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Envy Asset Management Pte Ltd (in liquidation) and others v. Ng Yu Zhi and others [2025] SGHC 143 – Singapore High Court orders Envy Companies' directors to pay more than S\$900 million in compensation

In the largest monetary judgment arising from the Envy Companies' fraudulent nickel trading scheme to-date, the Court in *Envy Asset Management Pte Ltd (in liquidation) and others v. Ng Yu Zhi and others* [2025] SGHC 143 (the "**Envy Main Suit**"), amongst others, ordered two of the Envy Companies' former directors to pay more than S\$ 900 million in aggregate damages as compensation for, amongst others, breach of their directors' duties.

Background

Envy Asset Management Pte Ltd, Envy Global Trading Pte Ltd and Envy Management Holding Pte Ltd (collectively, the "**Envy Companies**") purportedly operated a physical nickel trading scheme, where LME grade physical nickel was purportedly purchased from Poseidon Nickel Limited ("**Poseidon**"), an Australian-based nickel mining company, at a discount ("**Poseidon Nickel**"). The Poseidon Nickel was subsequently on-sold to third-party buyers (the "**Nickel Buyers**") at market price ("**Purported Nickel Trading**"). Investors were offered the opportunity to invest in and profit from the Purported Nickel Trading, by financing the alleged purchase of the discounted nickel and receiving a portion of the receivables from the alleged sale of the same.

The Envy Companies did several things to convince investors that the Purported Nickel Trading was legitimate. Amongst others, they disseminated documents that purportedly recorded the terms for their sale of the Poseidon Nickel to the Nickel Buyers ("**Transaction Documents**"). They live-streamed a visit to a commodities warehouse in Singapore, where investors were shown large quantities of nickel briquettes being stored at the warehouse and were informed that those briquettes were the Poseidon Nickel purchased for the Purported Nickel Trading ("**Warehouse Visit**").

However, the Purported Nickel Trading was wholly fictitious, and the Envy Companies did not purchase / on-sell any Poseidon Nickel.

- a) Investors' monies were, amongst others, consistently siphoned out of the Envy Companies in large swathes by the companies' founder, Mr. Ng Yu Zhi ("**NYZ**"), to finance his extravagant spending. Specifically, NYZ caused the Envy Companies to transfer millions of dollars of investor's monies each month to his personal bank account, under the guise of transfers to Envy Asset Management Trading ("**EAMT**"), a company that NYZ purportedly incorporated in the British Virgin Islands to purchase and sell the Poseidon Nickel.
- b) The Transaction Documents circulated to Investors were forged.
- c) The nickel briquettes shown during the Warehouse Visit were not even purchased from Poseidon. Instead, they were briquettes that had been stored at the warehouse from at least 2 years ago and the Envy Companies simply purchased them on a short-term basis to deceive investors.

In the Envy Main Suit, the liquidators of the Envy Companies brought proceedings against two of the Envy Companies' former directors, Ms. Lee Si Ye ("**LSY**") and Mr. David Ju Xiao ("**DJX**"), as well as an administrative assistant of the Envy Companies, Mr. Justin Cheong ("**JC**"), for their assistance with NYZ's fraudulent acts. NYZ was originally a defendant, but the suit did not proceed against him as the liquidators succeeded in bankrupting him in the middle of proceedings.

There was evidence that all three remaining defendants assisted NYZ to perpetrate the Purported Nickel Trading by forging documents and concealing the discrepancies in the Purported Nickel Trading. Accordingly, amongst other things, the Liquidators brought claims for breach of directors' duties, dishonest assistance and fraudulent trading under section 340 of the Companies Act (version in force before 30 July 2020), which is identical to section 238 of the Insolvency, Restructuring and Dissolution Act ("**IRDA**"), as well as clawback claims such as section 224 and 438 IRDA.

The Court's decision in the Envy Main Suit

Whilst all three defendants played a substantive role in perpetrating the Purported Nickel Trading, the Court held that the defendants were culpable to varying degrees:

- (a) At the outset, all three defendants conceded that the Purported Nickel Trading was a mere Ponzi scheme. In particular, all three defendants did not dispute Poseidon and the purported Nickel Buyers' evidence at trial that they did not sell / purchase any Poseidon Nickel from the Envy Companies.
- (b) The Court agreed with the liquidators that DJX was explicitly aware of, or at least wilfully blind, to the Ponzi scheme. Amongst other things, DJX was the key architect of the Warehouse Visit, having procured the purchase of the nickel briquettes that was misrepresented to investors as Poseidon Nickel.¹ Notably, the Court observed that DJX had experience trading metals and that he admitted to not investing in the Purported Nickel Trading as the returns were too high i.e he suspected it was a sham.²
- (c) LSY was not explicitly aware of or wilfully blind to the Ponzi scheme. The Court however agreed with the liquidator's alternative case that she was grossly negligent, having failed to address multiple red flags. For instance, LSY knew that NYZ was consistently transferring millions of dollars out of the Envy Companies' accounts to EAMT every month.³ However, LSY did not bother verifying EAMT's existence or its alleged purpose.⁴
- (d) JC was not knowingly complicit in the Purported Nickel Trading. Although JC did not dispute forging various documents used in the Purported Nickel Trading including the Transaction Documents, the Court found that JC did not know what these forgeries would be used for.⁵ The evidence demonstrated that JC unthinkingly did whatever NYZ told him to do without stopping to consider the instructions.⁶ This was because JC was not particularly sophisticated and had a rather rudimentary understanding of the Purported Nickel Trading.⁷

Given the defendants' respective states of mind, the Court held that only DJX was liable for fraudulent trading. Considering the schema of the fraudulent trading provision, the Court explained that liability will only arise where the defendant is aware of the fraudulent business as a whole, as opposed to some aspects of the fraud.⁸ LSY and JC fell short of this threshold – despite their involvement in the fraud, they did not know that the Purported Nickel Trading was a Ponzi scheme.⁹

Notwithstanding their differing states of mind, both DJX and LSY were found to be in breach of their directors' duties. Whilst the Court recognised that modern-day directors are not expected to be involved in, or know, everything, LSY and DJX failed to come anywhere close to achieving the most minimum of standards expected of directors.¹⁰ It was apparent that they ignored a myriad of red flags and adopted a blasé attitude towards their duties as directors.

The Court agreed with the liquidators that the loss that the Ponzi scheme caused to the Envy Companies (i.e. their total liabilities therefrom), was the total investment principal which remained outstanding to the investors as Ponzi scheme victims (i.e. the **"Minimum Net Principal"**). As of the date of the Judgment, the Minimum Net Principal consisted of approximately S\$593,015,240, US\$192,220,888 and €880,000. Whilst LSY was made liable for the total Minimum Net Principal, DJX was liable for 40% of the same (considering the period he served as director, weighed against his involvement and knowledge).

¹ Judgment, at [132]-[137]

² Judgment, at [152]-[153]

³ Judgment, at [99]-[104] and [128]

⁴ Judgment, at [119]

⁵ Judgment, at [172]

⁶ Judgment, at [170]-[177]

⁷ Judgment, at [168]-[169]

⁸ Judgment, at [190]-[191]

⁹ Judgment, at [196]

¹⁰ Judgment, at [268]

With respect to the liquidators' clawback claims, the Court held that all three defendants were liable to return a variety of payments that they received from the Envy Companies pursuant to section 73B Conveyancing Law of Property Act (version in force before 30 July 2020) ("**CLPA**") as well as sections 224 and 438 IRDA. Specifically, the Defendants were ordered to return any commission payments, profit sharing, bonuses, CPF Payments, director's fees and dividends that they received.¹¹

In allowing the liquidators' clawback claims, the Court affirmed the presumption recognised in *Envy Asset Management Pte Ltd and others v. Biovest Pte Ltd* [2024] SGHC 46 – namely, that transfers made in the course of a Ponzi scheme are presumed to have been made with actual intent of defrauding creditors ("**Ponzi Scheme Presumption**").¹² Whilst JC submitted that the Ponzi scheme presumption should not apply to employees such as himself, the Court rejected this, holding that any non-basic salary / bonus remuneration would be related to and furthered the Ponzi scheme.¹³

Significance of the decision in the Envy Employee Suit

This is a welcome decision for insolvency practitioners as proceedings against fraudulent or negligent management are an important area of recovery for liquidators. This is especially where they received significant remuneration or misappropriated a substantial part of the company's assets.

Importantly, the Envy Main Suit decision, along with *Envy Asset Management Pte Ltd (in liquidation) and others v. Lau Lee Sheng* [2025] SGHC 144, confirms that a wide variety of payments to former directors and employees can be clawed back under the relevant provisions of the IRDA. Pertinently, the Court:

- (a) accepted that the Ponzi Scheme Presumption forms part of Singapore's jurisprudence. This allows liquidators to effectively "short circuit" the need to prove an intent to defraud under section 73B CLPA and/or that payment was made for the purposes under section 438(4) IRDA, once they demonstrate that the company was a fraudulent Ponzi scheme.
- (b) provided further clarification on the scope of the fraudulent trading provision under section 238 IRDA – namely, that a defendant must be aware of the entirety of the fraud and not merely some aspect of the fraud. While this imposes a higher threshold as defendant are required to possess a far greater extent of knowledge of the fraud, it is arguable that this is necessarily commensurate with the severe consequences that fraudulent trading may attract.

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¹¹ Judgment, at [214]-[236] and [243]-[248]

¹² Judgment, at [205]

¹³ Judgment, at [207]