2 months from April to June this year. As a result of the strict zero-covid cases policy adopted by the China

⁴ We have requested but were not provided with documentation of the communication by Mr Pang to the directors.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			authorities, many PRC companies' businesses have been affected greatly and many have gone bust or need help from government; g. business environment and practices in China; and h. time required to understand the new BOP business and possible changes to the business model (including changes to payment terms and methods) in respect of which the Company and Wish SG were in constant discussions with the BOP outlets from time to time prior to the termination of the BOP agreements. Management adopted a different scope of due diligence in respect of onboarding the BOP customers after considering factors (a) to (c) as stated above, which is quite different from the usual due diligence scope and requirements of acquisitions of and Investments in company/business. In short, the Company would perform due diligence on every investment and acquisition of company/business opportunities, but the scope and depth of the due diligence depends on the nature and materiality of the transactions which the Company deems appropriate from case to case. For investments and acquisitions transactions which involve substantial amount of Company's funds and/or issuance of new shares to fund the investments/acquisitions, more in-depth and extensive due diligence will typically be performed. The Company is also of the view that the credit control policy that the Group has adopted since listing was not appropriate in view of the PRC's tax and remittance regulations and the special circumstances and many unexpected problems caused by the Covid-19 pandemic outbreak since January 2020. The Company had on 11 July 2019 announced that the Company has received an aggregate gross BOP service fee of RMB30 million from 8 BOP outlets. The net amount received by Wish SG was approximately RMB25.7 million, due to payment of withholding tax and other local China taxes. However, we understand from our China BOP management team that all subsequent applications for the payment of withholding taxes and remittances were rejected by the relevant tax authorities, pending more documents and information to be furnished to them by the BOP outlets. In view of the tax issues and with the hope of resolving the tax issues as soon as possible, Wish SG has in January 2020 engaged one of the big four accounting firms as its professional tax advisers in Beijing to assist with the ongoing consultations between Wish and the PRC tax authorities in relation to the amount of, among others, corporate income tax and/or withholding tax payable by Wish to the PRC tax authorities before the BOP outlets are permitted to remit the outstanding service fee to Wish SG. Please refer to the Company's announcement dated 4 February 2020 for the first update by the Company to shareholders on the status of collection of the outstanding BOP service fee. However, with the relevant precautionary measures being implemented in the PRC to manage the COVID-19

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			situation particularly in the first half of 2020, Wish SG's appointed tax advisors were unable to visit and meet the relevant PRC tax authorities to settle the outstanding tax issues in respect of the outstanding service fees. In addition, Wish SG was informed that the tax authorities in many locations in the PRC may not have resumed full business operations during that period. The tax advisors managed to visit and meet the relevant PRC tax authorities in the second half of 2020. In view of the delays in resolving the tax issues with the relevant tax authorities, the Board and Management of the Company has had many meetings to discuss the most efficient and fastest ways to collect the outstanding service fees from the BOP outlets first while waiting for the settlement of the tax issues. You may refer to all the 10 update announcements (including the 2 announcements on our responses to SGX-ST's queries) released by the Company in 2020 pertaining to measures taken by the Company to collect the outstanding service fee, to the extent of requiring some of the Company's directors to give personal and corporate guarantees. All these non-standard and additional measures adopted by the Company are not stated in the Company's existing credit control policy but were implemented in view of the extraordinary and unexpected circumstances and issues arising from the PRC's tax and remittance regulations and Covid-19 pandemic.
13.	1.4.36 and 1.4.37	The Supplementary Agreements were entered into with Henan Jufel instead of the BOP Outlets themselves. Notwithstanding that the BOP Outlets authorised Mr Zhang to sign the BOP related agreements, the scope of authorisation does not appear to extend to the execution of the BOP related agreements.	As stated earlier in the Company's responses to DTFAS's findings as stated in paragraphs 1.4.22 (b) and 1.4.23, the Company understands that the 14 BOP outlets decided to appoint Mr Zhang to handle the BOP matters, including signing on their behalf, all agreements and relevant documents, as they deemed that such an arrangement would be more effective and efficient instead of each of them dealing and negotiating with Wish SG individually with different terms of service and payment. As the 14 BOP outlets were procured by Henan Jufel and pursuant to the Master Service Agreement entered into between Wish SG and Henan Jufel, Management was of the view that it was more appropriate to get Henan Jufel to sign the Supplementary Agreements for and on behalf of the BOP outlets (instead of getting Mr Zhang to sign the agreements on their behalf). In the termination agreements with 8 BOP outlets on 25 March 2021 which were signed by the authorised persons of the respective BOP outlet with the official company seals, it was stated in each of the termination agreements that the termination agreement was in respect of the BOP agreement signed on 24 April 2019 and supplementary agreements signed on 30 June 2019. It was the same for the subsequent 6 BOP outlets which entered into termination agreements with Wish SG on 28 July 2021.
14.	1.4.38	It appears that only Mr Liu had consistent oversight of the China Management team and the BOP business.	As stated previously in the Company's responses to DTFAS's findings in paragraphs 1.4.26, 1.4.27 and 1.4.28, Mr Pang had visited 4 BOP outlets prior to entering into BOP agreements with the 14 BOP outlets, and continued to visit other BOP outlets frequently in the months of June, August, September,

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
	1.4.40, Footnote 131, 1.6.1 (d) and 2.6.1 (d)	We also noted that the MSA required Wish SG to recruit, train, evaluate and send its employees and executives to Henan Jufel's designated operating locations on a secondment basis and Henan Jufel to bear the responsibility for the remuneration and all related mandatory expenses in respect of these employees. However, according to the BOP Proposal, the staff cost intended to be borne by Wish SG included chief operating officer, trainers and assistants. Notwithstanding the above, Wish SG has been the party bearing the expense of the China Management team instead. It appears that	October, and December 2019, and January 2020. During these visits, Mr Pang met up and discussed matters pertaining to operations with the China Management team. For any appointment or dismissal of a China Management team member and making adjustments to remuneration, Mr Liu discussed with and sought approval from Mr Pang first. The Letter of Appointment of each of the China Management team member was signed and payments of fees were approved by Mr Pang on behalf of Wish SG. Mr Liu reported to Mr Zhang on matters pertaining to operations as well. The appointment of Mr Fu Wenxing, the General Manager of the BOP business, was approved by the Nominating Committee and Board of the Company. He reported to Mr Liu, Mr Zhang and Mr Pang. Both Mr Liu and Mr Fu also made reports to update directors of the Company during the quarterly ARC and Board meetings and other ad hoc Board meetings pertaining to the progress and issues of the BOP business.⁵ The Management would also require the Finance and Administrative Manager of the China Management team to submit reports from time to time pertaining to the BOP business and documents/information required for audit and announcement purposes. To manage the entire BOP business, Wish SG needed a management team based in China. Therefore, Wish SG and the Company appointed Mr. Liu as a consultant for the BOP business on 1 July 2019, a position he held till 30 June 2021. Prior to Ms Zhang (Wish SG's JV partner), Mr Liu and Mr Zhang introducing the BOP business to the Company, Mr Liu had been working closely with Mr Zhang on setting up the necessary systems and standard operating procedures, selection of BOP customers and managing those BOP outlets which have been set up prior to entry into BOP agreements with Wish SG. Based on the foregoing, the Board of the Company decided that Mr Liu was the appropriate person to be appointed as a consultant for overseeing the BOP business. To manage the entire BOP business, Mr Liu recruited a team of 5 to 8 persons for Wish SG to support the BOP outlets on job functions relating to central procurement, sales and marketing, public relations, general management, operational support, recruitment and human resources ("China Management team"). It was not appropriate for the expenses of the China Management team to be borne by Henan Jufel. As stated earlier, Henan Jufel was only an introducer, assisting Wish SG in sourcing the BOP customers. Henan Jufel did not have the intention to get involved in the running and management of the BOP business, and therefore most of the clauses in the MSA were intended to be abided by the

⁵ We noted that written records of the board discussions in relation to the BOP business was on the collection of outstanding BOP service fees, first maintained on the ARC meeting on 26 February 2020. Notwithstanding the above, the discussions were not led by Mr Liu or Mr Fu.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		Wish SG eventually paid for the staff cost which was not initially contemplated and set out in the BOP Proposal.	BOP outlets secured by Henan Jufeel. The Company did not pay any commission or other form of incentives to Henan Jufeel or Mr Zhang for every outlet that it secured for the Company as well. Subsequent to entering into the MSA with Henan Jufeel, Henan Jufeel decided or confirmed that they would only want to be the introducer, i.e., assisting Wish SG in sourcing the BOP customers without getting involved in the running and management of the BOP business. Wish SG did not pay any commission or other form of incentives to Henan Jufeel or Mr Zhang for every outlet that it secured for the Company as well. Therefore, it does not make business sense that Henan Jufeel has to bear the responsibility for the remuneration and all related mandatory expenses for the employees and executives seconded to the BOP outlets. In addition, the Company would like Wish SG to engage the China Management team by entering into a subcontractor agreement with each member of the China Management team and pay the subcontractors' fees directly to them so that they would only report to or take instructions from the appointed directors and management of the Company & Wish SG in the running and management of the BOP business. The subsequent change to make Wish SG to be the party that bore the expense of the China Management team was based on the aforesaid reasons and/or considerations which were taken into account by the Company then at the material time.⁶
15.	1.4.42	We were informed by Mr Pang that subsequent to the signing of the BOP agreements, the Group did not continue with the plan to set up and manage the F&B facilities within the 14 BOP Outlets.	Mr Pang wishes to clarify this statement that he gave to DTFAS during his interview. There was initially a plan for the BOP outlets to sell some food and beverage items in their healthy lifestyle centres, for example coffee, tea, vegetarian food and Singapore chicken rice. Therefore, key management members of the Group's F&B division, Ms Eliss Pang (Director of Operation) and Mr Jason Lam (General Manager) were included in the BOP Management team to advise the BOP outlets on matters relating to the F&B items in the BOP outlets and sharing their knowledge, skills and experience in general management and expansion (including franchising) of the BOP outlets. Based on the Company's records, on or around end October 2019, Mr Pang, Mr Liu and Ms Zhang went to visit a coffee-making-machines factory in Johor, Malaysia with the intention of procuring the coffee making machines to be available at the existing and future outlets.
16.	1.4.47	We did not sight any minutes of the Board of the Company which recorded the updates of the BOP operational matters presented by Mr Liu.	In the quarterly ARC and/or Board meetings since May 2019, matters relating to the BOP business were discussed at either one or both of the meetings. However, details of matters relating to operations were not discussed at either or both meetings as these detailed operational matters would have been discussed between the 3 directors (i.e., Mr. Liu, Mr Zhang and Mr Pang who were

⁶ DTFAS has not sighted documentation of the change for Wish SG to be the party to bear the salaries of the China Management team.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			overseeing the BOP business) and the China BOP management team, particularly during Mr Pang's visits to the BOP outlets in the month of June, August, September, October, and December 2019. Furthermore, due to the Covid-19 pandemic outbreak in China since January 2020 which resulted in closure of business of all the BOP outlets from January to around mid-May 2020, and all 14 BOP outlets experiencing slow business subsequently, there were not many operational matters that need to be updated by Mr Liu or the General Manager of the BOP division at the ARC or Board meetings. Instead, as there was a delay in the collection of the outstanding BOP service fees, the focus of the ARC and Board meetings was to discuss the most efficient and fastest ways to collect the outstanding service fees from the BOP outlets first while waiting for the resolution of the tax issues. As stated in the Company's response to DTFAS's finding in paragraph 1.4.35, there were 10 update announcements (including the 2 announcements on our responses to SGX-ST's queries) released by the Company in 2020 pertaining to measures taken by the Company to collect the outstanding service fees.
17.	1.4.52	We note that the signing mandates for the above bank accounts were not in line with the Company's usual practice. Mr Pang is not an authorised signatory of the Wish Shanghai's BOC Shanghai bank account and Mr Liu is the sole authorised signatory of the Wish Shanghai's Guangfa bank account.	Please refer to the Company's announcements dated 17 June 2021 and 10 May 2022, where the Company provided detailed explanations on the reasons for Mr Liu being appointed as the sole authorised signatory of Wish Shanghai's Guangfa bank account. As stated in the Company's announcement dated 10 May 2022, the Board had on or around October 2019 resolved for Mr. Pang and Mr. Liu to be appointed as the authorised signatories for Wish Shanghai's bank account with Bank of China, and for Mr. Paul Chong, the CFO, to be appointed as "transaction maker". However, due to his business and other commitments, Mr. Pang was unable to travel to Shanghai, PRC, with Mr. Paul Chong in early November 2019 to open Wish Shanghai's bank account with Bank of China together with Mr. Liu. The travel to Shanghai was subsequently postponed to around January 2020 but with the COVID-19 outbreak then, Mr. Pang was unable to make the trip. As a result, Wish Shanghai's bank account with Bank of China was subsequently opened with Mr. Liu as authorised signatory and Mr. Paul Chong as "transaction maker".⁷
18.	1.4.67	Whilst the outstanding BOP service fees for FY2019 and FY2020 amounting to RMB 135.9 million remained uncollected, Wish SG proceeded to declare total dividends of	When the Board of Wish SG decided to declare dividends to its two shareholders and the Board of the Company decided to declare S\$0.01 dividend per share in August 2020, there were no indications that all the BOP outlets would have financial difficulties in paying the outstanding BOP service fees. The Board understood that the delay in the payment of outstanding service fees by the BOP outlets

⁷ Based on the Company's responses to SGX queries announced on 10 May 2022, "[f]or avoidance of doubt and notwithstanding the bank token held by Mr Liu, with Mr.[Paul] Chong Paw Long as "transaction maker", an online payment requiring approval via bank token cannot be processed and completed if the Company's CFO does not input the relevant payment and/or bank transfer details on the online banking platform. Given the foregoing, Mr [Paul] Chong Paw Long may effectively be in a similar position/ hold similar authority as an authorised signatory (at least in respect of all online payments via bank token).".

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		RMB 32.7 million in FY2020. Had loss allowance been made on the outstanding BOP service fees in the FY2020 audited accounts, Wish SG would have been in a loss position instead of a profit position of RMB 26.7 million.	was due to ongoing consultations between Wish SG and the PRC tax authorities which was delayed due to the COVID-19 outbreak and circuit breaker measures. Furthermore, the Company had already secured personal guarantees from each of Mr Pang and Mr Zhang which gave the Company a right of recourse by requiring Mr Pang and/or Mr Zhang to pay such amount of the outstanding service fees if the outstanding service fees were not received by the Company/Wish SG.
19.	1.4.71	We noted several unusual arrangements in the appointment of Ms Zhang and Kaifeng Jufel as authorised representatives for the collection of outstanding BOP Service Fees.	The rationale and reasons for the appointment of Ms Zhang and Kaifeng Jufel as authorised representatives for the collection of outstanding BOP service fees and for obtaining personal guarantees from some directors have been stated clearly in the Company's announcements dated 26 March 2020, 14 April 2020, 17 April 2020, 2 October 2020, 16 November 2020, 3 January 2021 and 26 January 2021. In short, the Board believed that it was the most efficient and fastest way to collect the outstanding BOP service fees quickly from the BOP outlets first while waiting for the PRC tax issues to be resolved in view of the unusual circumstances faced by the Company at that time.
20.	1.4.72	The Company and/or Wish SG did not independently assess the valuations of the land and buildings when Ms Zhang was appointed as collection agent and merely accepted those valuations declared by Mr Zhang.	Please refer to the Company's announcement dated 26 March 2020 for the list of assets pledged by Ms Zhang pertaining to her appointment as the authorised representative for the collection of outstanding BOP service fees. Based on the Company's share price on or around the announcement date and the estimated value of Wish SG, it was estimated that the total value of these 2 assets pledged by Ms Zhang was S\$12.26 million or approximately RMB 60 million). As the total value of these 2 assets pledged by Ms Zhang was insufficient to cover the amount of RMB 120 million to be collected by her from the 14 BOP outlets, the Company has also secured personal guarantees from Mr Pang Pok and Mr Liu. Subsequently, as announced by the Company on 14 April 2020, to further protect Wish's, the Company's and the Company's shareholders' interests, the Company obtained additional securities in the form of a personal guarantee provided by Mr Zhang, and expanded the scope of the guaranteed obligations under the personal guarantee provided by Mr Pang. As stated in paragraph 1.4.69 (c), Mr Zhang was required to procure security over certain land and buildings that belong to Mr Zhang or Kaifeng Jufel, which were estimated to be worth approximately RMB 213 million in aggregate based on the valuations declared by Mr Zhang. The Company did not engage an independent valuer to assess the valuation of these assets nor request for these assets to be charged to Wish Shanghai or Wish SG at that time as Management understands that the process of valuation of such assets would take quite a long time to be completed. In addition, as the Company has also secured personal guarantee from Mr Pang, Ms Zhang and Mr Liu, the key purpose of requiring

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			Mr Zhang to provide a list of assets that could be charged to Wish Shanghai or Wish SG was to facilitate in assessing if Mr Zhang has the financial resources or assets to fulfil his personal guarantee obligations to the Company.
21.	1.5.2 and 2.5.2	We identified potential concerns with the Company's internal controls and risk management process in relation to the BOP business, which may be in breach of Catalist Rule 719 (1).	Please refer to the Company's earlier responses to DTFAS's findings as stated in paragraphs 1.4.4, 1.4.5, 1.4.12, 1.4.26, 1.4.27, 1.4.28, 1.4.34 and 1.4.35.
22.	Footnote 97 and footnote 217	During maxwellisation, we understand from Mr Lee "the then Board has in place a formal delegation of authority ("DOA"), an internal control which was approved on 11 August 2017...BOP transactions fall under 'any transactions not in the ordinary course of business' of the DOA. Under the DOA, any transactions not in the ordinary course of business have to be authorised by the Board...".	The Management had sought approval from the Board prior to the entry into joint venture with Ms Abigail Zhang, MSA with Henan Jufel and BOP Service Agreements with the outlets secured by Henan Jufel as stated earlier. To summarise, the following procedures were carried out by the Management to seek approval from the ARC and Board on the entry into the BOP business:- 1. During the ARC and Board meeting held on 26 February 2019, the proposed BOP business was presented to the then ARC and Board for discussion and their approval. 2. On 28 February 2019, the CFO had completed the desktop due diligence as requested by the Board and had sent the due diligence report to the then Board for their comments. As stated earlier, the CFO did not receive any comments from the then Board. 3. The draft MSA and announcement pertaining to the entry into MSA with Henan Jufel were emailed to all directors for their comments and approval on 28 February 2019 and 1 March 2019 respectively. The announcement was released on 8 March 2019 after due review by the directors of the Company, and approval by the directors to enter into the MSA with Henan Jufel and to release the announcement. 4. Mr Pang went to China from 22 to 25 April 2019 to conduct site visit to some of the outlets as requested by the Board prior to entry into BOP Service Agreement with individual companies/outlets. 5. On 29 April 2019, the draft announcement pertaining to the entry into BOP Service Agreement with 8 outlets was emailed to directors for their comments and approval. The announcement was released on 29 April 2019 after obtaining approval from the directors of the Company.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			6. The approval by the Board to enter into BOP Service Agreement with the individual outlets was also documented in the minutes of the Board meeting held on 15 May 2019. Please refer to the Company's responses to DTFAS's findings as stated in paragraph 1.4.34.
23.	Footnote 98 and footnote 218	During maxwellisation, we understand from Mr Lee "due to its nature, the correct approach for BOP transactions policy is to set one up with a comprehensive coverage on key BOP transactions processes (end-to-end) covering onboarding, execution, monitoring and reporting. Given the end-to-end coverage, the right timing for such a policy is when there is visibility on the process flow and key control points i.e., when the business has started and related processes have stabilised. Up till my retirement, there was limited visibility on actual process flow and key control points cannot be identified to develop a practicable policy...Policy set up is typically an extensive project that could take months or more." We further understand from Mr Chow "...Notwithstanding formal BOP transactions policies, SOP and internal controls etc. are necessary...at the point of the involvement of the then ARC/Board this BOP business was still in its infancy phase, as such relevant internal controls and procedures needs to be developed in line with the process flow and nature of the transactions as an ongoing basis...Mr Lee and myself had already given notice of our intended resignation and many of these comments are not within our involvement	The Company notes and wishes to highlight that both ex-ARC members, Mr Lee and Mr Chow, share views (similar to that of the Company's) that the development of effective and practical policies is typically an extensive project that could take months or more, which is consistent with the Company's responses to DTFAS's findings as stated in paragraph 1.4.35. Subsequent to the announcement on the entry into MSA with Henan Jufel on 8 March 2019, there were no developments or discussions on entering into BOP Service Agreement with individual companies to be secured by Henan Jufel as the Company was awaiting confirmation from Mr Zhang and Mr Liu first as to which specific companies would be entering into the BOP Service Agreement with the Company. In addition, the Company was also awaiting Mr Pang's due diligence visit to those companies/outlets to be completed first, from 22 to 25 April 2019 before commencing any meaningful discussions on the development of the policies and conduct of the BOP business.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		and tenure as the then Board and ARC members.	
24.	1.5.2 (1) (1) and 2.5.2 (1) (1)	We noted the SOP on 'Investment and Acquisition of Company/Business' was only formally approved on 23 March 2022.	The following statement has been included as a footnote to the SOP on "Investment and Acquisition of Company/Business" approved by the Board on 23 March 2022:- "Even though these SOP were only officially approved by the Board on 23 March 2022, the Company/Group has been following these policies and SOP since the first acquisition of companies undertaken by the Company/Group after its listing on the SGX-ST Catalist Board, i.e., acquisition of Hao Kou Wei Pte Ltd and its subsidiary, Rasa Sayang Village Pte Ltd, in December 2018."
25.	1.5.2 (1) (3) and 2.5.2 (1)(3)	Even if Wish SG was dormant when the JVA was entered into, Wish SG could still have been legally bound by agreement(s) or have been involved in litigation matter(s) with third parties or have been involved in other business activities.	Wish SG was a newly incorporated company, which was incorporated on 14 December 2018 based on our search on its ACRA business profile. Ms Zhang gave representations and warranties in the JVA that Wish SG did not have any pending legal proceedings against it or outstanding commitments at the time of the execution of the JVA.
26.	1.5.2 (2)(3) and 2.5.2 (2)(3)	Whilst the Company had a SOP on 'Accounts Payables and Payments' dated 18 June 2015 and subsequently updated on 1 March 2021, we have not sighted any controls over the authorised bank signatories for newly opened bank accounts.	Please refer to the Company's earlier responses to DTFAS's findings as stated in paragraph 1.4.52.
27.	1.5.3 (1) (2) and 2.5.3 (1) (2)	Pertaining to announcement dated 8 March 2019. If at the time the announcement was issued, the Company's intention was to secure F&B outlets, but there was later a change in the implementation of this intention, this could indicate that the Company's representation was not factually incorrect.	Please refer to the Company's earlier responses to DTFAS's findings as stated in paragraph 1.4.42.
28.	1.5.3 (1)(3) and 2.5.3 (1)(3)	Inaccuracy in relation to Company's announcement dated 8 March 2019	When both the draft announcement pertaining to the entry into MSA and draft MSA were circulated for review, one of the comments was whether Henan Jufel must fulfil its obligation to secure 200 outlets within 2 years. Management then checked with Mr Zhang (controlling shareholder of Henan Jufel) of Henan Jufel's actual intention in entering into MSA with the Company based on the Chinese

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		The Company represented that pursuant to the MSA, Henan Jufel will “on a best effort basis” secure at least 200 current and future F&B outlets located in various parts of the world. However, from our review of the MSA, Henan Jufel is required to “assign and secure at least 200 current and future F&B outlets located in various parts of the world” within two years from the date of the MSA. The idea that Henan Jufel’s contractual obligation is on a best effort basis is not an accurate representation of the terms of the MSA.	wordings in the MSA. Please note that the MSA was prepared in both English and Chinese and that there may be inconsistencies due to translation. On the Company’s part, the Company did not have the intention to require Henan Jufel to fulfil the 200 outlets target within 2 years and from a commercial perspective, it was also not appropriate to do so as the Company did not pay any commission or other form of incentives to Henan Jufel or Mr Zhang for every outlet that it secured for the Company. Mr Zhang responded to Management that the actual meaning of the particular clause pertaining to securing 200 outlets should be ‘on a best effort’ basis. Therefore, we amended the draft announcement accordingly. In addition, as Deloitte also noted in its draft report, there was no provision in the MSA for any consequences should Henan Jufel fail to secure 200 outlets in the MSA. Accordingly, the consensus then was to use the words ‘on a best effort basis’ in the 8 March 2019 announcement to best reflect the parties’ intention. Please also refer to the Company’s earlier responses to DTFAS’s findings as stated in paragraph 1.4.42.
29.	1.5.3 (2) and 2.5.3 (2)	Inaccuracy in relation to Company’s announcement dated 29 April 2019. SGX Catalist Rule 703(4), read in conjunction with Appendix 7A requires a company to provide “timely disclosure of material information”. In this case, although the eight BOP agreements were signed on 24 April 2019, the Company only announced the entry into the eight BOP agreements on SGXNet on 29 April 2019.	The first 8 BOP agreements were all dated 24 April 2019, signed between Mr Zhang (on behalf of the BOP outlets) and the Company’s CEO, Mr Pang while Mr Pang was in China visiting the first 4 BOP outlets. The signed 8 BOP agreements were then emailed to the Company’s CFO, Paul Chong on 25 April 2019 (Thursday) at about 4 pm for the preparation of announcement. Paul then immediately informed Mr Pang that the BOP agreements could not be regarded as valid agreements as they were subject to Board’s approval and he could not seek their approval or clearance on that day as he was busy preparing some presentation materials for the Company’s AGM to be held on 26 April 2019, and time was also needed for the Company’s lawyer to assist in drafting the announcement which then had to be also reviewed and cleared by the Company’s directors. Paul Chong also requested Mr Pang to inform Mr Zhang of the same immediately and to also request Mr Zhang to inform the 8 BOP outlets accordingly. As 27 and 28 April 2019 were also Saturday and Sunday whereby there was no trading whatsoever on SGX-ST, the first draft announcement was ready on 29 April 2019 (Monday) and sent to the directors for their review and comments together with the BOP agreements.
30.	1.5.3 (3) and 2.5.3 (3)	Inaccuracy in relation to Company’s announcement dated 7 April 2021 - Information on the China Management team managing the BOP business in the PRC	The list of the China General Management team for the BOP business in the announcement dated 7 April 2021 was reviewed and approved by Mr Liu and Mr Fu. The Management understood from them that those management members whose salaries/fees were not paid by Wish SG would be paid by the BOP outlets, for example Ms Tong Lu, Wang Xian Hui, and Zhang Xu. Mr Liu had earlier informed the Management that there was a limit as to how much foreign currency payment that each member

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			of the team could receive. Therefore, the Management understood that the permissible limit of Ms Tong Lu, Wang Xian Hui and Zhang Xu would be exceeded if they were still to be paid by Wish SG in the 2nd year of their contract. As Mr Liu is not contactable, the Management could not give an explanation as to why Liu Jun Ling and Liu Jian were not recommended by him to be included in the China Management team. We are of the opinion that it could be due to all the important functions having already been included in the China Management team as disclosed in the announcement dated 7 April 2021 The employment contract of Mr Dou Le was finalised subsequent to the announcement dated 7 April 2021, after the contract of Ms Liu Guangmin expired on 15 April 2021 as both of them assumed the role of Administrative Manager in the General Management team for the BOP business.
31.	1.5.6 (a) and 2.5.8 (a)	Directors failed to follow-up on the BOP Business Diversification Conditions to ensure that Management has met those conditions prior to enter into BOP agreements with the BOP outlets	Please refer to Company's response to DTFAS's finding stated in paragraph 1.4.34.
32.	1.5.6 (c) (ii) and 2.5.8 (c) (ii)	i. The Company relied entirely on Mr Liu to run the BOP business ii. It appears that the directors were not kept updated on the BOP business iii. Although the BOP business contributed to majority of the Group's revenue and 100% of the Group's net profit in FY2019, both Mr Pang and Mr Paul Chong did not appear to take an active involvement in the BOP business iv. Although reliance may have been placed on Mr Liu, Mr Pang and Mr Paul Chong ought to have asked for	Management had requested various reports from the BOP outlets through the China Management team, such as their sales reports and monthly financial statements, but the BOP outlets did not submit them as they had concerns about the confidentiality of the information. The BOP outlets were unwilling to share such information due to concerns that GS Holdings might be obliged to disclose their financial information to the public and the PRC tax authorities which might subject them to heightened scrutiny by the PRC authorities. Management had explained this rationale to DTFAS previously, as documented by DTFAS in Footnote 67. In order not to jeopardise the business relationship with the BOP outlets and with a view of collecting all outstanding BOP service fees soonest possible, Mr Zhang, Mr Liu and Mr Pang decided not to compel the BOP outlets to furnish their monthly financial statements to Wish SG. Management was also informed by the China Management team that under the current market regulations in China, we also do not have the right to request for the customer records from the BOP outlets. A copy of the PRC regulations governing this matter was given to the Management for reference. However, as the China General management would visit the BOP outlets quite often, coupled with feedback from BOP local outlet management team, we would be able to derive a relatively accurate idea of the overall performance of each of the BOP outlets.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		or obtained periodic reports on the status of the BOP Business. This is especially so for Mr Pang, who was the Executive Chairman at the material time.	Management had obtained quarterly general job service reports from the BOP outlets, of which all the 14 BOP outlets have confirmed that they were satisfied with the services provided by our China Management team.
33.	1.5.6 (c) (iii) and 2.5.8 (c) (iii)	"...a more prompt and active role should have been taken by the Board of Directors once it became clear that there were difficulties in the collection of the remaining outstanding BOP fees."	Please note that the Board held many ad hoc discussions and/or meetings (in addition to the quarterly board meetings) with Mr Zhang and Mr Liu to request for updates on the collection of the BOP service fees once the Board was made aware of the difficulties in collection of the outstanding BOP fees. This in turn led to the numerous arrangements which were subsequently implemented and announced by the Company including amongst others, (a) the appointment of KPMG Beijing to advise on PRC withholding taxes issues which resulted in part of the BOP services fees being remitted back to the Group's bank accounts in Singapore, (b) the personal guarantees being procured from Mr Zhang, Mr Liu, Ms Zhang and Mr Pang, (c) the third party loan procured by Kaifeng Jufel to pay for and on behalf of the BOP outlets, and (d) the current arrangement whereby Mr Zhang has committed to procure transfer of shares in a certain Hong Kong listed company and/or monthly instalment payments of S\$1 million. In view of the delays in resolving the tax issues with the relevant tax authorities, the Board and Management of the Company has had many meetings to discuss the most efficient and fastest ways to collect the outstanding service fee from the BOP outlets first while waiting for the resolution of the tax issues. As stated in the Company's response to DTFAS's finding in paragraph 1.3.35, there were 10 update announcements (including the 2 announcements on our responses to SGX-ST's queries) released by the Company in 2020 pertaining to measures taken by the Company to collect the outstanding service fee. In addition, it should also be noted that the three Non-Executive & Independent Directors ("NEID") (who comprised part of the Board) cannot be expected to be undertaking the actual steps in effecting collection of the outstanding BOP fees as they are not based in the People's Republic of China and that would amount to being involved in the business operations of the Company, which is beyond the ambit of the scope of duties for an NEID. It is therefore inaccurate to suggest that the Board did not take a very active role in supervising the collection of the BOP service fees.
34.	1.5.6 (d) and 2.5.8(d)	"There appears to have been a lapse in ensuring that Wish SG retained its security	Pursuant to the Definitive Documents entered with Kaifeng Jufel and Mr Zhang in January 2021 in connection with the appointment of Kaifeng Jufel as authorised representative to collect the

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		over the outstanding BOP service fees the BOD ought to have supervised this process”	outstanding BOP service fee, Kaifeng Jufel undertook to pay the amount of the Outstanding Service Fee, to Wish Shanghai within the authorisation period. Certain undertakings and securities were provided by Kaifeng Jufel in favour of Wish Singapore / Wish Shanghai as set out in the Definitive Documents. Such securities include a mortgage over the land and factory buildings (the “Mortgaged Properties”) independently valued at RMB 221 million. Pursuant to the foregoing mortgage agreement, Wish Shanghai shall be entitled to enforce the Mortgage and dispose of the Mortgaged Properties to recover the Outstanding Service Fee and enforcement costs incurred in their entirety if Kaifeng Jufel fails to perform its obligations pursuant to the Performance Guarantee Agreement As announced by the Company on 29 April 2021, Kaifeng Jufel notified Wish that it had received outstanding service fees amounting to RMB 100 million from the relevant BOP outlets, and would transfer the foregoing amount to Wish Shanghai no later than 30 April 2021. Kaifeng Jufel then discharged the registration of the Mortgaged Properties with the assistance from Mr Liu who is the legal representative of Wish Shanghai <u>without informing nor seeking clearance from the Company</u>. The provision of security to Chongqing QYC was arranged by Kaifeng Jufel. The sum of RMB 100 million was deposited into Guangfa Bank. As announced by the Company on 11 June 2021, the Company's auditors had been made aware that while the Outstanding Service Fees amounting to RMB100 million had been received in Wish Shanghai's bank account, there was an existing encumbrance on the foregoing amount of RMB100 million. Please note that the Board, in particular the Audit and Risk Committee has been closely supervising the process by calling for update meetings from time to time and requesting on numerous occasions from Mr Zhang and/or Mr Liu for details of this process including supporting documentation, the various steps and status updates on the steps involved. However, the Board has not been successful in connecting with Mr Liu, while Mr Zhang had refused repeatedly to furnish the information required for different reasons including stating that he was not able to connect with Mr Liu for updates, and subsequently stating this was a matter between Kaifeng Jufel and the third-party lender and they are bound by confidentiality clauses in the relevant agreement. As there is still an existing encumbrance on the foregoing amount of RMB100 million, the Company is of the view that Kaifeng Jufel and Mr Zhang have failed to fulfil their obligations as stated in the

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
			Definitive Documents signed in January 2021, despite the registration of the Mortgaged Properties having been discharged by Kaifeng Jufeel. In order to further secure such guarantees by Kaifeng and Mr Zhang to fulfil their obligations as stated in the Definitive Documents, the Company had on 18 August 2021 entered into new guarantee agreements in favour of Wish Hospitality Holdings Private Limited with Kaifeng Jufeel and Mr Zhang (collectively, the "Guarantors"). The guarantee agreements provide that: (a) The Guarantors shall guarantee and procure the complete release and discharge of the Relevant Encumbrance over the relevant bank account of Wish Shanghai by 30 September 2021; and (b) If the Relevant Encumbrance is not completely released and discharged by 30 September 2021, the Guarantors shall be liable to pay and guarantee payment to the Company (or any Group Company as elected by the Company) of such outstanding service fees in the sum of RMB100 million which has been duly received and is currently in such encumbered bank account. Please also refer to subsequent announcements including the announcement dated 1 April 2022 made by the Company on the progress and development pertaining to these matters. In summary, the Board and the Management have been closely supervising the process to ensure that Wish SG retained its legal rights to enforce its security over the outstanding BOP service fees, if required. The Board and the Management are currently monitoring the release and discharge of the Relevant Encumbrance and/or repayment of the RM100 million by Mr Zhang and Kaifeng Jufeel, of which Mr Zhang had made some partial repayments to the Company as stated in the report.
35.	1.5.6 (e) and 2.5.8(e)	We noted that Mr Zhang was appointed as Chairman of the Company from 1 January 2020. According to the Company's announcement dated 2 January 2020, we understand that he was appointed Chairman as the Company intended to grow the BOP business and the Company would be able to benefit from Mr Zhang's strategic advice, guidance and network to make further inroads into the BOP business. However, in this report, we have noted some	The observation by DTFAS that it is questionable if the decision to appoint Mr Zhang as Chairman was overall in the best interests of the Company was made with the benefit of hindsight. At the material time of Mr Zhang's appointment as Director on or around September 2019 and as Chairman of the board in January 2020, BOP business was by far the business segment of the Group which generated the highest amount of revenue and profit margin. Mr Zhang was also the one who knew and introduced the customers for the BOP business to the Group. One key product which the customers were selling at the BOP outlets was aloe vera, procured by Jufeel Group which Mr Zhang had majority control of.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		shortcomings in the management of the BOP business by Mr Zhang, including his failure to adequately oversee the business (see for example, paragraph 1.4.41). In the circumstances, it is questionable if the decision to appoint Mr Zhang as Chairman was overall in the best interest of the Company.	
36.	1.5.6 (f) and 2.5.8 (f)	No loss allowance was made on the outstanding BOP service fees receivables in the FY2019 audited financial statements. The Company and its subsidiaries essentially represented that given the personal guarantees and securities (set out at paragraphs 1.4.69 and 1.4.70 above) covered the outstanding BOP service fees, a loss allowance was not required. However, it appears that the value of these securities may have been overstated (see paragraph 1.4.72 above).	Please refer to Company's response to DTFAS's finding stated in paragraph 1.4.72. The Company believes that the securities and personal guarantees provided by Ms Zhang, Mr Zhang, Mr Pang and Mr Liu were enough to cover the entire outstanding BOP service fees receivables in FY2019 notwithstanding that the value of some of the securities provided by Mr Zhang may have been overstated in view of the desktop due diligence that has been previously performed on Jufel Group which was 67% owned by Mr Zhang. At the material time, Mr Pang and his spouse owned approximately 50% of the Company's shares, worth approximately S\$42 million based on average share price of approximately S\$0.45 in the month of April 2020.
37.	1.6.2 and 2.6.2	Recommendations by DTFAS	All these specific recommendations by DTFAS pertained to the onboarding and conduct of the BOP business, as well as announcements relating to the BOP business. The Company has provided responses or explanations to some of DTFAS' findings stated in some of the recommendations. As the BOP/HMS business had been terminated in the 3rd quarter of 2021, the Company would take note and/or to implement some of the general recommendations made by DTFAS which could be applied to the existing F&B business and future new businesses of the Company/Group.
38.	2.3.24	Management was unable to provide a satisfactory explanation on why the Second BOP Receipts were paid by Mr Liu and entities related to Mr Liu.	We have earlier provided DTFAS with letters that the Company received from the respective BOP outlets stating that the payments made by Mr Liu and those other entities on their behalf were requested by them and they have made an arrangement to repay the money back to Mr Liu and those other entities at a later date.
39.	2.3.52	Management would be required to procure the RMB 100 million to be ultimately credited into the BOC Shanghai	The encumbrance on the RMB 100 million in Guangfa Bank has yet to be lifted, therefore the transfer of the RMB 100 million to BOC Shanghai bank account could not be carried out by the Management.

No.	Report reference	Deloitte's Observation	Board's and/or Management's Response
		bank account but this was not carried out by Management.	

Annex B – Maxwellisation comments of Mr Lee

S/N	Report reference	Deloitte's Observation	Mr Lee's response
1	1.5.2 (1) (1) & 2.5.2 (1) (1)	We noted that the Company has no prescribed policy, process or procedures for the evaluation and approval of potential acquisitions, investments or significant business transactions during the material times when the Group ventured into the BOP business.	For proper context, BOP business was in essence a service arrangement whereby GS Holdings Limited ("GS" or the "Company"), through Wish SG, provides services to a customer in return for a fee (benefit). The outlays for GS and its subsidiaries (collectively as the "Group") are mainly period costs such as payroll costs of which the related headcounts can be terminated fairly quickly to cut loss should the arrangement not pan out. Thus, the risk of BOP business was deemed low at the point of entrance. The nature and risk profile of BOP business are unlike those of investments or acquisitions which involve substantial outlay of shareholders' monies or commitments at the point of entrance whereby it is common and necessary to conduct extensive commercial, legal and financial due diligence by third party professional firms. Issues on improper revenue recognition and non-collection of trade receivables arising from services rendered, as highlighted in the Independent Auditor's disclaimer of opinion for financial year ended 31 December 2020, arose at the execution stage of the BOP business. <u>General due diligence on acquisitions and/ or significant business transactions</u> 1) The then board of directors of GS ("Board") has in place a formal delegation of authority, an internal control which was approved on 11 August 2017⁸ ("DOA 2017"). DOA 2017 covered approvals for (amongst other transactions): • Investments and divestments of Quoted and Unquoted Securities; and • Any transactions not in the ordinary course of business. BOP business was approved under "Any transactions not in the ordinary course of business" of DOA 2017. Under DOA 2017, any transactions not in the ordinary course of business have to be authorised by the Board. The control point was set at the Board level (the highest authority within the Company) <u>given the potentially varied and diverse nature of such transactions</u>. The Board will prescribe the due diligence requirements based on nature and risk level of the transactions (if needed). In the case of BOP business, this internal control was effective as it triggered additional due diligence requirements from the then Board during the meeting held on 26 February 2019. Up till my retirement on 26 April 2019, the only investment made by the Company in relation to the BOP business was an investment of SGD 400 in Wish SG. This investment was also

⁸ Also refer to the response to Footnote 96 & 216 below.

S/N	Report reference	Deloitte's Observation	Mr Lee's response
			appropriately approved under "Investments and divestments of Quoted and Unquoted Securities" of DOA 2017 by the then Board. No additional due diligence requirements were prescribed in this case given: (i) the immaterial outlay; and (ii) limited and mitigated risk exposure.
2	Footnote 96 & 216	Mr Lee Provided us with an email dated 8 August 2017 with an attachment in excel titled ' <i>Delegation of Authority Matrix – 11 Aug 2017.xls</i> '. Based on our review of the ARC meeting minutes for the meeting held on 11 August 2017, it was minuted that "[a] set of limits of authority had been circulated to the ARC and ... Chairman emphasized that the limits of authority should be strictly enforced until such time when the Company is profitable." Notwithstanding there was discussion on the revised DOA, we did not note any formal approval by the then Board of the Company to approve and adopt the said DOA. Hence, we are unable to conclude if either the DOA dated 18 June 2015 or the revised DOA was properly adopted by the Board of the Company.	The email dated 8 August 2017 mentioned in the footnotes was the official notice of meeting circulated for the Audit and Risk Committee ("ARC") meeting held on 11 August 2017 of which DOA 2017 was attached. During the said ARC meeting and as reflected in the minutes of meeting, Chairman of the ARC emphasized that the <u>limits of authority should be strictly enforced</u> until such time when the Company is profitable. The said ARC meeting was attended by (i) the entire Board of Directors ("Board") comprising two Executive Directors (CEO and CFO), one Non-Executive Director and three Independent Directors, (ii) senior management comprising the Group General Manager and Finance Manager, (iii) the Company Secretary and (iv) representatives from various professional service providers. The limits of authority mentioned in the minutes of meeting refer to those contained in DOA 2017 and no objection was raised by any member of the Board on the strict enforcement of DOA 2017 as prescribed by the Chairman of the ARC during the said ARC meeting. The ARC meeting minutes were subsequently approved appropriately and adopted by the ARC. The ARC is a committee set up by the Board with specified terms of reference including the review of the effectiveness and adequacy of the internal control and procedures, addressing financial, operational, compliance and information technology risks and thus has oversight function over internal controls (including delegation of authority). Based on the above and short of a written endorsement of the DOA 2017 by the Board, DOA 2017 is effective in substance from 11 August 2017. In any case, there being no such endorsement would not be a basis for the management not to comply with DOA 2017 in practice.
3	1.5.6 (a) & 2.5.8 (a)	As the Board Minutes dated 26 February 2019 provided that BOP Business Diversification Conditions were to be followed up by Management, Management had the responsibility to ensure that the conduct of site visits and the desktop due diligence on the contracting parties which was to submit to the then ARC of the Company were satisfied and update the then Board of the Company if there were difficulties faced in satisfying such	The Report mentioned that " <i>it would have been good practice for the Board of the Company to have followed-up ... BOP business</i> ". If it is a good practice rather than a compliance or legal requirement, it should not be highlighted under the heading "Potential Breaches of Sections 156 and 157 of the Companies Act and duties of directors at common law".

S/N	Report reference	Deloitte's Observation	Mr Lee's response
		conditions. The Company/ Wish SG entered into the MSA even though the site visits were incomplete and the due diligence performed was inadequate. Whilst onus would have been on the Management to flag any issues with due diligence to the Board of the Company, it would have been good practice for the Board of the Company to have followed-up on the BOP Business Diversification Conditions given by them for the Group to enter into the BOP Business.	