富裕
FuYu

ANNUAL REPORT 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS
Dr John Chen Seow Phun, *Chairman*
Ching Heng Yang, *Vice Chairman*
Tam Wai
Ho Nee Kit
Hew Lien Lee
Tan Yew Beng
Foo Say Tun

EXECUTIVE DIRECTORS
Ching Heng Yang
Tam Wai
Ho Nee Kit
Hew Lien Lee

NON-EXECUTIVE DIRECTORS
Dr John Chen Seow Phun
Tan Yew Beng
Foo Say Tun

AUDIT COMMITTEE
Dr John Chen Seow Phun, *Chairman*
Tan Yew Beng
Foo Say Tun

NOMINATING COMMITTEE
Foo Say Tun, *Chairman*
Dr John Chen Seow Phun
Tan Yew Beng

REMUNERATION COMMITTEE
Tan Yew Beng, *Chairman*
Dr John Chen Seow Phun
Foo Say Tun

COMPANY SECRETARIES
Kong Wei Fung
Cheok Hui Yee

REGISTERED OFFICE
8 Tuas Drive 1
Singapore 638675
Tel : (65) 6578 7338
Fax: (65) 6578 7347
Website: www.fuyucorp.com

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

EXTERNAL AUDITORS
KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Audit Partner: Kum Chew Foong
Since financial year 2015

BANKERS
DBS Bank Ltd
Malayan Banking Berhad
RHB Bank Berhad
Sumitomo Mitsui Banking Corporation
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS CONSULTANT
Octant Consulting
7500A Beach Road
The Plaza #04-329
Singapore 199591
Tel : (65) 6296 3583
Email: herman@octant.com.sg
lisa@octant.com.sg

CONTENTS

CORPORATE PROFILE

Fu Yu Corporation Limited ("Fu Yu") provides vertically-integrated services for the manufacture of precision plastic components and the fabrication of precision moulds and dies.

Since its inception in 1978, the Group has grown to become one of the largest manufacturers of high precision plastic parts and moulds in Asia. Today, the Group has established a strong presence in the region with manufacturing facilities located in Singapore, Malaysia and China.

Leveraging on its extensive operating history, Fu Yu has built a broad and diversified customer base of blue chip companies in the printing and imaging, networking and communications, consumer, medical and automotive sectors.

To enhance its value add to customers and build mutually beneficial long term partnerships, the Group offers a One-Stop Solution to customers through its vertically integrated services. Its comprehensive capabilities range from precision tool design and fabrication, precision injection moulding to secondary processes, such as silk screen printing, ultrasonic welding, heat staking and spray painting, as well as sub-assembly.

Fu Yu was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 14 June 1995.

MISSION STATEMENT

Fu Yu aims to be the preferred global partner in engineering plastic products, from design to full assembly. We will deliver our vision through: embracing technology and creativity; providing satisfaction to our customers; continuous learning for our people; and maximising returns to our shareholders.

CHAIRMAN'S MESSAGE

Fu Yu delivered a sterling financial performance in FY2018. The Group chalked up a noteworthy increase in PATMI of 165.5% to S$11.9 million in FY2018.

Dr John Chen Seow Phun
Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present Fu Yu Corporation Limited's ("Fu Yu" or the "Group") annual report for the financial year ended 31 December 2018 ("FY2018").

Fu Yu delivered a sterling financial performance in FY2018. Despite the challenges in the operating landscape due to keen competition and economic uncertainties, the Group chalked up a noteworthy increase in net profit attributable to owners of the Company ("PATMI") of 165.5% to S$11.9 million in FY2018 from S$4.5 million in FY2017.

As a demonstration of our commitment to rewarding shareholders for their continued support, the Group has proposed to pay a final dividend of 1.0 cent per share. Together with interim dividends of 0.6 cent per share, the Group's total dividends with respect to FY2018 would be 1.6 cents per share or S$12.0 million on aggregate. This is higher than the dividend per share of 1.5 cents for FY2017 and represents a dividend payout of approximately 100% based on the Group's PATMI in FY2018.

The Group's financial performance in FY2018 underlined its constant focus on strengthening top line while optimising the organisation structure and operations. We stayed the course with our business development pursuits and are encouraged by the progress that Fu Yu has achieved in certain product segments during FY2018. Specifically, the Group saw improved sales of products in the consumer, medical and automotive segments as we successfully secured additional projects with existing customers for product upgrades and new products, as well as projects with new customers.

The increased sales of these segments helped to cushion the Group against the slowdown in orders for networking and communications products during FY2018. As a result, the Group managed to sustain its revenue at S$197.7 million, up 1.4% from S$195.0 million last year.

On a geographical basis, our Singapore and Malaysia operations notched up higher revenues in FY2018 and helped to offset lower sales from our China segment which was dragged down by the decline in orders for networking and communications products. Nevertheless, the Group recorded better segment profits from our operations in Singapore, Malaysia and China in FY2018 compared to FY2017.

This improved profitability can be attributed in part to the Group's ongoing initiatives to optimise our production processes through lean management and automation to extract greater cost and operational efficiencies. These efforts, coupled with a shift in revenue mix, have benefited the Group's gross profit margin which expanded to 17.8% in FY2018 from 17.1% in FY2017. This margin expansion and a foreign exchange gain in FY2018 contributed to the substantial rise in PATMI.

Excluding the foreign exchange impact and share of results of joint venture, the Group's profit before tax ("operating profit") in FY2018 still climbed by 16.9% to S$15.5 million in FY2018, reflecting the benefits of our initiatives to improve operational efficiencies and corporate structure.

Following the amalgamation of our Singapore operations in FY2017 which yielded economies of scale and cost savings, the Group took further steps during FY2018 to streamline its corporate structure by privatising its subsidiary LCTH Corporation Berhad ("LCTH") that was listed on Bursa Malaysia Securities Berhad. The privatisation of LCTH, which was carried out via a selective capital reduction exercise costing S$20.7 million, was completed in June 2018. LCTH is now a wholly-owned subsidiary of Fu Yu and has been renamed as LCTH Corporation Sdn. Bhd. As such, the Group has started to recognise full earnings contribution from LCTH since the date of completion.

The immediate benefit from this privatisation exercise is the cost savings related to LCTH's public listing. From an operational perspective, we envisage that full ownership of LCTH will allow Fu Yu to have greater flexibility to manage our manufacturing facilities across Asia. This will be advantageous in the long run as we can better plan and optimise the utilisation of our available production capacity to improve cost management and shorten cycle time. The Group will also be exploring the possibility of centralising certain indirect support functions of LCTH to reap further cost benefits.

Looking ahead, the Group expects the operating environment in FY2019 to be fraught with challenges in view of heightened business uncertainties resulting from the ongoing trade tensions between the USA and China. In addition, the Group's financial performance is influenced by other factors such as intensifying industry competition, pressure on selling prices and movements in the US Dollar.

Although the trade tensions have not directly affected the Group so far, an escalation of the trade war could hurt the global economy and pose risks to businesses. We will continue to monitor the situation closely. Leveraging on our large manufacturing footprint and capabilities in Asia, we believe Fu Yu is well-placed to support any changes in the production requirements of our customers.

More importantly, the Group has a robust financial position that enables us to withstand any difficult business periods and capitalise on future business opportunities. As at 31 December 2018, the Group had a cash balance of S$80.3 million and zero borrowings. It generated net operating cash flow of S$23.3 million in FY2018.

We will continue to push forth with our business development initiatives to expand market share with existing customers and win projects with prospective customers. The Group is also looking to build on its initial success with certain new customers to make further inroads. Due to the qualification processes that are required especially with new customers, it usually takes time for meaningful production volume to materialise.

In line with our aim to achieve stable and sustainable growth over the long term, the Group's strategy is to maintain a diversified customer base across target market segments that encompass printing & imaging, consumer, medical, networking and communications, and automotive sectors. Our focus will be on securing products that exhibit greater stability, longer life cycles and higher growth potential such as medical, automotive, eco-friendly and smart consumer products, and 3D printers.

Given this diversity of our portfolio, the Group's overall sales performance is dependent on, among other factors, end-user demand for customers' products and the individual performance of each market segment.

On the manufacturing front, it is imperative for the Group to continually sharpen its core competencies in tooling, moulding and other secondary processes through appropriate investments in automation and technology upgrades to our machineries. These investments will enable Fu Yu to produce higher precision and first-rate quality products, as well as achieve shorter cycle time. Using lean management principles, we will also work on enhancing our production flow and processes to attain higher cost efficiencies and productivity to ensure faster time-to-market for customers. We believe our focus on ensuring stringent and high quality of manufacturing will generate greater value for our customers and improve Fu Yu's competitiveness.

The Group's goal is to achieve optimal capacity utilisation across its plants in Asia. Besides seeking sales growth, we will continue to evaluate avenues to further optimise the resources and cost structure of our operations in the region, such as better production planning across facilities, rightsizing exercises and the sale or lease of unutilised factory space if suitable opportunities arise. As we execute our business strategies, we will remain prudent in our approach to realise the Group's long term goal of sustainable and profitable growth.

In closing, I would like to thank my fellow directors for their counsel and contributions. On behalf of the Board, I would also like to extend our deep appreciation to our management and staff for their dedicated service, hard work and commitment; and to our valued shareholders, customers, suppliers and business partners for their continued trust and support of the Group.

DR JOHN CHEN SEOW PHUN
Chairman

OPERATIONS REVIEW

REVENUE

For the year ended 31 December 2018 ("FY2018"), the Group's revenue edged higher by 1.4% to S$197.7 million from S$195.0 million in FY2017. This was attributed to increased revenue from its Singapore and Malaysia segments.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit in FY2018 rose at a faster pace than revenue by 5.9% to S$35.3 million from S$33.3 million in FY2017. Correspondingly, gross profit margin expanded to 17.8% in FY2018 from 17.1% in FY2017. The increase was attributed mainly to a shift in revenue mix and the Group's continual efforts to streamline cost and raise operational efficiencies.

OTHER INCOME

The Group recorded higher other income of S$7.7 million in FY2018 compared to S$7.5 million in FY2017. This was attributed primarily to higher profit from sale of property, plant and equipment.

SELLING AND ADMINISTRATIVE EXPENSES

The Group's selling and administrative expenses remained relatively stable at S$27.4 million in FY2018.

OTHER OPERATING INCOME/(EXPENSES)

The Group recorded other operating income of S$1.2 million in FY2018, attributed mainly to a foreign exchange gain as a result of the appreciation of the US Dollar against the functional currencies of the respective companies in the Group. On the other hand, the Group incurred other operating expenses of S$4.7 million in FY2017, due mainly to a foreign exchange loss. This resulted in a positive change of approximately S$5.9 million between the two financial years.

The Group recognises foreign exchange gains or losses as a result of transactions denominated in foreign currencies, and the translation of receivables, cash and payables denominated in foreign currencies to the functional currencies of the respective companies in the Group as at each reporting date. As the Group is in net US Dollar assets position, the appreciation of the US Dollar against the Singapore Dollar and Malaysia Ringgit contributed to the foreign exchange gain in FY2018.

PROFITABILITY

The Group's profit before tax jumped 91.4% to S$15.9 million in FY2018 from S$8.3 million in FY2017, primarily on the back of higher gross profit and other operating income.

Excluding foreign exchange impact and share of results of joint venture, the Group's profit before tax grew 16.9% to S$15.5 million compared to S$13.2 million in FY2017. This was attributed mainly to better gross profit margin and tight control of selling and administrative expenses.

After deducting tax expenses, the Group's net profit attributable to owners of the company in FY2018 soared 165.5% to S$11.9 million from S$4.5 million in FY2017.

FINANCIAL POSITION

The Group maintained a sound financial position as at 31 December 2018 with a cash balance of S$80.3 million and zero borrowings. Shareholders' equity stood at S$164.1 million, equivalent to net asset value of 21.80 cents per share (based on the total number of issued shares of approximately 753.0 million shares) which includes cash and cash equivalents of around 10.67 cents per share.

Total assets as at 31 December 2018 decreased to S$211.6 million from S$236.2 million as at 31 December 2017. This was attributed mainly to lower trade and other receivables as well as a reduction in cash and cash equivalents. Cash and cash equivalents decreased following the completion of a selective capital reduction ("SCR") exercise in June 2018 to privatise the Group's subsidiary LCTH Corporation Berhad ("LCTH") that was listed on Bursa Malaysia Securities Berhad. LCTH is now a wholly-owned subsidiary of Fu Yu Investment Pte Ltd.

Total liabilities as at 31 December 2018 decreased to S$47.5 million from S$50.7 million at the end of FY2017, due primarily to lower trade and other payables.

The Group generated net cash from operating activities of S$23.3 million during FY2018. Net cash used in investing activities amounted to S$4.9 million due mainly to capital expenditure, offset partially by interest income and proceeds from disposal of property, plant and equipment.



The Group also used net cash of S$33.4 million in financing activities during FY2018. Around S$20.7 million was attributed to the SCR exercise for LCTH that was completed in June 2018. The Group also paid total dividends amounting to approximately S$12.0 million to shareholders of Fu Yu Corporation Limited during FY2018.

As a result, the Group recorded a net decrease of S$15.0 million in cash and cash equivalents during FY2018 and closed the financial period with cash and cash equivalents of S$77.0 million (excluding cash deposits pledged of S$3.3 million).

GEOGRAPHICAL SEGMENT REVIEW

SINGAPORE

The Group's operations in Singapore reported revenue of S$47.3 million in FY2018, an increase of S$6.3 million from S$41.0 million in FY2017. This was driven mainly by increased sales of products in the automotive, medical and consumer segments. As a result, Singapore segment accounted for a higher 23.9% of Group revenue in FY2018, compared to 21.0% in FY2017.

Excluding the dividend income from Malaysia and China subsidiaries totaling S$8.0 million, Singapore segment would have recorded a profit of S$7.4 million in FY2018 which is an increase of S$6.8 million from S$0.6 million reported in FY2017. This increase was attributed mainly to higher revenue and a foreign exchange gain in FY2018 as opposed to a foreign exchange loss in FY2017.

CHINA

The China operations saw revenue decrease S$5.9 million to S$112.3 million in FY2018 from S$118.2 million in FY2017. This was due primarily to slower orders for networking and communications products, which was buffered partly by higher sales of products in the consumer segment. Nonetheless, the China operations remained as the Group's largest geographical segment with a revenue contribution of 56.8% in FY2018 compared to 60.6% in FY2017.

Notwithstanding lower revenue, China segment's profit increased by S$0.5 million to S$2.4 million in FY2018 from S$1.9 million in FY2017 due mainly to lower depreciation charges for property, plant and equipment.

MALAYSIA

The Malaysia operations registered revenue of S$38.1 million in FY2018, an increase of S$2.3 million from S$35.8 million in FY2017. The revenue was lifted mainly by higher sales of products in the consumer and medical segments. Malaysia segment's contribution to Group revenue increased to 19.3% in FY2018, from 18.4% in FY2017.

Malaysia segment's profit increased S$1.7 million to S$6.6 million in FY2018 from S$4.9 million in FY2017, due mainly to improved sales as well as a foreign exchange gain in FY2018 compared to a foreign exchange loss in FY2017.

FINANCIAL HIGHLIGHTS

Financial year ended 31 December

INCOME STATEMENT SUMMARY

(S$ million)	FY2018	FY2017	Change
Revenue	197.7	195.0	1.4%
Gross Profit Margin	17.8%	17.1%	0.7 ppt
Profit Before Tax	15.9	8.3	91.4%
Operating Profit*	15.5	13.2	16.9%
Net Profit Attributable to Owners of the Company ("PATMI")	11.9	4.5	165.5%
Earnings Per Share (Cents)	1.58	0.59	165.5%

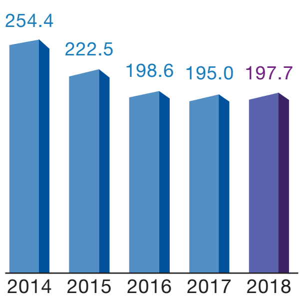
** Profit Before Tax excluding foreign exchange impact and share of results of joint venture*

BALANCE SHEET SUMMARY

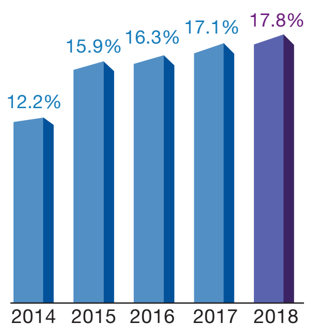
(S$ million)	As at 31 December 2018	As at 31 December 2017
Total Non-Current Assets	54.3	57.4
Total Current Assets	157.3	178.8
Total Non-Current Liabilities	1.0	0.6
Total Current Liabilities	46.5	50.1
Shareholders' Equity	164.1	165.3
Cash and cash equivalents	80.3	95.4
NAV per share (cents)	21.80	21.95

KEY FINANCIAL RATIOS

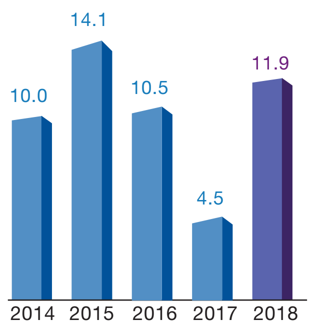
	FY2018	FY2017
Gearing	Zero debt	Zero debt
Return on Equity (excluding cash)	14.2%	6.4%
Dividend Per Share	1.6 cents	1.5 cents
Dividend Payout	101%	252%



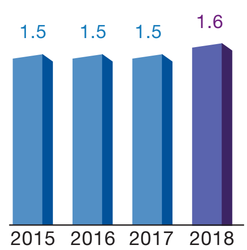
Revenue (S$ million)



Gross Profit Margin



Net Profit Attributable to Owners of the Company (S$ million)

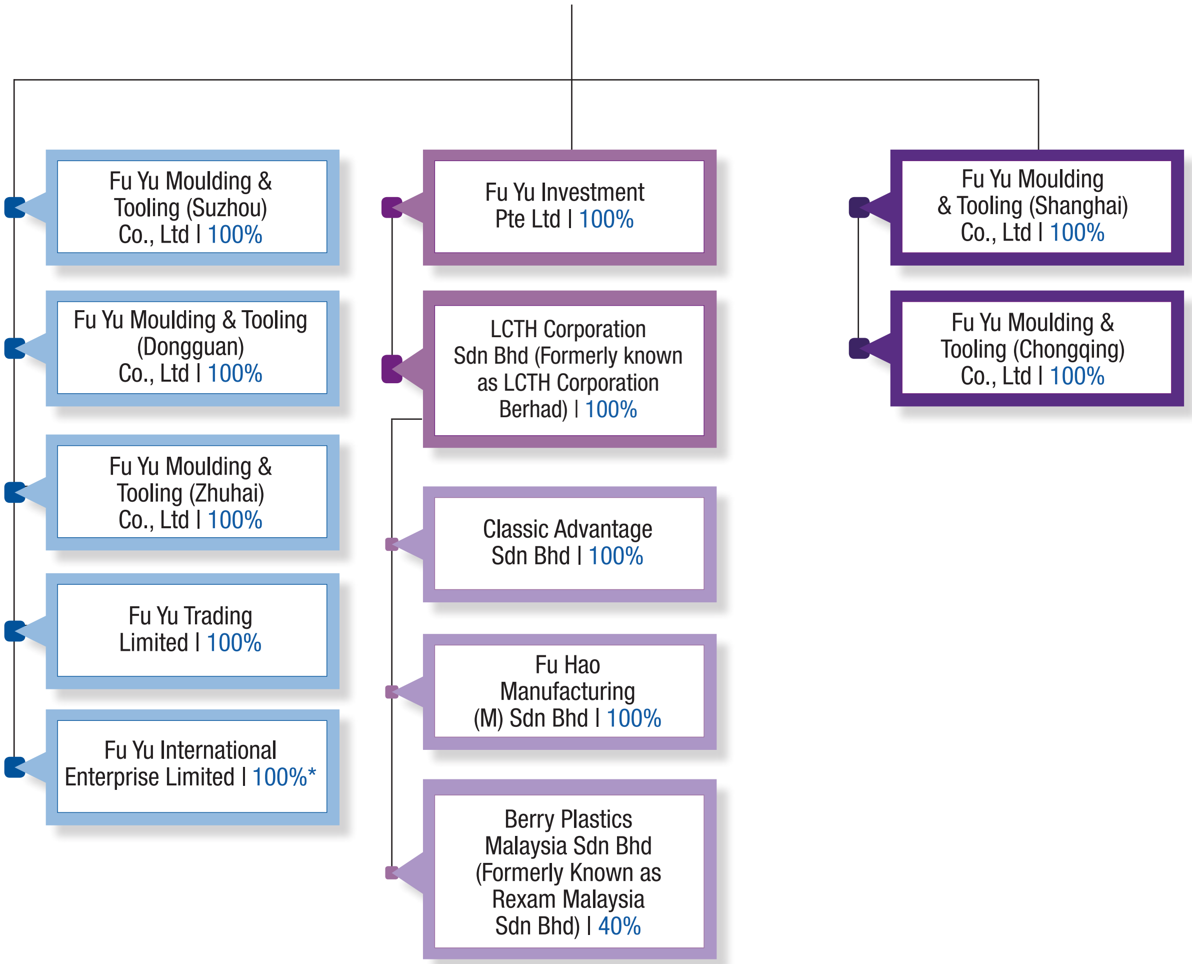


Dividend Per Share (cents)

GROUP STRUCTURE

富裕 FuYu

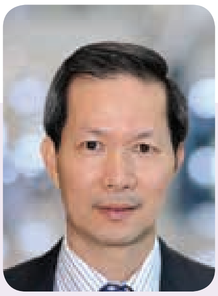
FU YU CORPORATION LIMITED



* Under members' voluntary liquidation

BOARD OF DIRECTORS



Left to right:
Dr John Chen Seow Phun,
Ching Heng Yang,
Tam Wai,
Ho Nee Kit



Left to right:
Hew Lien Lee, Tan Yew Beng, Foo Say Tun

DR JOHN CHEN SEOW PHUN

Non-Executive Chairman, Independent Director

Dr John Chen Seow Phun, 65, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007 and was last re-elected on 26 April 2016. He will stand for re-election as a Director in the forthcoming Annual General Meeting ("AGM"). Dr Chen is the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees.

Dr Chen was a Member of Parliament from 1998 to 2006. He was the Assistant Secretary General of the NTUC from 1991 to 1997 and served as the Deputy Chairman and Managing Director of NTUC Healthcare Co-op from 1992 to 1997. From March 1997 to June 1999, he was the Minister of State, Ministry of Communications. From June 1999 to November 2001, he was the Minister of State, Ministry of Communications & Information Technology as well as Ministry of National Development. Prior to joining the Government in 1997, Dr Chen has served as a Board Member of the Economic Development Board, the Housing and Development Board, the Port of Singapore Authority and Singapore Power Ltd.

Dr Chen is presently the Executive Chairman of Pavillon Holdings Ltd (formerly known as Thai Village Holdings Ltd) and the Chairman of SAC Capital Pte Ltd. He also sits on the board of a number of publicly listed companies.

Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991.

As at 31 December 2018, Dr Chen holds 0.13% direct interest in the Company.

CHING HENG YANG

Vice Chairman, Executive Director

Mr Ching, 68, one of the co-founders of Fu Yu, is the Vice Chairman and Executive Director of the Group. Mr Ching was appointed as the Executive Director on 10 December 1980 and was last re-elected on 28 April 2017. He will stand for re-election as a Director in the forthcoming AGM.

Mr Ching oversees the plastic injection moulding, finishing and sub-assembly operations of the Group. He is also responsible for the investment in factory buildings and machinery of the Group. Mr Ching has over 44 years of experience in the mould fabrication and plastic injection moulding industry.

Mr Ching is a member of the Singapore Institute of Directors.

As at 31 December 2018, Mr Ching holds 11.81% direct interest in the Company.

TAM WAI
Executive Director

Mr Tam, 68, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 26 April 2018.

Mr Tam oversees the mould design and fabrication operations of the Group. Prior to joining Fu Yu, he was involved in mould design and fabrication for ten years in Hong Kong specialising in high precision moulds for the electronics and electrical industries. Mr Tam has over 49 years of experience in the mould fabrication and plastic injection moulding industry.

Mr Tam is a member of the Singapore Institute of Directors.

As at 31 December 2018, Mr Tam holds 12.84% direct and 0.04% deemed interests in the Company.

HO NEE KIT
Executive Director

Mr Ho, 65, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 26 April 2018.

Mr Ho jointly oversees the mould fabrication, plastic injection moulding, finishing and sub-assembly operations of the Group. Prior to joining Fu Yu, Mr Ho worked for a plastic injection company as a tool maker. Realising the potential of the precision mould making industry in the 1970s, together with three other partners who also shared the same vision of the industry, they founded Fu Yu in 1978.

Mr Ho is a member of the Singapore Institute of Directors.

As at 31 December 2018, Mr Ho holds 12.88% direct interest in the Company.

HEW LIEN LEE
Executive Director, Chief Executive Officer and Chief Operating Officer

Mr Hew, 62, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. He was appointed acting Chief Executive Officer on 21 May 2014 and was promoted to Chief Executive Officer of the Group on 26 February 2016. Mr Hew was last re-elected on 26 April 2018.

Mr Hew joined Fu Yu in 1984 and holds a Diploma in Electrical Engineering. With 39 years of experience in the plastic injection moulding industry, he has played an instrumental role in the successful listing of LCTH Corporation Berhad. He is responsible for the overall strategic direction and management of the Group.

Mr Hew is a member of the Singapore Institute of Directors.

As at 31 December 2018, Mr Hew holds 1.08% direct interest in the Company.

TAN YEW BENG
Non-Executive Director, Independent Director

Mr Tan, 62, was appointed as Director on 22 May 1995 and was last re-elected on 28 April 2017. He will stand for re-election as a Director in the forthcoming AGM. Mr Tan is the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees. He is also a director of several Singapore and Malaysia companies.

Mr Tan holds a Bachelor of Commerce Degree from Nanyang University, Graduate Diploma in Marketing Management from the Singapore Institute of Management and Diploma in Marketing from the Institute of Marketing, United Kingdom.

Mr Tan is serving actively in several social, education and community organisations. In recognition of his contribution to the community, Mr Tan was awarded the Public Service Medal (Pingat Bakti Masyarakat – PBM) in 2008 and subsequently the Public Service Star (Bintang Bakti Masyarakat – BBM) in 2013. He is also a member of the Singapore Institute of Directors.

As at 31 December 2018, Mr Tan holds 0.34% direct interest in the Company.

FOO SAY TUN
Non-Executive Director, Independent Director

Mr Foo, 53, was appointed as Director on 27 November 2007 and was last re-elected on 28 April 2017. He is presently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr Foo was a lawyer practicing civil and commercial litigation, arbitration and corporate law. He was called to the Malaysia Bar in 1992 and the Singapore Bar in 1995. Mr Foo holds a Bachelor of Laws degree from the University of East Anglia (UK), and was admitted to Middle Temple (UK) as a Barrister-at-Law in 1991. He also serves as an independent director on another SGX-ST listed company, Moneymax Financial Services Ltd.

As at 31 December 2018, Mr Foo does not hold any direct or indirect interest in the Company.

KEY EXECUTIVES

ANG TONG LAM

General Manager, Fu Yu Suzhou
General Manager, Fu Yu Shanghai
General Manager, Fu Yu Chongqing

Mr Ang, 51, joined the Group in November 2017 as General Manager of Fu Yu Suzhou. In June 2018, he was also appointed as General Manager of Fu Yu Shanghai and Fu Yu Chongqing when the previous General Manager resigned. Mr Ang is currently responsible for the entire operations of these three subsidiaries.

Mr Ang started his career with Meiban Singapore in 1996 as a shift supervisor and was subsequently promoted to process engineer and then principal engineer. In 2003, he was posted to Meiban Shanghai as an Operations Manager and was promoted to General Manager in 2004. In 2013, he was promoted to Operations Director of Meiban China, overseeing the entire operations and management of Meiban Shanghai and Meiban Zhongshan. Mr Ang has more than 25 years of experience in plastic injection moulding industry and holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic. He has also completed the Master Molder I course conducted by RJG Inc.

HEE SIEW FONG

Chief Financial Officer

Ms Hee, 47, joined the Group as Chief Financial Officer on 9 June 2016. She oversees the financial and management accounting of our Group. Prior to joining Fu Yu, Ms Hee was the Chief Financial Officer of MFS Technology Ltd, Group Chief Financial Officer of Auric Pacific Group Limited, Group Financial Controller of SATS Ltd and Asia Enterprises Holding Limited. She has more than 25 years of experience in finance and accounting. She is a member of both The Institute of Singapore Chartered Accountants and The Certified Public Accountants Australia. She holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University and a Master's degree in Business Administration from the National University of Singapore.

ONG KANG LYE

General Manager, Fu Yu Corporation Limited (Singapore operations)

Mr Ong, 51, joined the sales team of the Company in April 1994. In 2002, he was seconded to Classic Advantage Sdn Bhd to reform the system of Sales, Purchasing and Logistics departments for one year due to the relocation of manufacturing site by a major customer. From 2003 to 2014, Mr Ong held several positions in Fu Yu Singapore including Program Manager, Sales Manager, Account Director and Assistant General Manager. He was promoted to General Manager overseeing the entire operations and management of Fu Yu Singapore in November 2014.

Prior to joining Fu Yu, Mr Ong was a Sales Supervisor in Tooling and Plastics Injection Moulding at SLK Manufacturing Pte Ltd for five years. With 30 years of experience in plastics injection moulding industry, he played an instrumental role in the successful amalgamation of Nano Technology Manufacturing Pte Ltd and SolidMicron Technologies Pte Ltd into Fu Yu Corporation Limited in March 2017. Mr Ong holds a Diploma in Sales and Marketing from Marketing Institute of Singapore.

TAN LAY KHENG

Group Human Resource Director

Madam Tan, 65, was the Group Human Resource Manager before she is promoted to Group Human Resource Director in October 2008. She joined Fu Yu on 5 August 1996 and oversees the management and development of human resources across the Group. She is also responsible for the administrative function of the Group. Prior to joining the Group, Madam Tan was with NTUC Research Unit from 1975 to 1996. She has over 40 years of experience in Industrial Relations Management and holds a Bachelor of Art Degree from Nanyang University of Singapore.

TEH TUAN HOCK

General Manager, Fu Hao Penang

Mr Teh, 59, joined the Group in May 2003 as the Assistant General Manager of Fu Hao Penang overseeing the entire operations of the subsidiary. He was promoted to General Manager in July 2007. Mr Teh has been actively involved in developing new customers and diversifying product lines for Fu Hao Penang. He has also improved the factory operations through Lean implementation since 2008.

Prior to joining Fu Hao Penang, Mr Teh was the General Manager of Unipipes Malaysia Sdn Bhd, a plastic injection moulding factory in the northern region of Malaysia for 12 years. He graduated with a Bachelor of Science in Economics (major in Industry & Trade) from London School of Economics, United Kingdom. Mr Teh also received training from AOTS Japan on Company Wide Problem Solving.

OUR NETWORK

SINGAPORE

FU YU CORPORATION LIMITED HEADQUARTERS
8 Tuas Drive 1, Singapore 638675
Tel: (65) 6578 7338
Fax: (65) 6578 7347
www.fuyucorp.com

MALAYSIA

LCTH CORPORATION SDN BHD
21 Jalan Teknologi 4
Taman Teknologi Johor
81400 Senai,
Johor Darul Takzim, Malaysia
Tel: (607) 599 9980
Fax: (607) 599 9982
www.lcthcorp.com

FU HAO MANUFACTURING (M) SDN BHD
Plot 562 Mukim 1
Jalan Perusahaan Baru 1 Perai III
Perai Industrian Estate, 13600 Perai
Penang, Malaysia
Tel: (604) 398 0500
Fax: (604) 398 3221

CLASSIC ADVANTAGE SDN BHD
21 Jalan Teknologi 4
Taman Teknologi Johor
81400 Senai
Johor Darul Takzim, Malaysia
Tel: (607) 599 9980
Fax: (607) 599 9982

CHINA

FU YU MOULDING & TOOLING (DONGGUAN) CO., LTD
Jing Fu Road, Xin Cheng Industry Area
Heng Li Town, Dongguan
Guangdong, China 523477
Tel: (86769) 8982 1818
Fax: (86769) 8982 1815

FU YU MOULDING & TOOLING (SHANGHAI) CO., LTD
888 Xin Ling Road
WaiGaoQiao Free Trade Zone
Shanghai, China 200131
Tel: (8621) 5046 1225
Fax: (8621) 5046 0229

FU YU MOULDING & TOOLING (SUZHOU) CO., LTD
89 Xing Nan Road
Wuzhong Economic Skill Development Zone
Suzhou, China 215128
Tel: (86512) 6562 1838
Fax: (86512) 6563 9463

FU YU MOULDING & TOOLING (ZHUHAI) CO., LTD
477Jinhaian Road, Sanzao Town
Jin Wan District, Zhuhai
Guangdong, China 519040
Tel: (86756) 7761 862
Fax: (86756) 7761 851

FU YU MOULDING & TOOLING (CHONGQING) CO., LTD
Blk 2 & 3, 18 Shi Gui Ave, Jie Shi Town
Banan District
Chongqing, China 401346
Tel: (8623) 6121 9988
Fax: (8623) 6121 9988-690

CORPORATE MILESTONES

2017 – 2018

- Completed the privatisation of LCTH through a Selective Capital Repayment exercise in June 2018
- Amalgamation with Nanotechnology Manufacturing Pte. Ltd. and Solidmicron Technologies Pte. Ltd., in Singapore

2016

- Adopted dividend policy to distribute at least 50% of profit attributable to the owners of the Company
- Acquired remaining 20% equity interest in NanoTechnology Manufacturing Pte. Ltd. from EDB Ventures Pte Ltd

2011 – 2015

- Completed capital reduction and cash distribution to shareholders
- Set up new plant in Chongqing, China
- Set up new plant in Senawang*, Malaysia by Classic Advantage Sdn Bhd

2006 – 2010

- Set up new plant in Shenzhen*, China
- Completed Capital Repayment and Shares Consolidation of LCTH Corporation Berhad
- Implemented SAP ERP System at Fu Yu Moulding & Tooling (Suzhou) Co., Ltd, China
- Set up new plant in Wuxi*, China
- Incorporated SolidMicron Technologies Pte. Ltd., Singapore

2005

- LCTH Corporation Bhd (Malaysia) entered into a Memorandum of Understanding with Knobs Sdn Bhd (Malaysia) to form a strategic alliance
- Implemented SAP ERP System at Fu Yu Moulding & Tooling (Dongguan) Co., Ltd, China
- Incorporated Fu Yu Electronics (Dongguan) Co., Ltd, China*

2004

- Changed the Company's name from Fu Yu Manufacturing Limited to Fu Yu Corporation Limited
- Listing of the Group's Malaysian operations under LCTH Corporation Berhad ("LCTH") on the Main Board of Bursa Malaysia Securities Berhad
- Expanded manufacturing capacity in Johor, Malaysia
- Joint venture with EDB Ventures Pte. Ltd. to incorporate NanoTechnology Manufacturing Pte. Ltd. in Singapore
- Set up new plants in Wujiang* and Qingdao*, China
- Set up additional plant in Shanghai, China

2001 – 2003

- Set up new plant in Zhuhai, China
- Implemented SAP ERP System in Singapore
- Built additional factory for plant in Suzhou, China
- Implemented SAP Enterprise Resource Planning (ERP) System for plants in Johor, Malaysia
- Built additional warehouse for plant in Tianjin*, China

1996 – 2000

- Set up new plants in Suzhou, China and Guadalajara*, Mexico
- Started precision tooling activity in Singapore
- Set up plant in Senai (Johor), Malaysia
- Established R&D division for product design, 3D, IMold and CAD/CAM
- Set up new plant in Shanghai, China

1990 – 1995

- Listed on the Main Board of the SGX-ST
- Set up new plant in Dongguan, China
- Set up new plants in Kluang*, Malaysia and Tianjin*, China
- Commenced overseas expansion by setting up new plant in Penang, Malaysia

1978

- Established and commenced operations in Singapore

* Ceased operations

SUSTAINABILITY REPORT

BOARD STATEMENT – SUSTAINABILITY AT FU YU

The Board of Directors at Fu Yu Corporation Limited (the "Company") and its subsidiaries (the "Group") are pleased to present the Sustainability Report for the financial year ended 31 December 2018.

As a leading provider of vertically-integrated services for the manufacture of precision plastic components and the fabrication of precision moulds and dies, we recognise that environmental, social and governance (ESG) issues have been propelled to the centre of public attention both locally and globally. The growing importance of sustainable business practices and greater stakeholder interest mean that an increased focus on sustainability can generate long-term competitive financial returns with positive societal impacts. Therefore, the Board is committed to sustainable business practices, and believes that these practices are in line with the Group's strategy to deliver satisfaction to our customers, provide continuous learning for our people, and maximise returns to our shareholders.

The Board has specifically considered sustainability issues as part of our strategic formulation, and overseen the management of sustainability related risk, opportunities, practices and the development of the sustainability report.

This report describes the ESG factors material to the Group, the related policies, practices and performance, as well as the targets for the forthcoming year.

OUR REPORT

The Company's sustainability report is prepared in compliance with the requirements of SGX-ST Listing Rules 711A and 711B, and references the Global Reporting Initiative (GRI) Standards (2016).

This report describes our commitments, goals, programmes, performances and challenges across a broad range of global sustainability issues. The scope covers all entities under the Group as of 31 December 2018. This includes the headquarters in Singapore and moulding & tooling companies in Singapore, China and Malaysia for the financial year from 1 January to 31 December 2018.

We welcome all feedback to help us improve our sustainability practices. Please send your comments or feedback to sustainability@fuyucorp.com.

SUSTAINABILITY REPORT

WHO WE ARE

Established in 1978, the Group is a leading supplier with expertise in the provision of vertically-integrated services for the manufacture of precision plastic components and the fabrication of precision moulds and dies in Asia.

We were listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX) in 1995.

STAKEHOLDER ENGAGEMENT

As the ultimate aim of a Sustainability Report is to minimise negative and maximise positive ESG impacts, stakeholder engagement is key to achieving successful and effective outcomes. The Group recognises that efficient collaboration with stakeholders can positively influence the Company's success. Therefore, we actively engage in regular and fair communication with our stakeholders, encourage greater stakeholder participations, and maintain a website at www.fuyucorp.com where the public can access both business and financial information of the Company. The Group's approach towards stakeholder engagement is summarised as follow:

Key Stakeholders	Engagement Methods	Frequency	Key Topics of Interest
Investors	Timely updates of financial results and announcements, business developments, press releases, and other relevant disclosures via SGXNet and website	Throughout the year	• Sustain profitability and enhance shareholder returns • Transparent reporting • Sound corporate governance practices • Active portfolio management
	Regular results briefing	At least twice a year	
	Annual General Meeting	Annually	
	Extraordinary General Meeting	Where it is necessary	
Customers	Customer satisfaction surveys	Throughout the year	• Deliver affordable, quality products and services • Responsiveness to customers' requests and feedback
Employees	Induction programme for new employees	Throughout the year	• Equitable remuneration • Fair and competitive employment practices and policies • Safe and healthy work environment • Focus on employee development and well-being
	Training and development programmes	Throughout the year	
	Career development performance appraisals	Throughout the year	
	Recreational and wellness activities	Throughout the year	
	Regular e-mailers and meetings	Throughout the year	
Communities	Corporate volunteering	Throughout the year	• Contributions to communities of operations • Responsible and ethical business practices
	Open feedback channels	Throughout the year	
Government and Regulators	Meetings and dialogue sessions	Throughout the year	• Compliance with, and keep abreast to, ever-changing laws and regulations
	Membership in industry associations: *Singapore:* Singapore Institute of Directors; Singapore Chinese Chamber of Commerce & Industry *Malaysia:* Federation of Malaysian Manufacturers Malaysian Employers Federation	Throughout the year	
Suppliers	Regular dialogue sessions with key suppliers and service providers	Throughout the year	• Equitable treatment of suppliers • Regular and punctual payments upon enlistment of service
	Establish channels of communication	Throughout the year	

MATERIAL FACTORS

As disclosed in the last year's inaugural sustainability report, 12 factors were identified to be material for the Group. The Board has reviewed and these factors remained relevant in FY2018 and they are as follow:

	Material Factors
Protecting the Environment *Reducing our environmental footprint*	1. Energy 2. Water 3. Effluents and Waste
Developing Our Workforce *Talent management strategies and practices*	4. Employment and Talent Retention 5. Diversity & Equal Opportunity 6. Training and Education 7. Occupational Health & Safety 8. Forced or Compulsory Labour 9. Child Labour
Practicing Good Governance *Compliance with applicable laws and regulations including ethics and integrity, and anti-corruption*	10. Anti-corruption 11. Environmental Compliance 12. Customer Privacy

PROTECTING THE ENVIRONMENT

Reducing our environmental footprint

ENERGY

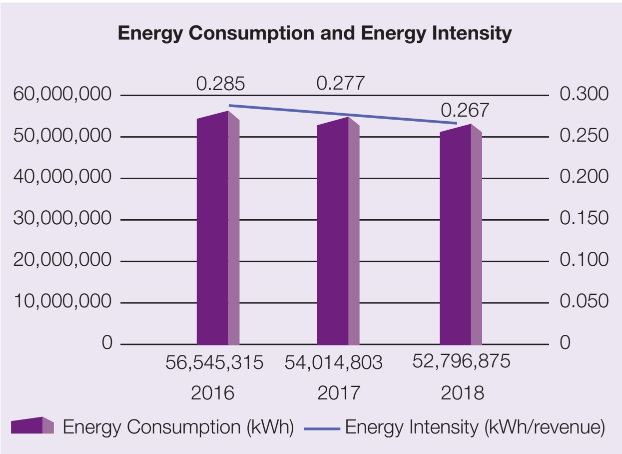
Climate change has become a significant threat to the environment due to the continuous increase in energy use and the production of associated greenhouse gas emissions. As a leading manufacturer, the use of energy is indispensable to our daily business operations. Despite the challenge of reducing the energy consumption with business expansion, the Group seeks every opportunity to minimise the environmental impact of our business operations by focusing on energy efficiency and management.

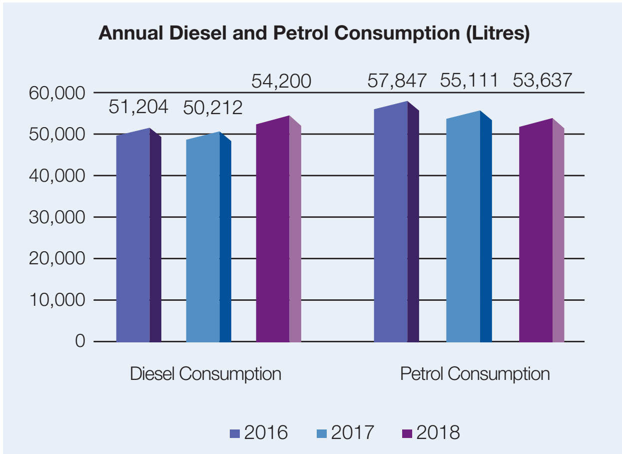
The Group has implemented, and continues to explore, various initiatives to reduce operational energy consumption. Some of these initiatives include:

- Replace existing light fittings with LED lights which are more durable and consume less energy.
- Ensure regular maintenance is carried out for plant and machinery to improve productivity, prolong their useful life spans and minimise energy consumption.
- Optimise production planning to reduce the machinery idling time and replace old machinery which consume more energy.

The electricity consumption is from purchased grid electricity. In 2018, electrical energy consumption amounted to 52,796,875 kilowatt hours (kWh), representing a 2.3% year-on-year decrease from 54,014,803 kWh in 2017 due mainly to the abovementioned initiatives that were carried out throughout the year. The overall energy intensity for the Group also decreased from 0.277 kWh per dollar of revenue in 2017 to 0.267 kWh per dollar of revenue in 2018.

SUSTAINABILITY REPORT





As shown in the bar diagram above, a total of 54,200 litres diesel were consumed in 2018 representing a 7.9% year- on-year increase from 50,212 in 2017. Diesel is mainly used for forklift machines and truck deliveries. The increase in diesel consumption in 2018 was mainly attributed to increased business activities. On the other hand, the petrol consumption caused by company cars and vehicles reduced from 55,111 litres to 53,637 litres. This is a decrease of 2.7% from 2017.

Moving forward, the Group targets to maintain current average electricity consumption per dollar of revenue.

WATER

Water is essential for life and it is used in huge quantities in the manufacturing industry. At the Group, we require water for the following reasons:

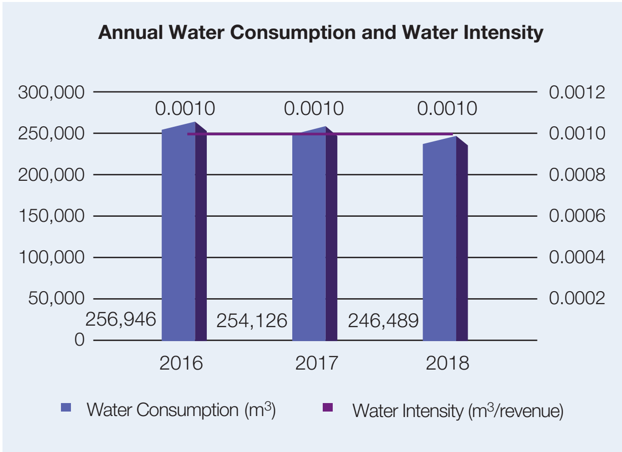
- Cooling tower usage
- Cooling purpose for injection moulding machines during manufacturing process
- Cleaning purposes

We endeavour to minimise our water usage through a number of efficiency initiatives. The Group has implemented, and continued with the following initiatives to promote water management and conserve our depleting water resources:

- Record/monitor meter readings and cross-check with water consumption bills on a monthly basis.
- Regular maintenance of water fittings and drainage systems to minimise the risk of leakage.
- Influence human behaviour by providing education on the importance of water saving.
- Encourage employees to report to HR if any leakage is observed in the factory.

In 2018, the water consumption amounted to 246,489 cubic metres (m^3), representing a 3.0% year-on-year decrease from 254,126 m^3 in 2017 due mainly to the water efficiency initiatives. The overall water intensity for the Group stayed the same at 0.001 m^3 per dollar of revenue.

Moving forward, the Group targets to maintain current average water consumption per dollar of revenue.



Annual Water Consumption and Water Intensity

EFFLUENTS AND WASTE

The generation, treatment and disposal of waste can pose harm to human health and the environment. Spills of chemicals, oils, and fuels, among other substances, can potentially affect biodiversity and human health.

We believe that proper management of waste, effective use of resources and carrying out of our day-to-day work in an environmentally responsible manner will eventually result in improved environmental performance and lower operating cost. As part of our enhanced waste management approach, reducing waste is the first priority, followed by waste reuse on-site and material recycling.

Following are some of the initiatives we have implemented in the past years:

REDUCE

We put effective and efficient management into practice to reduce raw material wastage.

REUSE

During the manufacturing process, resins are reused to clean the machines.

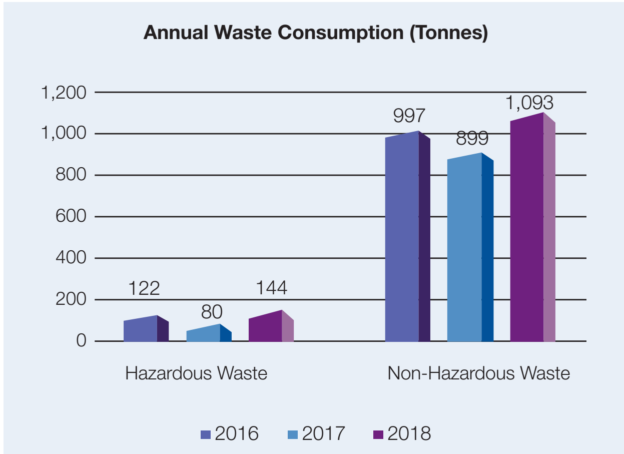
Our product packaging is reused as we help manage our customers' waste by requesting the return of the package.

RECYCLE

We initiate a waste bin management programme to sort paper, food and electronic waste accordingly and collect them for recycling.

SUSTAINABILITY REPORT


Training on chemical spillage control



As we are in the manufacturing industry, it is important for the Group to monitor the substances in the materials we procure and we work closely with our vendors to replace any toxic substances with environmentally friendly substitutes. Under our ISO 14001 policy, we carry out a vendor evaluation assessment on a yearly basis to assess our new vendors as well as measure/monitor our existing vendors' performance for the purpose of reducing costs, mitigating risks and driving continued improvement towards sustainability. Upon customers' requests, we will purchase environmentally friendly materials with accredited green labels. We also engage licensed toxic waste collection companies to ensure that toxic waste is properly disposed to minimise the negative impact to the environment. In the unlikely event of a chemical spillage, we have an in-house Chemical Spillage Control Team who can be activated immediately and thus reduce the impact of such chemical pollution to the environment. We conduct yearly refresher training courses to ensure that our team is always ready to remedy any chemical spillage if the situation arises. In 2018, there was no incident of significant chemical spillage in production facilities.

The amount of hazardous waste increased 80.0% from 80 tonnes in 2017 to 144 tonnes in 2018. In the same period, our general, non-hazardous waste increased 21.6%, from 899 tonnes in 2017 to 1,093 tonnes in 2018. The increase in hazardous waste in 2018 was due mainly to increased business activities and clearing of excess waste that had built up due to a shortage of appropriate disposal avenues. The increase in non-hazardous waste was the result of increased sales volume and activities, as well as certain raw materials that had become obsolete and was subsequently disposed.

Moving forward, the Group aims to have zero significant chemical spillage in production facilities in the forthcoming year.

DEVELOPING OUR WORKFORCE
Talent management strategy and practices

EMPLOYMENT AND TALENT RETENTION

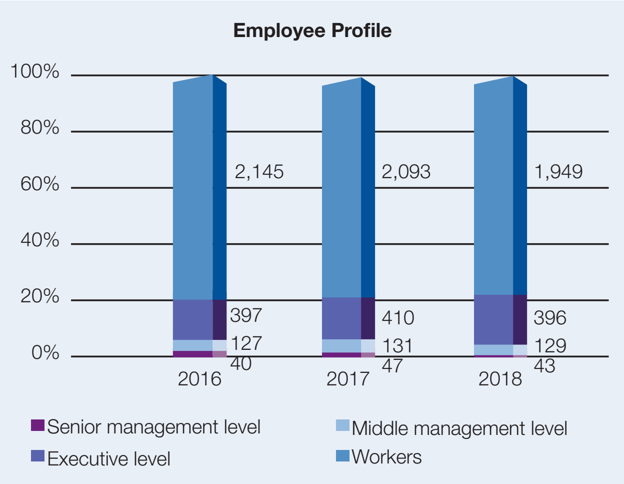
At the Group, we recognise that employees are our most valuable asset. A high rate of employee turnover could indicate levels of uncertainty and dissatisfaction among employees. High turnover results in changes to the human and intellectual capital and can impact productivity with direct cost implications.

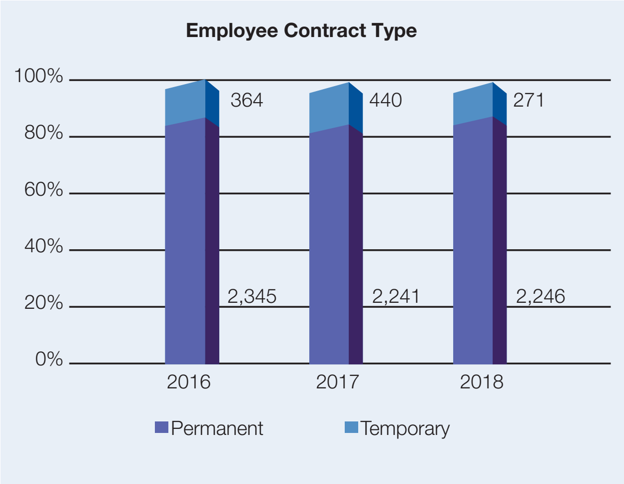

Team building activities

In line with our commitment towards creating a positive work environment, we have adopted a strategic reward system based on our employees' abilities, performance, contributions and experiences to make a positive contribution to the values and business objectives of the Group. In the Group, we treat our employees with respect and dignity. Disrespectful, hostile, intimidating or threatening behaviours are not tolerated in our workplace. Sexual advances, actions or comments of racial or religious slurs are also unacceptable.

We encourage a work-life balance concept in the Group as we believe it affects the well-being of individuals, families and communities and it strengthens an employee's commitment to the organisation. We employ human resource strategies and policies which are supportive of organising recreational activities, such as food fairs, festive celebrations, team building, annual dinner and dance for our employees on a regular basis.

As of 31 December 2018, we had a total of 2,517 employees across Fu Yu Corporation and its subsidiaries. The decrease of 164 employees was to manage our costs. Most of our employees are permanent and full-time. Temporary workers fluctuate with the manufacturing activities. Our new hires decreased from 37.1% in 2017 to 31.5% in 2018 and our turnover also reduced accordingly from 43.8% in 2017 to 37.9% in 2018. The lower turnover is due mainly to improved retention of employees and reduced headcounts in China.





Moving forward, the Group targets to maintain current employee turnover rate within 10% of the 2016, the base year, level. The turnover rate in 2016 was 41.6%.

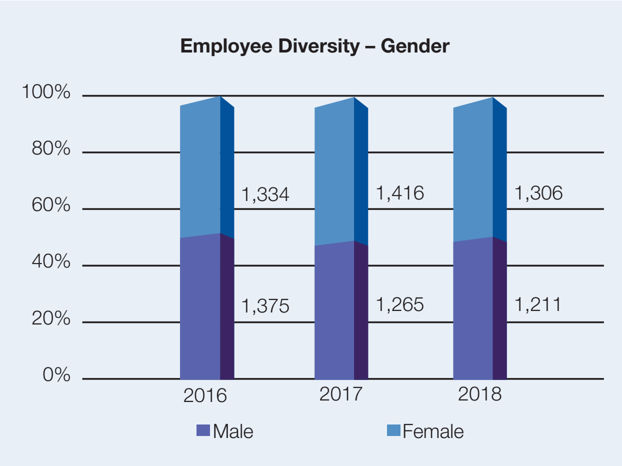
DIVERSITY AND EQUAL OPPORTUNITY

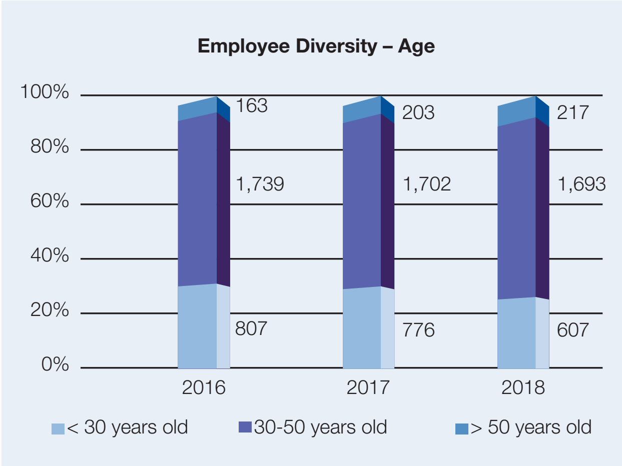
Equal opportunity to the Group is about treating people fairly without bias and encouraging conditions in the workplace that value diversity and promote dignity.

We have developed policies to stipulate fair and equal opportunities to all employees and job applicants. Our selection and recruitment criteria is based on an applicant's skills, experience and/or ability to perform the job, regardless of age, gender, race, religion and family status or disability.

SUSTAINABILITY REPORT

Our male/female split remained fairly even with a slight decrease in percentage of females in 2018. Most of our employees are in the 30-50-year age group, which is quite common in the industry we operate.





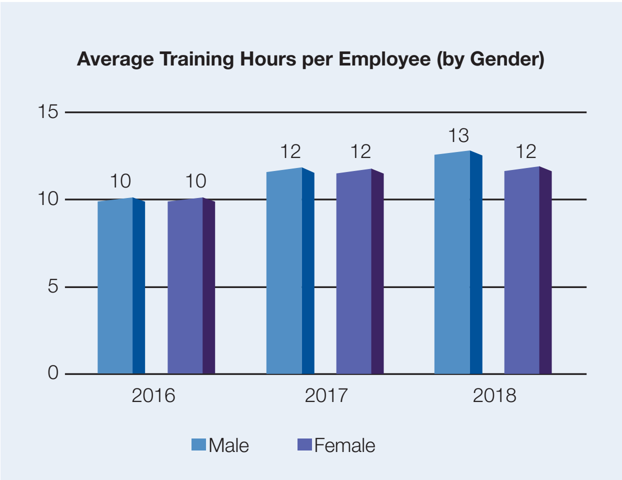
Moving forward, the Group targets to continue to employ fair recruitment practices.

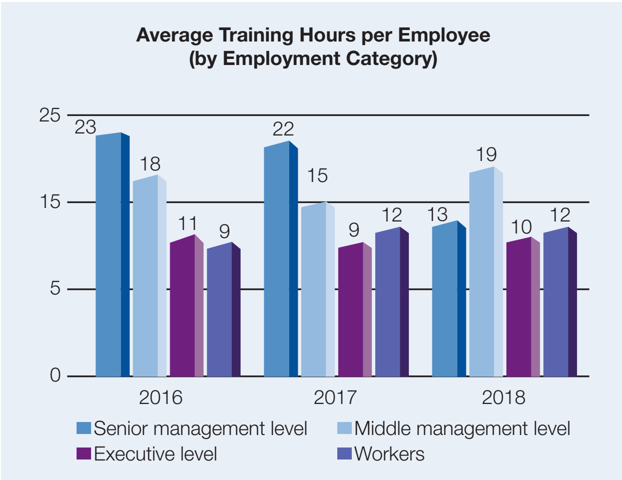
TRAINING AND EDUCATION

As we navigate through an increasingly challenging global environment, we are a strong advocate of developing employee potential to contribute towards the progress of the Group. Employee training and development always remain our key priorities. We trust that ongoing career development will enhance the organisation's human capital and contribute to employee satisfaction. This will lead to improved performance and company success.

To help our employees achieve their full potential, we encourage them to upgrade their knowledge and skillset by providing a variety of training and personal development opportunities for them to consider based on their strengths and needs. These needs are assessed during the annual performance review that all our eligible employees receive. Supervisors will recommend certain training and development initiatives and employees can request specific training they feel they will benefit from.

Average Training Hours Per Employee	2016	2017	2018
Fu Yu Corporation (including Fu Yu Corporation Limited and its subsidiaries)	10	12	12





Moving forward, the Group targets to ensure that 100% of employees receive an annual performance review.

OCCUPATIONAL HEALTH AND SAFETY

At the Group, we endeavour to create an organisational culture where health and safety in the workplace is second nature. This is particularly important for our manufacturing facilities. We have therefore put considerable effort into creating a conducive and safe working environment.

Fire drill exercise

A Workplace Safety and Health Committee was established to review and monitor the overall performance in health and safety practices on a regular basis. It also initiates various programmes and activities to raise occupational health and safety (OHS) awareness. During the Induction Training Day, a safety briefing is a compulsory session for all new employees. In our day-to-day operation, employees are required to ensure that the necessary safety measures are implemented prior to carrying out work. As part of the assurance process, we also conduct ongoing practices to reinforce the OHS requirements, in-house safety rules and job specific safety requirements.

Additionally, regular inspections are implemented to ensure our company's infrastructure and production facilities are well maintained and work processes and instructions are being followed. We are continually seeking to improve workplace conditions by proactively identifying potential hazards and risks, establishing better measurement methods to monitor the working environment and obtaining the necessary legal permits/licences.

In 2018, the Group continued to record zero incidents of workplace fatalities. Furthermore, four subsidiaries recorded zero injuries in their manufacturing facilities as compared to one subsidiary in 2017. This is an improvement from the previous year as we continue to strengthen our safety management practices to minimise injuries in the workplace.

Lost-Time Injury Rate	2016	2017	2018
Fu Yu Corporation (including Fu Yu Corporation Limited and its subsidiaries)	7.51	7.48	4.93

Moving forward, the Group targets to achieve zero workplace incident resulting in employee permanent disability or fatality.

SUSTAINABILITY REPORT

FORCED OR COMPULSORY LABOUR

The Group does not condone forced and compulsory labour. We recognise even though banned globally, it still exists in different forms, from traditional and modern slavery to debt bondage and human trafficking.

We endeavour to prevent and combat all forms of forced or compulsory labour within our activities by providing all necessary measures:

- We have a clear policy, which strictly forbids the use of forced, bonded or indentured labour, including debt bondage, involuntary prison labour and slavery or trafficking of person in the company.
- A factory audit is carried out for each manufacturing facility of the Group in Singapore, Malaysia and China when requested by customers by following the guidance of Responsible Business Alliance, which is a set of standards on social, environmental and ethical issues in the electronics industry supply chain. The standards set out in the Code of Conduct reference international norms and standards including the Universal Declaration of Human Rights, ILO International Labour Standards, OECD Guidelines for Multinational Enterprises, ISO and SA standards, and many more.
- We write employment contracts in languages easily understood by workers, indicating the scope of and procedures for leaving the job.

In 2018, there were no incidents of non-compliance with forced or compulsory labour at our factories. Moving forward, the Group targets to achieve zero incidents of non-compliance with forced or compulsory Labour Laws continuously. Also, we aim to achieve a rating of “satisfactory” or above on all Responsible Business Alliance factory audits, if any.

CHILD LABOUR

At the Group, we recognise that work and labour levelled upon small children interferes with their childhood and the ability to acquire an education. This in turn may hamper their physical, emotional and psychological growth.

We are therefore committed to strictly prohibiting the use of child labour. We encourage customers to request an audit of our factories to assess the risk of child labour under the Responsible Business Alliance Guidelines, as they can for forced and compulsory labour, whenever they believe appropriate.

In 2018, there were no incidents of non-compliance with child labour at our factories. Moving forward, the Group targets to achieve zero incidents of non-compliance with Child Labour Laws continuously. Also, we aim to achieve a rating of “satisfactory” or above on all Responsible Business Alliance factory audits, if any.

PRACTICING GOOD GOVERNANCE

Compliance with applicable laws and regulations including ethics and integrity, and anti-corruption

Training session on policies

The Group is committed to ensuring and maintaining a high standard of corporate governance and business conduct in order to hold the marketplace, comply with international norms and safeguard the interest of our stakeholders. The Group is committed to adopting and upholding responsible and ethical business policies and practices in compliance with applicable laws and regulations, respect for human rights, environmental conservation and health and safety for mutual benefits. As part of our training approach, we also endeavour to strengthen the ethical environment and promote professional conduct within the Group. We have a Corporate Business Ethics and Code of Conduct Policy that is communicated to all employees. It provides detailed guidelines to ensure that employees' business conduct is consistent with ethical standards. The Policy also requires all employees to declare any direct or indirect interest in, or relationship with other businesses and organisations where potential conflicts of interest may arise.

ANTI-CORRUPTION

To eliminate undesirable behaviour among employees and prevent reputational damage as well as sustain stakeholder trust, we have zero tolerance towards any unethical and corrupt practices.

Our management takes a leadership position in fostering a strong corporate governance culture and implementing policies that promote ethical behaviour. The Group places emphasis on effective prevention and detection of fraudulent activities and misconduct. We have adopted a Fraud Risk Management Policy which guides all employees on anti-fraud measures to mitigate the risks of fraud. Our Whistle Blowing Policy provides a transparent channel for employees to raise concerns about possible fraud, improprieties in financial reporting and other matters, while giving reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith. A refresher training session on the anti-corruption and whistle blowing policy is included in our practice and conducted annually at the respective operating sites for all employees.

There were no confirmed incidents of corruption during the year. Moving forward, the Group targets to maintain zero confirmed incidents of corruption continuously.

ENVIRONMENTAL COMPLIANCE

We recognise a breach of any law or regulation could have significant impact on production and result in irreversible reputational damage. In some circumstances, non-compliance can lead to clean-up obligations or other costly environmental liabilities. We adhere to the highest standards of corporate governance practices which ensure compliance to all applicable environmental laws and regulations.

All of our operating sites are ISO 14001 certified and there were no incidents of non-compliance with environmental laws and regulations resulting in significant fines or sanctions in 2018. Moving forward, the Group targets to maintain zero incidents of non-compliance with environmental laws and regulations resulting in significant fines or sanctions.

SUSTAINABILITY REPORT

CUSTOMER PRIVACY

The Group is mindful of the impact that security breach can have on our reputation. Therefore, the privacy of our customers is of paramount importance at all times. Maintaining customer trust is an ongoing commitment and we strive to inform customers of the privacy and data security policies, practices and technologies we have put in place. We have developed responsible measures to ensure the security of personal data that we collect, store, process and disseminate. We have also created a confidential relationship with our customer by signing a legally enforceable contract, Non-Disclosure Agreement, to protect customer's competitive data, proprietary information and other intellectual property.

There were no identified leaks, thefts or losses of customer confidential information in 2018. Moving forward, the Group targets to maintain zero incidents in the forthcoming year.

RESTATEMENTS OF INFORMATION

The information on energy and water consumption (including the intensities) as well as lost-time injury rate were restated due to errors in data extractions by some subsidiaries in the Group. The effect of the restatements of information given in the inaugural 2017 Sustainability Report is presented as follow:

	Previously Reported		Restated	
	2016	2017	2016	2017
Energy consumption (kWh)	54,723,887	51,242,310	56,545,315	54,014,803
Energy intensity (kWh/revenue)	0.276	0.263	0.285	0.277
Water consumption (m^3)	367,664	347,626	256,946	254,126
Water intensity (m^3/revenue)	0.002	0.002	0.0010	0.0010
Lost-time injury rate	7.12	7.03	7.51	7.48

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Fu Yu Corporation Limited
102-2	Activities, brands, products, and services	Corporate Profile, page 1 Operations Review, pages 4 to 5
102-3	Location of headquarters	Our Network, page 11
102-4	Location of operations	Our Network, page 11
102-5	Ownership and legal form	Group Structure, page 7
102-6	Markets served	Corporate Profile, page 1 Operations Review, pages 4 to 5
102-7	Scale of the organisation	Corporate Profile, page 1 Operations Review, pages 4 to 5 Our Network, page 11
102-8	Information on employees and other workers	Employment and Talent Retention, pages 18 to 19
102-9	Supply chain	Stakeholder Engagement, page 14 Effluents and Waste, pages 17 to 18
102-10	Significant changes to organisation and its supply chain	No significant changes
102-11	Precautionary principle or approach	Fu Yu Corporation Limited does not specifically refer to the Precautionary principle
102-12	External initiatives	Stakeholder Engagement, page 14
102-13	Membership of associations	Stakeholder Engagement, page 14
Strategy		
102-14	Statement from senior decision-maker	Board Statement, page 13
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Board Statement, page 13
Governance		
102-18	Governance structure	Board Statement, page 13
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement, page 14
102-41	Collective bargaining agreements	FYC Singapore has collective bargaining agreements in place.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, page 14
102-43	Approach to stakeholder engagement	Stakeholder Engagement, page 14
102-44	Key topics and concerns raised	Stakeholder Engagement, page 14

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Group Structure, page 7 Our Network, page 11
102-46	Defining report content and topic Boundaries	Our Report, page 13
102-47	List of material topics	Material Factors, page 15
102-48	Restatements of information	Restatements of information, page 24
102-49	Changes in reporting	There are no changes in reporting
102-50	Reporting period	1 January 2018 – 31 December 2018
102-51	Date of most recent report	2017 Sustainability Report
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Our Report, page 13
102-54	Claims of reporting in accordance with GRI Standards	With reference to GRI Standards (2016)
102-55	GRI content index	GRI Content Index, pages 25 to 27
102-56	External assurance	Fu Yu Corporation Limited has not sought external assurance for this reporting period and may consider it for future periods.
Management Approach		
103-1	Explanation of the material topic and its boundary	Board Statement, page 13 Material Factors, page 15
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
Material Topics		
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption, page 23
Energy		
302-1	Energy consumption within the organisation	Energy, pages 15 to 16
302-3	Energy intensity	Energy, pages 15 to 16
Water		
303-1	Water withdrawal by source	Water, pages 16 – 17

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Material Topics		
Effluents and Waste		
306-2	Waste by type and disposal method	Effluents and Waste, pages 17 to 18
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Environmental Compliance, page 23
Employment		
401-1	New employee hires and employee turnover	Employment and Talent Retention, pages 18 to 19
Occupational Health & Safety		
403-2	Types of Injury and rates of injury	Occupational Health and Safety, page 21
Training and Education		
404-1	Average hours of training per year per employee	Training and Education, page 20
Diversity & Equal Opportunity		
405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity, pages 19 to 20
Child Labour		
408-1	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Child Labour, page 22
Forced or Compulsory Labour		
409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Forced or Compulsory Labour, page 22
Customer Privacy		
418-1	Total number of substantiated complaints received concerning breaches of customer privacy, and total number of identified leaks, thefts, or losses of customer data	Customer Privacy, page 24

AWARDS AND CERTIFICATIONS

AWARDS RECEIVED BY THE GROUP IN YEAR 2018

Company	Awards
Fu Yu Corporation Limited	Singapore International 100 Company 2018 Singapore 1000 Company 2018

CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2018

Company	ISO 9001:2015	ISO 13485:2003	ISO 13485:2016	ISO 14001:2015	IATF 16949:2016
Fu Yu Corporation Limited	^	^		^	^
Classic Advantage Sdn Bhd	^				^
Fu Hao Manufacturing (M) Sdn Bhd	^		^	^	
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd	^			^	^
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd	^			^	^
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	^		^	^	^
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd	^			^	^
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd	^			^	^

2019 CORPORATE CERTIFICATION PLAN

Company	Plan
Fu Yu Corporation Limited	ISO 13485:2016
Classic Advantage Sdn Bhd	ISO 14001:2015

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Directors (the "Board") and Management of Fu Yu Corporation Limited (the "Company" or "Fu Yu") recognise the importance of having in place a set of well-defined corporate governance processes to enhance corporate performance and accountability to its shareholders.

This report describes Fu Yu's corporate governance policies and practices in accordance with the guidelines set out in the Singapore Code of Corporate Governance 2012 (the "Code"). This report also includes disclosure requirements under the Best Practices Guide in the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

The Company is required under Rule 710 of the Listing Manual of the SGX-ST to describe its corporate governance practices with specific reference to the principles of the Code in this Annual Report and disclose any deviation from the guidelines of the Code together with an appropriate explanation for such deviations in this Annual Report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The principal function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's roles are to:

1. oversee the business affairs of the Group, monitor and review management performance;
2. approve corporate and strategic direction and policies with considerations for sustainability issues;
3. approve annual budgets, financial reporting, major funding and investment proposals;
4. ensure the Company's compliance with prescribed legislations and regulations that are relevant to the business;
5. establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interest and Company's assets;
6. set the company's values and standards (including ethical standards), and ensure obligations to shareholders and other stakeholders are understood and met;
7. identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; and
8. assume responsibility for corporate governance.

All the Directors exercise due diligence, independent judgment and consider the interest of the Group at all times in making the decisions for the Group's affairs.

CORPORATE GOVERNANCE REPORT

The Board is supported by three (3) Board Committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board Committees include the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"). Each Board Committee is chaired by a Non-Executive and Independent Director. Each Board Committee has its own defined terms of reference which sets out the respective Board Committee's duties and responsibilities.

Sustainability issues

The Board recognises that to ensure business is sustainable, the Group has to strike a balance between its business needs and the needs of the society and the environment in which the Group operates. The Board believes that to grow sustainably as a forward-looking corporate entity, the Group has to regularly reach out to all stakeholders, from its employees to the community, and to be responsible stewards of its natural environment. The Company has prepared and issued its sustainability report in compliance with Rules 711A and 711B of SGX-ST Listing Manual.

The Board meets regularly on a quarterly basis and ad-hoc Board meetings are convened when circumstances require. To facilitate Board's decision-making process, the Company's Constitution allows Directors to participate in Board meetings by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate with one another simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meeting. In between Board meetings, important matters concerning the Group are also put to the Board for its decision by way of Directors' resolutions in writing for the Directors' approval.

Details of the Directors' attendance at Board and Committees meetings during the year under review are as follows:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of Director	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**
Dr John Chen Seow Phun	4	4	4	4	1	1	1	1
Ching Heng Yang	4	4	4*	4*	–	–	–	–
Tam Wai	4	4	4*	4*	–	–	–	–
Ho Nee Kit	4	4	4*	4*	–	–	–	–
Hew Lien Lee	4	4	4*	4*	–	–	–	–
Tan Yew Beng	4	4	4	4	1	1	1	1
Foo Say Tun	4	4	4	4	1	1	1	1

(*) By invitation.

CORPORATE GOVERNANCE REPORT

The Company has established internal guidelines for matters and types of material transactions that require Board's approval. These include:

1. allotment and issue of new shares and additional listing application;

2. banking matters such as opening of bank accounts and acceptance of bank facilities;

3. material acquisition and disposal of subsidiaries and other assets;

4. announcements for public release, quarterly and full year results announcements;

5. any major agreements to be entered into whether in the ordinary or outside of ordinary business of the Group;

6. dividend recommendations and payments; and

7. appointments and resignations of Directors.

There was no new Director appointed in the financial year ended 31 December 2018 ("FY2018"). The Board recognises the importance of appropriate training for its Directors. Newly appointed Directors would be briefed by Management on the business operations of the Group and where necessary plant visits would be organised. First-time Directors are also provided training opportunities in areas such as accounting, legal and industry-specific knowledge as appropriate, as well as compliance, regulatory and corporate governance matters. New incoming Directors will receive a formal letter explaining their statutory duties and responsibilities as a director. Going forward, in accordance with the amended SGX-ST Listing Rules, unless the NC is of the view that training is not required because a director has other relevant experience, any new director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, must undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST.

Routine updates on developments and changes in operating environment, including revisions to accounting standards, laws and regulations affecting the Company and/or the Group are regularly brought to the attention of the Board. During the year, the Board had been briefed and updated on changes or amendments to accounting standards, Listing Rules and the Code of Corporate Governance. Updates on relevant legal, regulatory and technical developments and good corporate governance may be in writing or disseminated by way of briefings, presentations and/or handouts. The Company also encourages Directors to undergo continual professional development each financial year and is prepared to undertake funding for such continuing education.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises seven (7) Directors of whom four (4) are executive and three (3) are independent and non-executive. The independent and non-executive Directors make up at least one-third of the Board.

The Board considers an "Independent Director" as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

CORPORATE GOVERNANCE REPORT

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. Each Director is required to complete a 'Confirmation of Director's Independence' form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Guideline 2.3 in the Code, requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him/her not to be independent. None of the independent Directors is or has been employed by the Company or any of its related corporations for the current or any past three financial years or has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the Remuneration Committee of the Company.

In line with Guideline 2.4 of the Code, the independence of Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun, who have served on the Board beyond nine (9) years from the dates of their first appointment, were subject to particularly rigorous review on their independence by members of the Board. The relevant factors that were taken into consideration in assessing the independence of Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun are set out under Principle 4. The NC with the concurrence of the Board is satisfied that Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun, having served on the Board for more than nine (9) years, continued to be considered independent. Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun have abstained from the review pertaining to their independence.

The NC is responsible for examining the size and composition of the Board and Board Committees. Taking into account the scope and nature of the operations of the Group, the Board, in concurrence with the NC, is satisfied that the present size of seven (7) Directors, is appropriate in facilitating effective decision-making. Board members comprise professionals with financial, accounting, legal and industry backgrounds who are able to contribute their area of expertise in leading the Group. While the Board does not comprise any female director at the moment, its current composition with appropriate mix of expertise and experience enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board. No individual or group dominates the Board's decision making process.

Four (4) out of the seven (7) Directors of the Board are non-independent. They are Mr Ching Heng Yang, Mr Tam Wai, Mr Ho Nee Kit and Mr Hew Lien Lee. To ensure greater accountability to shareholders, the Group has established the AC, RC and NC. Membership in each of the Board Committees comprises only the Independent Directors.

Throughout the years, the Non-Executive and Independent Directors constructively challenge and assist to develop proposals on the Group's short-term and long-term strategies and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. Management provides the Independent Directors with accurate, complete and timely information. Further, the Independent Directors have unrestricted access to Management to query and request for further information on proposed significant transactions and the development of business strategies.

The Non-Executive and Independent Directors have met without the presence of the Executive Directors and Management at least once annually to facilitate a more effective check on Management.

CORPORATE GOVERNANCE REPORT

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Board recognises the importance of the roles of Chairman and Chief Executive Officer ("CEO") to be held by separate persons.

Dr John Chen Seow Phun is the Non-Executive Chairman of the Company and Mr Hew Lien Lee is the CEO of the Company. The Chairman is an independent director and he is not part of the management team. The Chairman and the CEO are also not immediate family members.

The roles of the Non-Executive Chairman include:

1. Leading the Board to ensure its effectiveness of all aspects of its role and setting the meeting agenda;

2. Ensuring that Directors receive complete, accurate and timely information on matters relating to the Group;

3. Promoting a culture of openness and debate at the Board;

4. Encouraging constructive relations within the Board and between the Board and management;

5. Ensuring effective communication with shareholders; and

6. Promoting high standards of corporate governance and compliance with the Listing Rules.

The CEO is responsible for the Group's day-to-day operations and leads the Management in setting strategies, objectives and missions, as well as executing the Board's decisions and plans and driving the Group's growth and development.

Taking into account the relatively small size of the Board and that the Company has three Independent Non-Executive Directors, the Board is of the view that there is currently no need to appoint one of them as the Lead Independent Director per Guidelines 3.3 and 3.4 of the Code. Shareholders can channel any concerns they may have to either one of the Independent Non-Executive Directors.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC currently comprises Mr Foo Say Tun, Mr Tan Yew Beng and Dr John Chen Seow Phun. The NC is chaired by Mr Foo Say Tun who is an Independent Director.

CORPORATE GOVERNANCE REPORT

The NC meets at least once a year. The NC has written Terms of Reference that describe the operating procedures and responsibilities of its members. The duties of the NC are as follows:

1. reviews the structure, size and composition of the Board and makes recommendations to the Board with regards to any adjustments in the structure, size and composition of the Board that are deemed necessary;

2. reviews all nominations for the appointments and re-elections of Directors for the purpose of proposing such nominations to the Board for approval;

3. conducts a review to determine the independence of each Director;

4. decides whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Group, particularly when he has multiple board representations;

5. decides how the Board's performance may be evaluated and proposes objective performance criteria;

6. conducts a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board; and

7. recommends to the Board the maximum number of listed company representations which any Director may hold.

In reviewing the independence of an Independent Director who has served on the Board for more than nine (9) years from the date of his first appointment, the Board has taken into consideration the following factors:

1. the Independent Director is able to act independently and provides overall guidance to the Management at all times;

2. the considerable amount of experience, required expertise in the relevant industry and wealth of knowledge that the Independent Director brings to the Company;

3. the qualification and expertise of the Independent Director to provide reasonable checks and balances for the Management to act as safeguard for the protection of the Company's assets and shareholders' interest;

4. the attendance and participation of the Independent Director in the proceedings and decision-making process of the Board and Board Committees meetings; and

5. the Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company.

In its annual review, the NC was of the view that Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun are objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. None of these Directors falls under the circumstances described in Rule 210(5)(d) of the SGX Listing Rules. The NC having considered the guidelines set out in the Code, the Guidebook and any other salient factors as mentioned above, confirmed all of them are independent. Despite some of the Directors having other board representations, the NC is satisfied that these Directors are able to devote sufficient time and attention to attend to the affairs of the Company and adequately carry out their duties as Directors of the Company.

CORPORATE GOVERNANCE REPORT

Based on the current and past working experience with the Board members of the Company of whom some are sitting and have been sitting on multiple boards, the NC determines that the appropriate maximum number of the listed company board representations which an Executive Director may hold is three (3) and for Independent Non-Executive Director is nine (9). The NC will continue to assess whether these numbers need to be revised to ensure the Directors devote sufficient time and attention to the affairs of the Company.

In accordance with the Company's Constitution, at least one-third of the Directors are required to retire from office by rotation every year and each Director shall retire from office at least once every three (3) years. In addition, a Director appointed by the Board to fill a casual vacancy, or appointed as an additional Director, may only hold office until the next Annual General Meeting ("AGM"), at which time he will be eligible for re-election by shareholders but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. All Directors to be appointed or re-elected have to be assessed and recommended by the NC before submission to the Board for approval.

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independence, skills and experience. The NC has recommended the re-election of Dr John Chen Seow Phun, Mr Ching Heng Yang and Mr Tan Yew Beng as Directors of the Company at the forthcoming AGM to be held on 24 April 2019. In making its recommendation, the NC evaluates such Directors' contribution and performance, such as their attendance at the meetings of the Board and Board Committees, where applicable, participation, candour and any special contribution. Save for Mr Ching Heng Yang who is also a substantial shareholder holding 11.81% of the Company's share capital, there are no relationships including immediate family relationships between these Directors submitted for re-election and the other Directors (except for Mr Ching Heng Yang, Mr Tam Wai and Mr Ho Nee Kit where they are concert parties), the Company or its 10% shareholders. The Board accepted the NC's recommendation and accordingly, the three (3) Directors will stand for re-election at the forthcoming AGM.

The NC takes the lead in identifying, evaluating and selecting candidate for new directorship. In its search and selection process, the NC considers factors such as commitment and ability of prospective candidate to contribute to discussion, deliberations and activities of the Board and Board Committees. The NC also takes into account the existing mix of expertise, skills and attributes of the Directors so as to identify the needed and/or desired competencies to supplement the Board's existing attributes. The NC conducts interviews with potential candidates and recommends short-listed candidates to the Board for consideration. There is no Alternate Director on the Board.

Each member of the NC is also required to abstain from voting on resolutions, making recommendations and/or participating in matters in which he is interested.

Please refer to the 'Board of Directors' section in the Annual Report for key information on the Directors.

CORPORATE GOVERNANCE REPORT

Table for Appointment and Re-election

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Dr John Chen Seow Phun	27/11/2007	26/04/2016	Non-executive Chairman, Independent Director	1. Chairman of AC 2. Member of NC and RC	Present: 1. Pavillon Holdings Ltd 2. OKP Holdings Limited 3. Hiap Seng Engineering Ltd 4. Hanwell Holdings Ltd 5. Matex International Limited 6. Tat Seng Packaging Group Ltd 7. HLH Group Limited Preceding three years:– NIL	Director in: 1. JCL Business Development Pte Ltd 2. SAC Capital Private Limited 3. DataESP Pte Ltd 4. SAC Advisors Pte Ltd 5. JLM Foundation Ltd 6. Unigold Asia Limited 7. Pavillon Financial Leasing Co. Ltd 8. Pavillon Business Development (Shanghai) Co. Ltd
Mr Ching Heng Yang	10/12/1980	28/04/2017	Vice Chairman, Executive Director	–	Preceding three years: 1. LCTH Corporation Berhad	–
Mr Tam Wai	10/12/1980	26/04/2018	Executive Director	–	Preceding three years: 1. LCTH Corporation Berhad	–
Mr Ho Nee Kit	10/12/1980	26/04/2018	Executive Director	–	Preceding three years: 1. LCTH Corporation Berhad	1. President in Singapore Loh Kang Ho Clan Association 2. Vice President in Cha Yang Ho Clan Association Singapore 3. Director in Nanyang Khek Community Guild 4. Management Council Member in Char Yong (Dabu) Association, Singapore

CORPORATE GOVERNANCE REPORT

Table for Appointment and Re-election (Cont'd)

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Mr Hew Lien Lee	22/03/2007	26/04/2018	CEO and Executive Director	–	Preceding three years: 1. LCTH Corporation Berhad	–
Mr Tan Yew Beng	22/05/1995	28/04/2017	Independent Non-Executive Director	1. Chairman of RC 2. Member of AC and NC	–	Director in: 1. Accord Corporation Pte Ltd 2. Locker & Lock Pte Ltd 3. Accord Corporation (2006) Sdn Bhd 4. Locker & Lock Sdn Bhd 5. Locker & Lock Solutions Sdn Bhd 6. Locker & Lock Solutions Pte Ltd 7. Locker & Lock Placement Pte Ltd 8. Locker & Lock Placement Sdn Bhd
Mr Foo Say Tun	27/11/2007	28/04/2017	Independent Non-Executive Director	1. Chairman of NC 2. Member of AC and RC	Present: 1. Qingmei Group Holdings Limited 2. Sino Techfibre Limited 3. Moneymax Financial Services Limited Preceding three years: 1. Jubilee Industries Holdings Limited	Director in: 1. Aquapro Solutions Pte Ltd 2. DynaGen Power Systems Pte Ltd 3. Ioni Water Pte Ltd 4. M Grade Services Pte Ltd 5. Business Foundation Pte Ltd

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has implemented a process to assess the performance and effectiveness of the Board as a whole and the contribution by the Chairman and each individual Director to the effectiveness of the Board. The evaluation is carried out on an annual basis without engagement of an external facilitator.

For assessing the effectiveness of the Board as a whole, each Director is required to complete a questionnaire which will be submitted to the NC. The NC reviews and assesses the Board's performance based on both quantitative and qualitative criteria. Such criteria include profitability and net assets per share and the achievement of strategic objectives. The completed assessment is compiled into a consolidated report on a no-name basis and reviewed by the NC. The NC also views that the Board's performance will be better reflected and evidenced through proper guidance to the Management, able leadership of the Board and the support that it lends to Management in steering the Group in the appropriate direction.

For evaluating the performance of each Director, a peer and self-assessment of Directors is conducted annually in areas including Director's duties, knowledge of finance, business, industry and the Company, interaction with internal and external parties, attendance and participation at Board and Board Committees meetings, the time and effort dedicated to the Group's business and affairs including management's access to the Directors for guidance or exchange of views as and when necessary. The compiled results of the assessment are reviewed by the NC. The performance of each individual Director is taken into account in recommending their re-election to shareholders for approval.

The NC was of the view that the performance of the Board as a whole was satisfactory and each Director is contributing to the overall effectiveness of the Board for the year under review.

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to the board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive the agendas, complete and adequate meeting materials such as budgets, forecasts and monthly/quarterly internal financial statements, background or explanatory information in a timely manner in advance of Board and Board Committees meetings to facilitate the effective discharge of their duties. The annual budgets are submitted to the Board for review and approval and actual performance is compared against budgets periodically to monitor the Group's performance.

The Directors have separate and independent access to the Executive Directors, Management, company secretaries, internal and external auditors at all times, and vice versa. Directors are entitled to request for information from the Management and are provided with such additional information as needed to make informed decisions in a timely manner. The Board is informed of all material events and transactions as and when they occur.

CORPORATE GOVERNANCE REPORT

The Company Secretary or its nominee attends to the corporate secretarial administration matters, attends all meetings of the Board and Board Committees and assists the Board in ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

The Board also has access to independent professional advice, where necessary, at the Company's expense to enable them to discharge their duties. The Chief Financial Officer ("CFO") also assists the Board in obtaining such advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC currently comprises Mr Tan Yew Beng, Dr John Chen Seow Phun and Mr Foo Say Tun who are Non-Executive Independent Directors. The RC is chaired by Mr Tan Yew Beng.

The RC meets at least once a year. The RC has written Terms of Reference that describe the responsibilities of its members. The primary functions of RC are as follows:

1. reviews and recommends a general framework of remuneration for the Board and key management personnel (CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company and who are not also Directors and CEO of the Company);

2. reviews and recommends specific remuneration packages and terms of employment for each Executive Director and key management personnel;

3. recommends any long-term incentive schemes which are generally encouraged for Executive Directors and key management personnel;

4. ensures that a formal and transparent procedure is in place for fixing the remuneration packages of the Executive Directors as well as key management personnel of the Group; and

5. reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service.

The RC's recommendations are submitted for endorsement by the entire Board.

The RC has unrestricted access to expert advice within and/or outside of the Company, when required.

CORPORATE GOVERNANCE REPORT

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting the remuneration package for the Executive Directors and key management personnel, the RC takes into consideration the pay and employment conditions within the industry and comparable companies, the individual performance and that of the Company and subsidiary companies. As part of its review, the RC ensures that the performance-related elements of remuneration would form a certain proportion of the total remuneration package of Executive Directors and key management personnel. The remuneration for the Executive Directors comprises a base fee, a base salary, an allowance, an annual wage supplement (AWS) and a profit sharing bonus. The remuneration for the key management personnel comprises a basic salary, allowances and variable components which are the annual bonus and profit sharing bonus based on the performance of the Company and subsidiary companies as well as individual contribution and performance which are assessed through performance appraisal that set out various assessment criteria such as level of achievement of targets and responsibilities, leadership ability, initiative, etc.

For the remuneration of the Non-Executive Directors, the RC has adopted a framework which consists of a base fee as well as fees for chairing Board Committees. The remuneration of Non-Executive and Independent Directors will be appropriate to the level of contribution, taking into consideration the effort and time spent and responsibilities, the prevailing market conditions and referencing Directors' fees against comparable benchmarks, such that Independent Directors are not over-compensated to the extent that their independence may be compromised.

The RC's recommendations are submitted to the Board. No Director is involved in deciding his own remuneration, except in providing information and documents if required by the RC to assist in its deliberations. Directors' fees are recommended by the Board for approval at the Company's AGM.

There are currently no contractual provisions to allow the Company to reclaim incentive component of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. However, the Company believes that it should be able to seek remedies against the Executive Directors and key management officers via other means if such exceptional circumstances occur.

There is currently no long-term incentive scheme for the Directors of the Group and there is currently no other unexpired share options.

Save for the contributions to defined contribution plans as disclosed in Note 28 of the Audited Financial Statements for FY2018, the Company does not provide any other termination, retirement and post-employment benefits to the Directors, the CEO and key management personnel.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown showing the level and mix of remuneration paid to or accrued for each Director and the top five key management personnel in bonds of $250,000 for the year under review is tabulated below:

Name of Director	Fees %	Salary %	Bonus %	Allowances and Benefits %	Total %
Executive Directors					
S$750,000 to S$999,999					
Ching Heng Yang	3.2	66.2	22.2	8.4	100.0
Tam Wai	3.2	66.5	22.2	8.1	100.0
Ho Nee Kit	3.5	65.4	21.9	9.2	100.0
S$500,000 to S$749,999					
Hew Lien Lee	4.5	59.7	23.0	12.8	100.0
Non-Executive Directors					
Below S$250,000					
Dr John Chen Seow Phun	100.0	–	–	–	100.0
Tan Yew Beng	100.0	–	–	–	100.0
Foo Say Tun	100.0	–	–	–	100.0

The Company supports and is aware of the need for transparency. However, taking into consideration the competitive business environment in which it operates and the sensitivity and confidentiality nature of such disclosure, the Board is of the opinion that a full disclosure may have a negative impact on the Company. The aggregate remuneration paid or payable to the Company's Directors is S$3,619,000 for FY2018.

Name of Top Five Key Management Personnel	Salary %	Bonus %	Allowances and Benefits %	Total %
S$250,000 to S$499,999				
Hee Siew Fong	70.2	25.4	4.4	100.0
Ong Kang Lye	56.8	36.6	6.6	100.0
Below S$250,000				
Ang Tong Nam	84.5	7.2	8.3	100.0
Bee Hoek Chau(1)	73.8	19.8	6.4	100.0
Cheong Hock Yan(2)	86.9	–	13.1	100.0
Tan Lay Kheng	76.3	17.4	6.3	100.0
Teh Tuan Hock	63.7	25.0	11.3	100.0

CORPORATE GOVERNANCE REPORT

Notes:

1. Mr Bee Hoek Chau resigned as General Manager with effect from 30 June 2018.
2. Mr Cheong Hock Yan resigned as Group Business Development Director with effect from 7 October 2018.

Due to the competitive nature of the industry that the Group operates in, the Board believes it is unwise to disclose the breakdown of the remuneration of the top five key management personnel. The aggregate remuneration paid to the named key management personnel of the Company is S$1,628,000 for FY2018.

None of the Directors and the key management personnel of the Company has received any termination, retirement and post-employment benefits for FY2018.

No employee of the Group was an immediate family member (as defined in the Listing Manual of SGX-ST) of a Director or CEO and whose remuneration exceeded S$50,000 during FY2018.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to Shareholders while Management is accountable to the Board. To help continually ensure the accountability of Management to the Board, the Management provides all members of the Board with periodic updates that give a balanced summary of the Group's performance and financial position such as monthly financial statements and other management reports. Apart from the regular Board meetings, discussions are conducted via electronic means or ad hoc meetings, as and when required.

The Board is mindful of its obligations to provide timely, reliable and fair disclosure of material information in compliance with the SGX-ST Listing Manual and present its financial results on a quarterly, half yearly and yearly basis via SGXNET to the public. In presenting the financial results, the Board has made every effort to provide a balanced and reader friendly assessment of the Group's performance and position. In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement in respect of the interim financial statements.

Disclosure to shareholders and investors is addressed in the section "Communication with Shareholders" below.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management maintains a sound system of internal control to safeguard the shareholders' investment and the Company's assets. The adequacy of these controls and systems is subject to review by the AC.

CORPORATE GOVERNANCE REPORT

The internal auditor conducts annual review of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls. On a yearly basis, the internal auditor prepares an internal audit plan which is approved by the AC. The internal auditor updates the AC on the progress of the approved internal audit plan every quarter. The Group's external auditor, KPMG LLP, contributes an independent perspective on certain aspects of the internal controls over financial reporting through its audit and reports the findings to the AC.

Any material findings from both the internal and external auditors together with the improvement recommendations are reported to the AC and made known to the respective subsidiaries for corrective actions to be taken. The internal auditor will monitor if the required corrective measures are properly implemented by the Management.

The AC is assigned to oversee the risk management framework and policies of the Group. In year 2012, KPMG Services Pte Ltd was appointed to conduct a review to further enhance the Group's risk management framework over financial, operational and compliance risks. KPMG Services Pte Ltd had also been engaged to assist the Company in formulating and formalising its fraud risk management framework to further enhance its existing framework to prevent improprieties. The Management has continued to adopt the established risk management framework and reviewed its adequacy and effectiveness on an annual basis.

Based on the framework of risk management controls and internal controls established and maintained by the Group, reports and reviews done by the internal and external auditors, including the reviews by the Management, the non-existence of any critical internal control deficiencies, and assurance from the CEO and CFO that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (b) the Company's risk management and internal control systems are adequate and effective, the Board with the concurrence of the AC is of the opinion that there are adequate internal controls in place within the Group addressing financial, operational, compliance and information technology risks and that the internal controls and risk management systems are effective as at 31 December 2018.

The Board notes, however, that the system of internal controls and risk management established provides reasonable but not absolute assurance against unforeseeable and foreseeable risk to the Company, as all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

Principle 12: Audit Committee

The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun, all of whom are Independent Non-Executive Directors. The Chairman of the AC is Dr John Chen Seow Phun.

All AC members have extensive experience holding senior positions in the financial, legal and commercial sectors, and have sufficient accounting and financial management knowledge. The Board considers that the AC members are appropriately qualified to discharge their responsibilities competently. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

Please refer to the 'Board of Directors' section in the Annual Report for the qualifications of the AC members.

CORPORATE GOVERNANCE REPORT

The AC meets at least four (4) times a year. The AC carries out its functions in accordance with the Companies Act and its written Terms of Reference. In performing those functions, the AC:

1. reviews the audit plans and the findings of the internal and external auditors of the Company and ensures the adequacy of the Company's system of internal controls and the co-operation given by the Company's Management to the external and internal auditors;

2. reviews the quarterly and annual financial statements and the auditors' report of the Company before their submission to the Board;

3. reviews with the Management on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology;

4. reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

5. reviews arrangements by which employees of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions;

6. reviews the cost effectiveness, independence and objectivity of the external auditor;

7. reviews the nature and extent of non-audit services provided by the external auditor;

8. reviews the assistance given by the Company's officers to the internal and external auditors;

9. nominates the external auditor;

10. approves the hiring, removal, evaluation and compensation of the internal audit function, or the professional firm to which the internal audit function is outsourced; and

11. reviews interested person transactions and improper activities of the Company, if any.

In the financial year under review, all AC meetings were conducted without the presence of Executive Directors and Management unless invited by the AC to attend. For the year under review, the Executive Directors and Management were invited by the AC to attend the AC meetings. The Independent Directors have full autonomy in the conduct of all AC meetings.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. It has full access to, and co-operation of, Management and full discretion to invite any Director or members of Management to attend its meetings. The AC has been given reasonable resources for it to discharge its functions properly.

The AC meets with the internal and external auditors without the presence of Management at least once annually, to obtain feedback on the competency and adequacy of the finance function, to review the assistance given by Management to internal and external auditors and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational system.

CORPORATE GOVERNANCE REPORT

To keep abreast of the changes in accounting standards and issues which have a direct impact on the Group's business and financial statements, the AC is updated by the external auditor and company secretary of changes to accounting standards, the Listing Manual of the SGX-ST and other regulations when they attend the AC meetings.

The Company's external auditor, KPMG LLP, as part of the annual statutory audit, carries out test of operating effectiveness over certain internal controls relating to financial reporting process based on the scope of audit as laid out in its audit plan. Internal control weaknesses noted during the audit, and auditor's recommendations to address such non-compliance and weaknesses, if any, are discussed with Management and reported to the AC.

During the year, the AC conducted a review of the scope and results of audit by KPMG LLP, and their cost effectiveness, as well as the independence and objectivity of KPMG LLP. The AC has also undertaken a review of all non-audit services provided by KPMG. The non-audit services rendered during FY2018 are not substantial. The AC is satisfied that neither their independence nor their objectivity was put at risk, and that they were able to meet the audit requirements and statutory obligations of the Company. KPMG LLP has also provided a confirmation of their independence to the AC. Accordingly, the AC is satisfied that Rule 712 of the SGX-ST Listing Manual is complied with and has recommended to the Board, the nomination of the external auditor, KPMG LLP, for re-appointment at the forthcoming AGM.

The audit fees paid/payable to the KPMG LLP, overseas affiliates of KPMG LLP and other auditors for FY2018 amounted to S$133,000, S$184,000 and S$83,000 respectively. Non-audit fee paid/payable to KPMG LLP, overseas affiliates of KPMG LLP and other auditors amounted to S$8,000, S$15,000 and S$35,000 respectively in FY2018.

Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries for consolidation purposes except for LCTH Corporation Sdn. Bdn. (formerly known as LCTH Corporation Berhad) and its subsidiaries, which are audited by Ernst & Young, Malaysia. The Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group. The Company confirms that it is in compliance with Rule 715 of the SGX Listing Manual.

Whistle-blowing Framework

The Company has in place a whistle-blowing framework which provides well-defined and accessible channels in the Group through which employees of the Group may raise concerns, in confidence, on improper conduct or other matters to Management and/or the AC Chairman, where applicable. Details of this policy have been disseminated and contact details of the AC Chairman are made available to all employees of the Group. AC oversees the administration of the policy and ensures that all concerns or complaints raised are independently investigated and appropriate follow-up actions are carried out.

Key Audit Matters

In its review of the financial statements of the Group for FY2018, the AC considered a number of significant matters and has discussed with Management the accounting principles that were applied and their judgement of items that might affect the financial statements and also considered the clarity of key disclosures in the financial statement. The AC also met with the external auditors to discuss the audit findings as well as their audit.

CORPORATE GOVERNANCE REPORT

During the audit of the financial statements for FY2018, two key audit matters ("KAMs") were reported by the external auditors and are set out on page 60 of this Annual Report. The AC's commentaries on the reported KAMs are set out below.

KAMs	Audit Committee's Comments
Valuation of investment in subsidiaries, receivables from subsidiaries, and property, plant and equipment ("PPE")	The AC reviewed Management's impairment assessment on PPE using fair value less cost to sell ("FVLCTS") approach. The AC also considered the findings of the external auditors, including their assessment of the independence and competency of valuers, reasonableness of key assumptions used and appropriateness of the valuation methods in the PPE valuation reports. The AC was satisfied with Management's conclusion that no impairment is required for the Group's PPE. As certain subsidiaries continued to face challenges in their operations and/or have not performed up to expectations, the AC concurred with Management's decision to provide additional impairment for investment in subsidiaries and receivables from subsidiaries.
Valuation of deferred tax assets	The AC reviewed Management's assumptions and estimates used to determine future taxable profits for which tax losses would be utilised. After due evaluation, the AC was satisfied that the assumptions and estimates were appropriate.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company sets up its internal audit department since January 2009. During the years from 2011 to 2016, the Company outsourced part of its internal audit function to a professional firm, Nexia TS Risk Advisory Pte Ltd ("Nexia"), to further strengthen and enhance the internal audit function of the Group. With effect from January 2017, the Group has outsourced fully its internal audit functions to Nexia. The internal auditor reports directly to the AC and would also report administratively to the CEO. In addition, the internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

To ensure the adequacy of the internal audit function, the AC reviews and approves the yearly internal audit plan before the commencement of an internal audit. The outsourced firm carries out the internal audit of all the subsidiaries in China and Singapore. The AC will assess and ensure that the internal auditor meets or exceeds the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditor provides adequate staff with relevant experience to conduct the internal audits.

The objective of internal audit review is to assist Management in evaluating and testing the effectiveness of internal controls that are in place. The internal audit review is conducted with a view to identify control gaps in the current business processes, that operations are conducted within the policies and procedures laid down and identify areas for improvements, where controls can be strengthened. Internal audit reports are prepared to update the AC on the progress of all audits carried out, the recommendations accepted by Management, and to track the status of outstanding matters and remedial actions taken to date.

The AC, on an annual basis, will address the adequacy and the effectiveness of the internal audit function by examining the internal auditor's scope of work and its independence, as well as the internal auditor's reports.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company engages in regular, effective and fair communication with shareholders through announcements released to SGX-ST via SGXNET, annual reports prepared and issued to all shareholders, advertisements of notice of shareholders' meetings published in the local newspapers. Announcements released on the SGXNET include the quarterly, half yearly and full year results, material transactions and other developments relating to the Group which require disclosure under the corporate disclosure policy of SGX-ST. The Company also maintains a website at www.fuyucorp.com where the public can access both business and financial information of the Group.

The CEO oversees and leads the Company's Investor Relations ("IR") activities. He is supported by the CFO and external IR consultants engaged by the Company to reinforce its communications and interactions with shareholders and investors. The IR contact information (email address and telephone number) is provided in the annual reports, announcements and website. Shareholders and investors can send their enquiries to the Company's IR consultants who can be reached by email or telephone.

To better understand the views of shareholders and investors, the Company holds regular briefings for the investment community in conjunction with the release of the Group's financial results to discuss the Group's performance and developments, and promote better appreciation of the Group's business. The Company also participates in investor roadshows organised by third-parties such as stockbroking companies, from time to time.

Two (2) interim dividends have been declared and paid during the year. The Company has proposed a final dividend of 1.0 cent per ordinary share for FY2018 subject to the shareholders' approval in the forthcoming AGM.

The Company has in place a dividend policy of declaring and proposing at least 50% of its profit after income tax attributable to the owners of the Company as dividends, unless:

(i) any reinvestment of the profit for capital expenditure, expansion or diversification purposes is more than 50% of the profit; or

(ii) there is insufficient profit at the Company level; or

(iii) there are insufficient funds at the Company level to pay for the dividends, under which conditions, any proposed dividends will be decided by the Board taking into account the above conditions.

CORPORATE GOVERNANCE REPORT

Shareholders are informed of general meetings through notices published in the newspapers and annual reports or circulars sent to them. The Company's general meetings are attended by all the Directors.

The Company encourages shareholders' participation at general meetings, and welcomes shareholders to give their constructive views on various matters concerning the Group. When opportunities arise, the Directors will solicit and try to understand the views of shareholders before and/or after general meetings of the Company.

Each item of special business included in the notice of the meeting is accompanied by an explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and shareholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. The Chairmen of the AC, NC and RC are available at the meeting to answer those questions relating to the work of these committees. The Company's external auditor is also present to address queries about the conduct of audit and the preparation and content of the auditors' report.

The Company will prepare detailed AGM minutes, which include relevant comments and the questions received from shareholders relating to the agenda of the meetings, and responses from the Board and Management, if any. The Company will be pleased to make these minutes, subsequently approved by the Board, available to shareholders upon their request.

The Company commenced the voting of all its resolutions by poll at the Extraordinary General Meeting ("EGM") held on 16 October 2014 and has since conducted the voting of all its resolutions by poll in all its subsequent AGMs and EGMs. Rules are explained to shareholders, including the poll voting procedures in general meetings. The voting results of all votes cast for, or against, each resolution will be announced at the meeting and also on SGXNET after the meeting. Electronic polling may be considered in the near future.

The Company's Constitution allows (i) each shareholder who is not a relevant intermediary (as defined in the Companies Act) the right to appoint up to two (2) proxies and (ii) each shareholder who is a relevant intermediary to appoint more than two (2) proxies to attend and vote on their behalf in shareholders' meetings. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the general meetings in person. CPF and SRS Investors who are unable to attend the general meetings but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the general meetings to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the general meetings. Proxies need not be a shareholder of the Company. The Company does not permit voting in absentia by mail, facsimile or e-mail due to the difficulty in verifying and ensuring authenticity of the vote.

The Company will review its Constitution from time to time and make such amendments to the Constitution to be in line with the applicable requirements or rules and regulations governing the continuing listing obligation in the Listing Manual of SGX-ST.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual in relation to the best practices on dealings in the securities:

(a) the Company had devised and adopted its own internal compliance code governing securities transactions by the Company, Directors, officers and employees of the Group;

(b) Directors, officers and employees of the Company not to deal in the Company's securities on short-term considerations; and

(c) the Company, Directors, officers and employees of the Group must not deal in the Company's securities (i) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year financial statements, as the case may be, and ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

The Company issues quarterly reminders to its Directors, officers and employees on such restrictions on dealings in listed securities of the Group. They are also reminded to observe insider trading laws at all times even when dealing in securities within permitted trading period.

INTERESTED PERSON TRANSACTIONS

The SGX-ST requires listed company to comply with Chapter 9 of the Listing Manual of SGX-ST on interested person transactions. The Company monitors all its interested person transactions closely and all interested person transactions, if any, are subject to review by the AC.

There were no interested person transactions for the year ended 31 December 2018.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries with the Directors or CEO or controlling shareholders of the Company which were still subsisting at the end of the financial year under review, or if not subsisting, entered into since the end of the previous financial year.

RISK MANAGEMENT REPORT

The Board of Directors (the "Board") and Management of Fu Yu Corporation Limited (the "Company" or "Fu Yu") recognise the importance of an integrated enterprise-wide perspective of risk management practices. In Fu Yu, the Audit Committee ("AC") was delegated the role of assisting the Board in its risk management function.

KPMG Services Pte Ltd was appointed in year 2012 to conduct a review to further enhance the Group's risk management framework with regards to its financial, operational and compliance risks. The Management has continued to adopt the established risk management framework in its ongoing consolidated risk management review. In 2017, in-depth briefing sessions were conducted to reinforce the understanding of the risk management framework, its methodology and approach.

RISK MANAGEMENT PROCESS

The AC with the assistance of management, internal and external auditors, reviews and reports to the Board annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, established by the Management. In addition, the Board with the assistance of the AC reviews and oversees the design, implementation and monitoring of the risk management and internal control systems.

To facilitate the reporting and monitoring of risk, the AC has endorsed the use of a dashboard risk assessment template, a common platform which enables operating divisions within the Group to report risk and risk status in a consistent and cohesive manner. The AC shall then be provided relevant reports disclosing the risk status of the Group.

The dashboard risk assessment template captures risks and the gross risk ratings based on likelihood of occurrence and magnitude of impact parameters, mitigating measures and/or internal controls with the resulting residual risk ratings, as well as the risk owners and their assessment of the mitigating measures. These dashboard risk assessment templates are then consolidated and reviewed at the senior management level before they are presented to the AC for review.

KEY RISKS IDENTIFIED BY THE MANAGEMENT

ECONOMIC RISK

The global and regional economic uncertainties, rising trend in trade protectionism, coupled with increases in commodity prices and employment wages, have resulted in a more challenging operating environment.

Through ongoing expansion and diversification of its customer base, Management aims to minimise the impact of economic downturns and the concentration of the Group's business on any particular geographical region. The Group also invests continuously in automation to reduce reliance on labour.

COMPETITION RISK

New market entrants, growth of existing players and price competition are constant threats faced by the Group.

With over 40 years of operating history, Fu Yu has established a reputation as a quality preferred supplier. The Group also offers one-stop solution to its customers from design, tooling, moulding, manufacturing, secondary processes to sub-assembly. This has shortened time-to-market and improved cost efficiency for customers. Furthermore, the Group has a network of strategically-located operating sites in Asia.

RISK MANAGEMENT REPORT

PORTFOLIO RISK

The Group is recognised for its capability in printing and imaging products. While it maintains keen interest in this segment, it is also part of the Group's strategic intent to minimise revenue concentration and diversify its revenue base by targeting sectors with greater stability and longer product life cycles.

Leveraging on its technology capabilities and competencies, the Group has increased its footprint in consumer, medical and automotive segments, thereby reducing the revenue concentration in printing and imaging segment from 50% in FY2011 to 31% in FY2018.

The Management continues its effort to balance the portfolio with higher profit margin products and broaden revenue sources as well as positions the Group in market segments with higher growth potential such as medical, automotive, eco-friendly and smart home consumer products, and 3D printers. By keeping abreast of customers' developments and market trends, the Group continues to expand its business with existing customers, and secure new customers in target market segments.

CUSTOMERS' CREDIT RISK

Fu Yu offers unsecured credit terms to its customers during the ordinary course of business. There are uncertainties over the timeliness of customers' payments and their ability to pay. Long outstanding debts will affect the Group's cash flow while a material increase in bad and doubtful debts will adversely affect its financial performance.

The Group has a credit management policy to manage the exposure from the approval of credit terms and limits to the ongoing reviews of all outstanding receivables. Furthermore, the majority of the Group's customers are multinational companies with good credit standings.

FINANCIAL RISK – FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

The Group has key business operations in Singapore, Malaysia and China with Singapore Dollars (SGD) as its reporting currency. The Group is exposed to foreign currency exchange rate fluctuations on its revenue, purchases and cash and cash equivalents that are denominated in currencies other than the respective functional currencies of the Group entities. The currency that poses this risk is primarily the US Dollar (USD) as it constitutes a significant portion of the trade transactions in the Group.

The foreign currency exchange rate risk is partially managed through a natural hedge between the revenue and the purchases in the same currency, the USD. The remaining unhedged portion is usually surplus funds which will be converted to the required currencies when the need arises. The Group keeps close watch on the USD exchange rate movements and actively reviews its cash flow forecast and requirement.

FINANCIAL RISK – LIQUIDITY AND CASH FLOW

Insufficient liquidity and cash flow is detrimental to a company as the inability to meet short term financial demands will affect the business as a going concern.

The Group manages its working capital through preparation of cash flow forecast, assessment of customers' creditworthiness, prompt follow ups on overdue and slow paying customers, reviews of inventory holding, maintain cordial relationships with suppliers, as well as obtaining short term credit facilities from the banks. A certain level of cash and cash equivalents deemed adequate by Management is maintained to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

RISK MANAGEMENT REPORT

INFRASTRUCTURE RISK

Infrastructure risk refers to the political stability and the level of infrastructural support (for example, reliable supply of utility, transportation network, etc.) at the various sites the Group operates.

The Management continuously monitors the political situations in Singapore, Malaysia and China where it has manufacturing plants. Before setting up any new plant, the Group will perform thorough due diligence on the local conditions of the prospective site.

A consistent supply of high-quality power is crucial for our machine operations. The Group has established business continuity plans to handle unwarranted situations like power outage. Through strong relationships with both the power suppliers and customers, important information obtained from the power suppliers is shared with the customers and the Group works closely together with customers on the next available course of actions as well as provides updates regularly.

INVESTMENT RISK

To compete with its peers in the industry, the Group must equip itself with the relevant skills, technologies, machinery and equipment. Having inappropriate assets will not only lead to excess capacity, but also impairment of investment or fixed assets.

The Group has established a Capital Expenditure ("CAPEX") policy whereby revenue and cash flow forecasts are prepared and reviewed prior to CAPEX commitment. Management also invests in more versatile machinery which can be deployed to other locations when necessary. In addition, there is continuous effort within the Group to maximise the utilisation of fixed assets rendered redundant from other projects/plants, if any.

MANUFACTURING DOWNTIME RISK

Manufacturing downtimes can occur in the unlikely events of a fire, workers on strikes, machinery breakdowns, etc., resulting in production and delivery delays as well as reputational damages to the Group.

Other than adequate fire insurance coverage on the Group's assets, preventive measures are also implemented to mitigate the risk. The Fire Prevention procedures have been established to prevent fire occurrence. Coupled with proper working instructions for hot works and regular fire drills to train employees for emergency situations, the Group aims to minimise any fire hazards and the impact on business operations.

The Group has also maintained a good tripartite relationship with the unions and workers.

To mitigate the risks of machine breakdowns, all operating sites have their respective in-house maintenance teams to perform scheduled maintenance works and ad-hoc repairs. Monthly, quarterly and annual maintenance programs are in place to keep the machinery at optimal level of performance.

RISK MANAGEMENT REPORT

ENVIRONMENTAL, COMPLIANCE AND REGULATORY RISK

The Group operates in three countries across eight locations with different legislations and regulations in the aspects of permits and licences, health and safety, waste disposal and treatment, etc. Violations of rules may result in penalties and fines as well as manufacturing downtimes.

The respective management team monitors its local legislative and regulatory requirements closely on an ongoing basis. Potential changes with moderate to high impact on the business are brought to the attention of the senior management at the Group's headquarters in Singapore. Necessary certifications and licenses are obtained and renewed on a timely basis to ensure compliance.

With the increased awareness of how business activities impact on the environment, the Group not only has to comply to regulatory requirements, but also the stringent requests imposed by its customers' sustainability policy. The Group's operating sites are ISO14001:2015 certified with the exception of Classic Advantage Sdn Bhd which is in the process of upgrading its certification from ISO14001:2004 to ISO14001:2015.

HUMAN CAPITAL RISK

The Group recognises that employees are its most valuable asset. The key human capital risks include the attraction and retention of talents, availability of manpower to meet its operational needs and succession planning.

To mitigate talent and skills shortage, the Group conducts periodic review of its remuneration packages and rewards employees fairly based on their abilities, work performance, contributions and experience. The Group is supportive of work-life balance and also provides training and personal development opportunities to employees based on their strengths and needs.

In addition, critical knowledge of the existing workflows and processes are recorded and transferred to the incoming job holders to reduce dependency on key persons. Succession planning is also put in place to recruit and develop our employees to fill key business leadership positions in the Group.

TECHNOLOGY RISK

Technology risk is any potential for technology failures that could disrupt the business such as information security incidents or service outages (for example, operational problems like hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fires or floods, etc.) at the various sites the Group operates. A security incident may result in theft of customer data resulting in legal liability, reputational damage and compliance issues.

We have an in-house IT team based in Singapore to oversee the IT needs of the Group and each site is also supported by local IT personnel or external suppliers. Together, they monitor the health of our IT infrastructure on an ongoing basis. Our IT software and hardware are updated regularly for optimal management of potential cyber risks and to ensure our systems remain reliable, effective and secured. In addition, we back up our data and conduct routine checks to ensure our IT systems can be recovered swiftly when the need arises. Staff are constantly reminded to practise proper cyber discipline and behavior to ensure online security.

DIRECTORS' STATEMENT

We are pleased to submit this annual statement to the members together with the audited financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 63 to 131 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this statement are as follows:

Ching Heng Yang
Tam Wai
Ho Nee Kit
Hew Lien Lee
John Chen Seow Phun
Tan Yew Beng
Foo Say Tun

DIRECTORS' INTERESTS

According to the Register of Director's Shareholdings kept by the Company pursuant to Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ching Heng Yang		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	88,965,475	88,965,475
LCTH Corporation Sdn. Bhd.		
– ordinary shares of RM0.20 each		
– interest held	300,000	–*
– deemed interests	254,295,643	254,295,643

* Pursuant to the selective capital reduction (SCR) and repayment exercise of LCTH Corporation Berhad (LCTH) under Section 116 of the Companies Act 2016 and SCR exercise completed on 8 June 2018.

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Tam Wai		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	96,715,475	96,715,475
– deemed interests	300,000	300,000
LCTH Corporation Sdn. Bhd.		
– ordinary shares of RM0.20 each		
– interest held	366,000	–*
– deemed interests	254,295,643	254,295,643
Ho Nee Kit		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	96,999,225	96,999,225
LCTH Corporation Sdn. Bhd.		
– ordinary shares of RM0.20 each		
– interest held	369,120	–*
– deemed interests	254,295,643	254,295,643
Tan Yew Beng		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	2,562,500	2,562,500
LCTH Corporation Sdn. Bhd.		
– ordinary shares of RM0.20 each		
– interest held	300,000	–*
Hew Lien Lee		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	8,100,000	8,100,000
LCTH Corporation Sdn. Bhd.		
– ordinary shares of RM0.20 each		
– interest held	3,031,524	–*
John Chen Seow Phun		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	1,000,000	1,000,000

* Pursuant to the SCR and repayment exercise of LCTH under Section 116 of the Companies Act 2016 and SCR exercise completed on 8 June 2018.

DIRECTORS' STATEMENT

By virtue of Section 7 of the Act, Ching Heng Yang, Tam Wai and Ho Nee Kit are deemed to have interests in shares of the subsidiaries of the Company, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2019.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

John Chen Seow Phun (Chairman), Independent Non-Executive Director
Tan Yew Beng, Independent Non-Executive Director
Foo Say Tun, Independent Non-Executive Director

The Audit Committee performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four (4) meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual); and
- the audit plan of the Group's external auditor and its findings arising from the statutory audit.

DIRECTORS' STATEMENT

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and a joint venture, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Further details of the Audit Committee are disclosed in the Corporate Governance Report.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Tam Wai
Director

Ho Nee Kit
Director

21 March 2019

INDEPENDENT AUDITORS' REPORT

Members of the Company
Fu Yu Corporation Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 131.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS’ REPORT

Valuation of investment in subsidiaries, receivables from subsidiaries and property, plant and equipment

- **Property, plant and equipment (refer to Note 4 to the financial statements)**
- **Investment in and receivables from subsidiaries (refer to Note 6 to the financial statements)**

The key audit matter	*How the matter was addressed in our audit*
During the financial year, certain operations of the Group in China continued to incur operating losses whereas some other parts of the Group’s business saw improvement in financial performance. Accordingly, there is a need for the Group to reassess whether there are impairment indicators and where applicable, to assess the recoverable amount of the non-financial assets (including property, plant and equipment, investment in subsidiaries and receivables from subsidiaries) and determine if any impairment loss should be recognised or reversed. The impairment assessment exercise and the estimation of the recoverable amount is highly subjective and involves significant management’s judgement. Management has estimated the recoverable amount of each cash generating unit (CGU) based on fair value less cost to sell, determined by independent external valuers.	We reviewed management’s assessment of impairment indicators and the appropriateness of management’s determination of CGU. For recoverable amounts measured based on fair value less cost to sell, we evaluated the appropriateness of the valuation methods used by comparing to general market practices. We also assessed the valuers’ estimate of fair value less cost to sell by independently corroborating to externally derived data of recent transacted asset sales.

Findings

The valuation methodologies used by independent external valuers were in line with generally accepted market practices and the key assumptions used were within the range of market data.

Valuation of deferred tax assets (refer to Note 8 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group recorded deferred tax assets of $0.8 million as at 31 December 2018. There were also significant unrecognised deferred tax assets in respect of unutilised tax losses which were not recognised due to the level of uncertainty over the availability of future taxable profits against which these tax losses would be utilised. The estimation of future taxable profits is highly judgemental.	Our audit procedures on management’s assessment of future taxable profits included obtaining an understanding of the Group’s budgeting process upon which the forecasts are based and challenging management key assumptions used in the forecast, including the projected revenue growth rate, projected gross profit margin against the Group’s historical performance achieved. We also considered the Group’s tax position, and applied our knowledge and experience of the relevant tax legislation.

Findings

We found that cautious assumptions and estimates were used by the Group to determine future taxable profits for which tax losses would be utilised.

INDEPENDENT AUDITORS' REPORT

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

INDEPENDENT AUDITORS' REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Kum Chew Foong.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 March 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group			Company		
	Note	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Non-current assets							
Property, plant and equipment	4	44,810	45,954	47,703	12,019	12,593	12,175
Investment property	5	8,043	8,204	8,215	–	–	–
Subsidiaries	6	–	–	–	20,631	20,631	25,710
Other receivables	10	–	–	–	27,724	28,180	35,456
Joint venture	7	705	1,490	2,162	–	–	–
Deferred tax assets	8	772	1,727	2,100	–	–	–
		54,330	57,375	60,180	60,374	61,404	73,341
Current assets							
Inventories	9	16,946	17,646	15,968	2,703	2,742	1,958
Contract assets	18	2,353	3,430	3,648	923	1,100	670
Trade and other receivables	10	54,026	58,999	53,360	16,286	13,865	12,920
Tax recoverable		24	7	82	–	–	–
Short term investments	13	3,596	3,318	2,678	–	–	–
Cash and cash equivalents	12	80,310	95,437	105,632	44,400	43,576	36,002
		157,255	178,837	181,368	64,312	61,283	51,550
Total assets		211,585	236,212	241,548	124,686	122,687	124,891
Equity attributable to equity holders of the Company							
Share capital	14	102,158	102,158	102,158	102,158	102,158	102,158
Reserves	15	61,963	63,150	71,379	12,612	11,497	16,090
		164,121	165,308	173,537	114,770	113,655	118,248
Non-controlling interests		–	20,186	19,646	–	–	–
Total equity		164,121	185,494	193,183	114,770	113,655	118,248
Non-current liabilities							
Deferred tax liabilities	8	953	616	614	859	523	354
Current liabilities							
Trade and other payables	17	43,029	46,162	44,857	8,181	7,690	6,267
Contract liabilities	18	581	1,320	519	191	672	22
Tax payable		2,901	2,620	2,375	685	147	–
		46,511	50,102	47,751	9,057	8,509	6,289
Total liabilities		47,464	50,718	48,365	9,916	9,032	6,643
Total equity and liabilities		211,585	236,212	241,548	124,686	122,687	124,891

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	18	197,687	194,973
Cost of sales		(162,409)	(161,656)
Gross profit		35,278	33,317
Other income	19	7,720	7,492
Selling and administrative expenses		(27,433)	(27,120)
Other operating income/(expenses), net	20	1,231	(4,698)
(Impairment loss)/Reversal of impairment loss on trade receivables and contract assets		(75)	30
Results from operating activities		16,721	9,021
Finance costs	21	–	(1)
Share of loss of joint venture (net of tax)	7	(798)	(700)
Profit before income tax	22	15,923	8,320
Tax expense	23	(3,726)	(2,860)
Profit for the year		12,197	5,460
Profit for the year attributable to:			
Owners of the Company		11,885	4,477
Non-controlling interests		312	983
Profit for the year		12,197	5,460
Earnings per share			
Basic and diluted earnings per share	24	1.58 cents	0.59 cents

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 $'000	2017 $'000
Profit for the year	12,197	5,460
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(251)	(875)
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of foreign currency translation reserve arising from liquidation of subsidiaries	–	(110)
Other comprehensive income for the year (net of tax)	(251)	(985)
Total comprehensive income for the year	11,946	4,475
Total comprehensive income attributable to:		
Owners of the Company	11,088	3,066
Non-controlling interests	858	1,409
Total comprehensive income for the year	11,946	4,475

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017		102,158	140	7,616	789	(13,261)	76,095	173,537	19,646	193,183
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	4,477	4,477	983	5,460
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	(1,301)	–	(1,301)	426	(875)
Reclassification of foreign currency translation reserve arising from liquidation of subsidiaries		–	–	–	–	(110)	–	(110)	–	(110)
Total comprehensive income for the year		–	–	–	–	(1,411)	4,477	3,066	1,409	4,475
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid to owners of the Company	29	–	–	–	–	–	(11,295)	(11,295)	–	(11,295)
Dividends paid to non-controlling interests	29	–	–	–	–	–	–	–	(869)	(869)
Total transactions with owners		–	–	–	–	–	(11,295)	(11,295)	(869)	(12,164)
Transfers between reserves										
Transfers to statutory reserve		–	–	381	–	–	(381)	–	–	–
At 31 December 2017		102,158	140	7,997	789	(14,672)	68,896	165,308	20,186	185,494

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018		102,158	140	7,997	789	(14,672)	68,896	165,308	20,186	185,494
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	11,885	11,885	312	12,197
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	(797)	–	(797)	546	(251)
Total comprehensive income for the year		–	–	–	–	(797)	11,885	11,088	858	11,946
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid to owners of the Company	29	–	–	–	–	–	(12,048)	(12,048)	–	(12,048)
Selective capital reduction	30	–	–	–	–	–	(20,716)	(20,716)	–	(20,716)
Payment of transaction cost related to selective capital reduction	30	–	(555)	–	–	–	–	(555)	–	(555)
Acquisition of subsidiary with non-controlling interests	30	–	–	–	–	(6,420)	27,464	21,044	(21,044)	–
Total transactions with owners		–	(555)	–	–	(6,420)	(5,300)	(12,275)	(21,044)	(33,319)
Transfers between reserves										
Transfers to statutory reserve		–	–	483	–	–	(483)	–	–	–
At 31 December 2018		102,158	(415)	8,480	789	(21,889)	74,998	164,121	–	164,121

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before income tax		15,923	8,320
Adjustments for:			
Depreciation of property, plant and equipment and investment property	4, 5	6,987	7,698
Reversal of impairment loss on property, plant and equipment	4	–	(238)
Gain on liquidation of subsidiaries	19	–	(51)
Finance costs	21	–	1
Interest income	19	(1,604)	(1,763)
Gain on disposal of property, plant and equipment	19	(899)	(285)
Property, plant and equipment written off	20	22	740
Share of loss of joint venture (net of tax)	7	798	700
Unrealised foreign exchange loss/(gain)		1,066	(1,000)
		22,293	14,122
Changes in working capital:			
Inventories		387	(1,763)
Trade and other receivables		3,836	(5,923)
Contract assets		1,035	68
Trade and other payables		(1,438)	743
Contract liabilities		(727)	805
Cash generated from operating activities		25,386	8,052
Tax paid		(2,099)	(2,119)
Net cash from operating activities		23,287	5,933
Cash flows from investing activities			
Interest income received		1,604	1,763
Proceeds from disposal of property, plant and equipment		1,038	380
Purchase of property, plant and equipment		(7,229)	(5,520)
Placement of short term investments		(276)	(571)
Net cash used in investing activities		(4,863)	(3,948)
Cash flows from financing activities			
Finance costs paid		–	(1)
Proceeds from short term borrowings		–	500
Repayment of short term borrowings		–	(500)
Dividends paid to non-controlling interests of a subsidiary	29	–	(869)
Dividends paid to owners of the Company	29	(12,048)	(11,295)
Consideration paid for selective capital reduction	30	(20,716)	–
Payment of transaction cost related to selective capital reduction	30	(555)	–
Deposits pledged		(102)	(90)
Net cash used in financing activities		(33,421)	(12,255)
Net decrease in cash and cash equivalents		(14,997)	(10,270)
Cash and cash equivalents at 1 January		92,252	102,602
Effect of exchange rate fluctuations on cash held		(237)	(80)
Cash and cash equivalents at 31 December	12	77,018	92,252

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 March 2019.

1 DOMICILE AND ACTIVITIES

Fu Yu Corporation Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 8 Tuas Drive 1, Singapore 638675. The Company is listed on the Singapore Exchange.

The principal activities of the Company are those of manufacturing and sub-assembly of precision plastic parts and components, fabrication of precision moulds and dies and investment holding. The principal activities of the Company's subsidiaries consist of manufacturing and sub-assembly of precision plastic parts and components, fabrication of precision moulds and dies, trading, provision of management services and investment holding.

The consolidated financial statements relate to the Company and its subsidiaries and the Group's interests in a joint venture.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Singapore Financial Reporting Standards (SFRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 31.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value or amortised cost.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (Cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – measurement of recoverable amounts of property, plant and equipment
- Notes 6 and 11 – recoverability of investments in and amounts due from subsidiaries
- Notes 8 and 23 – provision for income tax and recoverability of deferred tax assets
- Notes 10 and 26 – measurement of expected credit losses (ECL) allowance for trade and other receivables, and contract assets

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 5 – classification of investment property
- Note 18 – revenue recognition: whether revenue from tooling contracts is recognised over time or at a point in time

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – property, plant and equipment
- Note 5 – investment property
- Note 26 – financial risk management

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income (OCI). Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests (NCI). When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

Acquisitions from 1 January 2017 (cont'd)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017, if any, has been carried forward from the previous FRS framework as at the date of transition.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Investment in joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of joint venture, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (cont'd)

(iv) Investment in joint ventures (cont'd)

When the Group's share of losses exceeds its interest in joint venture, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with a joint venture are eliminated against the investment to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries and joint ventures in the separate financial statements

Investments in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses except that certain items of leasehold property were subject to one-off revaluation conducted in 1994. Any revaluation reserve is transferred to retained earnings upon the disposal of an item of property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold properties	Over the term of the respective leases ranging from 20 to 60 years
Factory equipment, plant and machinery	3 to 10 years
Motor vehicles	5 years
Office equipment and furniture and fittings	3 to 5 years
Other assets	2 to 10 years

No depreciation is recognised on construction-in-progress. Other assets comprise electrical installations, erectable stores, renovations and leasehold improvements.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment property

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the investment property. The estimated useful life is 60 years. The depreciation method, the useful life and the residual value of investment property are reassessed at the end of each reporting period.

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost, accumulated depreciation and accumulated impairment losses at the date of reclassification will be transferred to property, plant and equipment for subsequent accounting.

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets – Policy applicable from 1 January 2018 (cont'd)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment – Policy applicable from 1 January 2018 (cont'd)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classified non-derivative financial assets into the following categories: financial assets at FVTPL and loans and receivables.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Financial assets at FVTPL

A financial asset was classified at FVTPL if it was classified as held-for-trading or was designated as such upon initial recognition. Financial assets were designated at FVTPL if the Group managed such investments and made purchase and sale decisions based on their fair value in accordance with the Group's documented investment strategy. Attributable transaction costs were recognised in profit or loss as incurred. Financial assets at FVTPL were measured at fair value, and changes therein, which took into account any dividend income, were recognised in profit or loss.

Financial assets designated at FVTPL comprised short term investments in money market fund and trust funds.

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.7 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; and
- contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

(i) Non-derivative financial assets and contract assets (cont'd)

Policy applicable from 1 January 2018 (cont'd)

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than a reasonable range of past due days, taking into account consideration historical payment track record, current macroeconomics situation as well as general industry trend.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

(i) Non-derivative financial assets and contract assets (cont'd)

Policy applicable from 1 January 2018 (cont'd)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Financial assets

A financial asset not carried at FVTPL, including an interest in a joint venture, was assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that could be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

(i) Non-derivative financial assets and contract assets (cont'd)

Policy applicable before 1 January 2018 (cont'd)

Financial assets (cont'd)

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables and contract assets on a specific asset level.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Joint venture

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

(iii) Non-financial assets (cont'd)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which related services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.11 Revenue recognition

Sale of goods

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good to the customer. The amount of revenue recognised is the transaction price for the satisfied PO.

Revenue is recognised at a point in time following the timing of satisfaction of the PO.

Revenue from tooling contracts

The Group produces tools customised to customer's order which the Group does not have an alternative use.

(i) Contracts with an enforceable right to payment for performance completed to date

The Group has determined that for contracts where the Group has an enforceable right to payment for performance completed to date, the customer controls all of the work in progress. This is because under those contracts, the assets are at the customer's specification and the Group is entitled to payment for performance completed to date.

Revenue is recognised over time following the satisfaction of the PO over time. Revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Contracts without enforceable right to payment for performance completed to date

For contracts where the Group does not have enforceable right to payment for performance completed to date, revenue is recognised at a point in time when the assets are completed and have been accepted by the customers.

Rental income

Rental income from investment property is recognised as 'other income' on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as 'other income'.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Finance income and finance costs

The Group's finance income and finance costs include interest income and interest expense.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.13 Foreign currency gains and losses

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either other operating income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

3.14 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.15 Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax (cont'd)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 32.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties $'000	Factory equipment, plant and machinery $'000	Motor vehicles $'000	Office equipment and furniture and fittings $'000	Other assets $'000	Total $'000
Group						
Cost						
At 1 January 2017	74,408	231,406	2,554	11,626	10,667	330,661
Currency realignment	(289)	(971)	1	(54)	15	(1,298)
Additions	154	3,819	889	302	1,219	6,383
Disposals/Write-off	(6,871)	(4,529)	(262)	(826)	(677)	(13,165)
At 31 December 2017	67,402	229,725	3,182	11,048	11,224	322,581
At 1 January 2018	67,402	229,725	3,182	11,048	11,224	322,581
Currency realignment	(1,049)	(2,637)	(28)	(167)	(185)	(4,066)
Additions	117	3,225	245	227	2,599	6,413
Reclassification	–	87	–	7	(94)	–
Disposals/Write-off	–	(13,389)	(56)	(675)	(543)	(14,663)
At 31 December 2018	66,470	217,011	3,343	10,440	13,001	310,265
Accumulated depreciation and accumulated impairment losses						
At 1 January 2017	43,494	219,936	1,607	9,435	8,486	282,958
Currency realignment	(280)	(958)	3	(44)	(7)	(1,286)
Depreciation for the year	2,291	3,531	426	692	583	7,523
Reversal of impairment	–	(237)	–	–	(1)	(238)
Reclassification	–	(102)	–	–	102	–
Disposals/Write-off	(6,238)	(4,388)	(216)	(821)	(667)	(12,330)
At 31 December 2017	39,267	217,782	1,820	9,262	8,496	276,627
At 1 January 2018	39,267	217,782	1,820	9,262	8,496	276,627
Currency realignment	(762)	(2,414)	(22)	(148)	(133)	(3,479)
Depreciation for the year	2,085	3,135	408	680	501	6,809
Disposals/Write-off	–	(13,233)	(56)	(674)	(539)	(14,502)
At 31 December 2018	40,590	205,270	2,150	9,120	8,325	265,455
Carrying amounts						
At 1 January 2017	30,914	11,470	947	2,191	2,181	47,703
At 31 December 2017	28,135	11,943	1,362	1,786	2,728	45,954
At 31 December 2018	25,880	11,741	1,193	1,320	4,676	44,810

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold properties $'000	Factory equipment, plant and machinery $'000	Motor vehicles $'000	Office equipment and furniture and fittings $'000	Other assets $'000	Total $'000
Company						
Cost						
At 1 January 2017	29,526	18,348	1,129	2,588	1,720	53,311
Additions	–	410	889	66	26	1,391
Disposals/Write-off	(6,833)	(1,004)	(260)	(651)	(139)	(8,887)
Amalgamation	–	16,262	–	757	1,784	18,803
At 31 December 2017	22,693	34,016	1,758	2,760	3,391	64,618
At 1 January 2018	22,693	34,016	1,758	2,760	3,391	64,618
Additions	–	1,097	–	44	75	1,216
Disposals/Write-off	–	(5,230)	–	(551)	(378)	(6,159)
At 31 December 2018	22,693	29,883	1,758	2,253	3,088	59,675
Accumulated depreciation and accumulated impairment losses						
At 1 January 2017	20,536	16,838	419	1,800	1,543	41,136
Depreciation for the year	695	557	324	265	191	2,032
Disposals/Write-off	(6,233)	(925)	(214)	(649)	(138)	(8,159)
Amalgamation	–	14,962	–	733	1,559	17,254
Reversal of impairment	–	(237)	–	–	(1)	(238)
Reclassification	–	(102)	–	–	102	–
At 31 December 2017	14,998	31,093	529	2,149	3,256	52,025
At 1 January 2018	14,998	31,093	529	2,149	3,256	52,025
Depreciation for the year	495	621	324	264	79	1,783
Disposals/Write-off	–	(5,223)	–	(551)	(378)	(6,152)
At 31 December 2018	15,493	26,491	853	1,862	2,957	47,656
Carrying amounts						
At 1 January 2017	8,990	1,510	710	788	177	12,175
At 31 December 2017	7,695	2,923	1,229	611	135	12,593
At 31 December 2018	7,200	3,392	905	391	131	12,019

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss

Certain CGUs in China continued to incur operating losses whereas other CGUs, whose financial performance had improved, had shown indication that impairment losses which were recognised in prior periods may no longer exist. This resulted in the Group reassessing the recoverable amount of the property, plant and equipment.

The recoverable amounts of the CGUs were estimated based on the higher of fair value less cost to sell and their value-in-use. As the operations of the CGUs located within the same country are similar in nature, therefore the assumptions used in projecting the value-in-use are disclosed below by such geographical locations.

2018

As at 31 December 2018, the recoverable amounts of the Group's property, plant and equipment attributed to the CGUs were determined based on fair value less costs to sell, estimated based on the fair value of the leasehold properties and plant and machineries on liquidation. The fair value of the property, plant and equipment was determined by independent valuers with experience in the location and category of the properties and machineries being valued. The fair value of certain leasehold properties as at 31 December 2018 amounts to approximately $65,729,000 with the carrying amounts of $15,602,000.

2017

The approach to determine the recoverable amounts of the CGUs is categorised as follows:

- CGUs that are loss-making and are not expected to generate any economic benefits in the period of forecast. The recoverable amounts of such CGUs have been determined based on the fair value of its monetary assets and liabilities.

- CGUs that are loss-making but are expected to be able to generate economic benefits through liquidation of its leasehold properties and plant and machineries. The recoverable amounts of the CGUs have been determined based on the fair value less cost to sell of the assets. The fair value less cost to sell is based on market valuation performed by independent valuers with experience in the location and category of the properties and machineries being valued.

- The recoverable amount of all other CGUs have been determined based on the calculation of their value-in-use derived from management's cash flows projections for these CGUs.

Key assumptions used in the calculation of the value-in-use are as follows:

	China CGUs	
	31 Dec 2017	**1 Jan 2017**
<u>Value-in-use assumptions:</u>		
Average growth rate in revenue	1%	-1% to 12%
Number of years projected in the discounted cash flows	5 years	5 years
Gross profit margin	20% to 22%	14% to 27%
Terminal value of property, plant and equipment (as a % of cost)	2%	2%
Pre-tax discount rate	19%	19% to 21%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss (cont'd)

2017 (cont'd)

The growth rate in the China CGUs can be explained by forecasted fluctuations in market demand from end customers. If any of the CGUs is not able to meet the forecasted results, the Group may be required to record additional impairment loss.

The fair value measurement is categorised as level 3 under the fair value hierarchy. Details of valuation techniques and key inputs used are as follows:

Type	Valuation technique	Significant unobservable inputs
Long term leasehold land	Comparison method	Comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land.
Buildings	Depreciated replacement cost method	Aggregated amount of gross replacement cost of the buildings and other site works from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.
Plant and machinery	Depreciated replacement cost method	Aggregated amount of gross replacement cost of the plant and machinery, from which appropriate deductions may then be made for the age, condition, functional and technological obsolescence factors.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 INVESTMENT PROPERTY

	Group $'000
Cost	
At 1 January 2017	9,968
Currency realignment	204
At 31 December 2017	10,172
At 1 January 2018	10,172
Currency realignment	18
At 31 December 2018	10,190
Accumulated depreciation	
At 1 January 2017	1,753
Depreciation for the year	175
Currency realignment	40
At 31 December 2017	1,968
At 1 January 2018	1,968
Depreciation for the year	178
Currency realignment	1
At 31 December 2018	2,147
Carrying amounts	
At 1 January 2017	8,215
At 31 December 2017	8,204
At 31 December 2018	8,043

The buildings are leased to Berry Plastics Malaysia Sdn Bhd (a joint venture of the Group) and a third party.

The fair value of the investment property (fair value hierarchy of level 3) as at 31 December 2018 amounts to approximately $9,670,000 (31 December 2017: $9,653,000; 1 January 2017: $8,701,000) and has been determined based on valuations performed by accredited independent valuers with recent experience in the location and category of investment properties being valued. The valuations are based on comparison method and the depreciated replacement cost method. The depreciated replacement cost method makes reference to the cost of replacing the buildings as new and allowing for depreciation. Key unobservable inputs correspond to replacement costs having regard to asset life, physical deterioration, functional and economic obsolescence. The comparison method involves comparing and adopting recent transactions as a yardstick and sale evidences involving other similar properties in the vicinity. The Group has assessed that the best use of its properties does not differ from their current use.

The Group has certain leasehold land held to earn rental income and also for own production or supply of goods and administrative purposes. If a portion of the property cannot be sold or leased out separately under a finance lease, the entire property is classified as investment property only if the portion of the property held for own use is insignificant. Judgement is involved in determining the allocation of investment property and property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 INVESTMENT PROPERTY (CONT'D)

The details of the investment property held by the Group as at 31 December 2018 is as follow.

Location	Land area/ build-up area	Percentage of interest	Tenure and unexpired lease term
21, Jalan Teknologi 4 Taman Teknologi Johor 81400 Senai Johor Darul Takzim Malaysia.	Leasehold land: 34,000 sqm Build-up area: 15,589 sqm	100%	Leasehold 60 years expiring on 31 March 2066

6 SUBSIDIARIES

	Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Equity investments, at cost	89,078	89,078	116,403
Forgiveness of amounts due from a subsidiary	9,331	9,331	9,331
	98,409	98,409	125,734
Impairment losses	(77,778)	(77,778)	(100,024)
	20,631	20,631	25,710

Impairment loss

Certain subsidiaries in China continued to incur operating losses whereas other subsidiaries, whose financial performance had improved, had shown indication that impairment losses which were recognised in prior periods may no longer exist. Accordingly, the Company performed an assessment of the recoverable amount of its investments in subsidiaries. The recoverable amounts of investments in subsidiaries was estimated based on the higher of fair value less cost to sell and value-in-use.

2018

Management determined the recoverable amounts of investments in subsidiaries based on fair value less costs to sell method. The fair value is estimated based on the fair value of the leasehold properties and plant and machinery on liquidation of the subsidiaries. Details of the fair value measurement for property, plant and equipment is disclosed in note 4.

In the current year, management assessed that there is no additional impairment or reversal of impairment on their investments in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Impairment loss (cont'd)

2017

The approach to determine the recoverable amounts of investments in subsidiaries is categorised as follows:

- Investments in subsidiaries that are loss-making and are not expected to generate any economic benefits in the period of forecast, including investments and receivables from subsidiaries that are considered for their potential liquidation. The recoverable amount of such investments has been determined to be the fair value of its monetary assets and liabilities.

- For subsidiaries that are loss-making but expected to generate economic benefits through liquidation of its leasehold properties and plant and machineries, the recoverable amounts have been determined based on the fair value less cost to sell of these assets. Details on fair value measurement for property, plant and equipment is disclosed in note 4.

- The recoverable amount of investments for the remaining subsidiaries have been determined based on the calculation of their value-in-use derived from management's cash flows projections.

Based on management's assessment, no additional impairment loss was recognised in profit or loss for the year ended 31 December 2017. If any of the subsidiaries is not able to achieve the forecasted results and realise the fair values of the assets and liabilities, the Company would be required to record additional impairment loss.

The movements in the allowance for impairment in respect of investments in subsidiaries during the year are as follows:

	Company	
	31 Dec 2018	**31 Dec 2017**
	$'000	**$'000**
At 1 January	77,778	100,024
Impairment loss written off	–	(22,246)
At 31 December	77,778	77,778

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation/Place of business	Effective equity interest held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Held by the Company:				
Fu Yu Investment Pte Ltd[1]	Singapore	100	100	100
NanoTechnology Manufacturing Pte Ltd[1^]	Singapore	–	–	100
SolidMicron Technologies Pte Ltd[1^]	Singapore	–	–	100
Fu Yu Electronics (Dongguan) Co., Ltd.[#]	People's Republic of China	–	–	100
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.[2]	People's Republic of China	100	100	100
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.[3]	People's Republic of China	100	100	100
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.[#]	People's Republic of China	–	–	100
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.[4]	People's Republic of China	100	100	100
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.[5]	People's Republic of China	100	100	100
Fu Yu International Enterprise Limited *	Hong Kong	100	100	100
Fu Yu Trading Limited[6]	Hong Kong	100	100	100
Held through Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.:				
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd.[7]	People's Republic of China	100	100	100
Held through Fu Yu Investment Pte Ltd:				
LCTH Corporation Sdn. Bhd. (formerly known as LCTH Corporation Berhad)[8@]	Malaysia	100	70.64	70.64
Held through LCTH Corporation Sdn. Bhd.:				
Fu Hao Manufacturing (M) Sdn. Bhd.[8]	Malaysia	100	70.64	70.64
Classic Advantage Sdn. Bhd.[8]	Malaysia	100	70.64	70.64

Fu Yu Electronics (Dongguan) Co., Ltd and Fu Yu Moulding & Tooling (Wujiang) Co., Ltd were liquidated in 2017.

^ NanoTechnology Manufacturing Pte Ltd and SolidMicron Technologies Pte Ltd were amalgamated into the Company in 2017.

@ LCTH Corporation Sdn. Bhd. has undertaken a selective capital reduction and repayment exercise and completed on 8 June 2018. As a result, the Group's equity interest in LCTH increased from 70.64% to 100%.

* Under member's voluntary liquidation

1 Audited by KPMG Singapore

2 Audited by GuangDong CCAT Certified Public Accountants Co., Ltd

3 Audited by Suzhou Sucheng C.P.A Co., Ltd

4 Audited by Zhuhai Great Certified Public Accountants Co., Ltd

5 Audited by Shanghai Xinhu Certified Public Accountants Co., Ltd

6 Audited by Alliott, Tsoi CPA Limited

7 Audited by Wongga Partners Certified Public Accounts (SZ) General Partner (31 December 2017: Chengdu Si Hai Lian He CPA Limited)

8 Audited by Ernst & Young, Malaysia

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

KPMG Singapore is the auditor of Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries for consolidation purposes, except for LCTH Corporation Sdn. Bhd. (formerly known as LCTH Corporation Berhad) and its subsidiaries, which are audited by Ernst & Young, Malaysia.

For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The following summarises the financial information of the Group's subsidiaries with material NCI, based on their consolidated financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

LCTH Corporation Berhad and its subsidiaries

	At date of SCR* $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Revenue	15,381	35,960	
Profit for the year	1,062	3,350	
Other comprehensive income	–	–	
Total comprehensive income	1,062	3,350	
Attributable to NCI:			
Profit for the year	312	983	
Other comprehensive income	–	–	
Total comprehensive income attributable to NCI	312	983	
Non-current assets	–	26,307	26,300
Current assets	–	50,516	48,396
Non-current liabilities	–	(93)	(263)
Current liabilities	–	(7,977)	(7,516)
Net assets	–	68,753	66,917
Net assets attributable to NCI	–	20,186	19,646
Cash flows from operating activities	–	2,790	
Cash flows used in investing activities	–	(2,025)	
Cash flows used in financing activities (dividends to NCI: Nil)	–	(2,891)	
Net decrease in cash and cash equivalents	–	(2,126)	

* Completion of SCR on 8 June 2018, as described in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 JOINT VENTURE

The joint venture company Berry Plastics Malaysia Sdn Bhd's principal activities are those of manufacturing and assembly of precision plastic moulded products for electrical, electronics, healthcare, food and petroleum industries. Details of the joint venture are as follows:

Name of company	Country of incorporation/Place of business	Effective equity interest held by the Group		
		31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Berry Plastics Malaysia Sdn Bhd *	Malaysia	40	28.26	28.26

* Audited by PricewaterhouseCoopers, Malaysia.

The joint venture is held through its subsidiary, LCTH Corporation Sdn. Bhd. (formerly known as LCTH Corporation Berhad), which has a 40% equity ownership interests in the entity.

The following table summarises the financial information of the joint venture, based on its financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies:

	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Revenue	159	647	
Loss after income tax#	(1,996)	(1,749)	
Total comprehensive income	(1,996)	(1,749)	
Assets and liabilities			
Non-current assets	–	1,373	384
Current assets^	1,863	2,665	5,436
Current liabilities	(99)	(313)	(415)
Net assets	1,764	3,725	5,405
Group's interest in net assets of investee at beginning of the year	1,490	2,162	2,484
Share of total comprehensive income	(798)	(700)	94
Dividends from joint venture	–	–	(374)
Currency realignment	13	28	(42)
Carrying amount of interest in investee at end of the year	705	1,490	2,162

\# Includes:
– depreciation of $105,000 (2017: $201,000)
– impairment on property, plant and equipment of $522,000 (2017: $67,000)
– interest income of $22,000 (2017: $46,000)
– income tax credit of $12,000 (2017: income tax expense of $85,000)

^ Includes cash and cash equivalents of $500,000 (31 December 2017: $2,015,000; 1 January 2017: $4,455,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1/1/2017 $'000	Recognised in profit or loss (Note 23) $'000	Exchange differences $'000	At 31/12/2017 $'000	Recognised in profit or loss (Note 23) $'000	Exchange differences $'000	At 31/12/2018 $'000
Group							
Deferred tax assets							
Employee benefits	26	9	–	35	5	–	40
Others	369	86	(5)	450	(81)	(12)	357
Tax loss carry-forward	2,393	(161)	39	2,271	(637)	16	1,650
	2,788	(66)	34	2,756	(713)	4	2,047
Deferred tax liabilities							
Property, plant and equipment	(1,302)	(326)	(17)	(1,645)	(582)	(1)	(2,228)

	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Company			
Deferred tax assets			
Employee benefits	40	36	26
Tax loss carry-forward	441	251	–
	481	287	26
Deferred tax liabilities			
Property, plant and equipment	(1,340)	(810)	(380)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Deferred tax assets	772	1,727	2,100	–	–	–
Deferred tax liabilities	953	616	614	859	523	354

Based on the cash flows forecast prepared by management, deferred tax assets were recognised by certain subsidiaries to the extent that management considered it probable that future taxable profits would be available against which the unutilised tax losses carried forward can be utilised by the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profits would be available against which the Group can utilise the benefits there from:

	Group		
	31 Dec 2018 $'000	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**
Unutilised capital allowances	–	–	534
Unutilised tax losses	23,054	27,768	31,591
Unutilised investment allowances	2,978	2,978	2,978
Temporary differences	–	–	(1,124)
	26,032	30,746	33,979

Other than tax losses arising from China subsidiaries of $19,485,000 (31 December 2017: $21,912,000; 1 January 2017: $22,720,000) which will expire between 2019 and 2023 (31 December 2017: 2018 and 2022; 1 January 2017: 2017 and 2021), the remaining tax losses, capital allowances, investment allowances and temporary differences do not expire under current tax legislation. Unutilised tax losses of $6.1 million (2017: $2 million) expired during the financial year.

Unrecognised temporary differences relating to investments in subsidiaries

At the reporting date, a deferred tax liability of $223,000 (31 December 2017: $244,000; 1 January 2017: $247,000) for temporary differences of $4,460,000 (31 December 2017: $4,887,000; 1 January 2017: $4,940,000) related to undistributed earnings of certain subsidiaries of the Group were not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the next 12 months, but be retained for working capital purposes.

9 INVENTORIES

	Group			Company		
	31 Dec 2018 $'000	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**	**31 Dec 2018 $'000**	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**
Raw materials	8,501	8,363	7,923	1,551	1,486	954
Work-in-progress	869	1,192	750	97	58	50
Finished goods	7,576	8,091	7,295	1,055	1,198	954
	16,946	17,646	15,968	2,703	2,742	1,958

Movements in the allowance for stock obsolescence are as follows:

	Group		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
At 1 January	1,134	1,117	113	145
Allowance made	437	355	33	–
Allowance reversed	(177)	(230)	–	(67)
Allowance utilised	(101)	(109)	(31)	(48)
Amalgamation	–	–	–	83
Currency realignment	(24)	1	–	–
At 31 December	1,269	1,134	115	113

In 2018, the amount of inventories of $162,409,000 (2017: $161,656,000) were recognised as an expense during the year and included in "cost of sales" for the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10 TRADE AND OTHER RECEIVABLES

		Group			Company		
	Note	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Trade receivables		50,995	60,010	54,381	10,526	9,800	7,245
Allowance for impairment of doubtful receivables		(424)	(4,637)	(4,820)	(1)	(1)	(6)
Net trade receivables		50,571	55,373	49,561	10,525	9,799	7,239
Other receivables		781	742	757	302	62	95
Allowance for impairment of doubtful other receivables		–	–	(71)	–	–	(63)
Net other receivables		781	742	686	302	62	32
Amounts due from subsidiaries	11	–	–	–	32,264	31,997	40,609
Deposits		464	1,079	849	7	8	322
		51,816	57,194	51,096	43,098	41,866	48,202
Prepayments		702	825	631	90	84	78
Advances to suppliers		1,508	980	1,633	822	95	96
		54,026	58,999	53,360	44,010	42,045	48,376
Non-current		–	–	–	27,724	28,180	35,456
Current		54,026	58,999	53,360	16,286	13,865	12,920
		54,026	58,999	53,360	44,010	42,045	48,376

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 26.

11 AMOUNTS DUE FROM SUBSIDIARIES

		Company		
	Note	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Amounts due from subsidiaries				
Current				
– trade		75	343	105
– non-trade		4,465	3,474	5,048
Non-current				
– non-trade		36,840	36,393	48,646
		41,380	40,210	53,799
Impairment losses – non-current		(9,116)	(8,213)	(13,190)
	10	32,264	31,997	40,609

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

11 AMOUNTS DUE FROM SUBSIDIARIES (CONT'D)

The movements in the allowance for impairment in respect of amounts due from subsidiaries during the year are as follows:

	Company	
	2018 $'000	2017 $'000
At 1 January	8,213	13,190
Impairment loss recognised	903	2,261
Impairment loss written off	–	(7,238)
At 31 December	9,116	8,213

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. Management assess recoverability of amounts due from individual subsidiaries together with investments in those subsidiaries based on fair value less cost to sell approach, as described in Note 6. Based on management's assessment, additional net impairment loss of $903,000 (2017: $2,261,000) was recognised in profit or loss.

There is no allowance for doubtful debts arising from amounts due from subsidiaries (current). The Company's exposure to credit risk is disclosed in note 26.

12 CASH AND CASH EQUIVALENTS

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Cash at bank and in hand	26,545	23,867	33,728	3,967	7,621	4,660
Deposits with banks	53,765	71,570	71,904	40,433	35,955	31,342
Cash and cash equivalents	80,310	95,437	105,632	44,400	43,576	36,002
Deposits pledged	(3,292)	(3,185)	(3,030)			
Cash and cash equivalents in the consolidated statement of cash flows	77,018	92,252	102,602			

The deposit pledged represents bank balance pledged for bank guarantee purposes in the normal course of business.

Deposits with financial institutions mature on varying periods within 12 months (31 December 2017: 12 months; 1 January 2017: 12 months) from the financial year end. Effective interest rates range from 1.08% to 3.95% (2017: 0.4% to 3.9%) per annum.

Cash and bank balances totalling the equivalent of $17,274,000 (31 December 2017: $15,621,000; 1 January 2017: $31,046,000) are held in a country which operates foreign exchange controls.

13 SHORT TERM INVESTMENTS

The short term investments refer to funds deposited with quoted trust fund and money market funds. Fair values of these investments are determined by reference to published quotations in an active market. The investments are designated at FVTPL and is categorised as level 1 under the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

14 SHARE CAPITAL

	Group and Company 2018	2017
	No. of shares	
Fully paid ordinary shares, with no par value:		
On issue at 1 January and 31 December	752,994,775	752,994,775

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Group's policy is to maintain adequate capital base to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and reserves of the Group.

Management monitors capital and externally imposed capital requirements based on the following bases (for the Group and the Company) and will report to the Board on any exceptions noted:

– Total equity attributable to equity holders of the Company, excluding revaluation reserve and foreign currency translation reserve ("net equity"); and

– Gearing ratio.

Net equity is calculated as the sum of share capital, capital reserve, statutory reserve and retained earnings. Gearing ratio is calculated as total liabilities divided by net equity.

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Net equity	185,221	179,191	186,009	115,406	114,291	117,459
Gearing ratio	25.6%	28.3%	26.0%	8.6%	7.9%	5.7%

The Group and the Company have complied with the externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

In addition, as disclosed in note 15, subsidiaries in People's Republic of China (PRC) are required by the laws and regulations of the PRC to contribute to and to maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2018 and 2017.

The Board of Directors monitors the level of dividends to ordinary shareholders. There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

15 RESERVES

	Note	Group 31 Dec 2018 $'000	Group 31 Dec 2017 $'000	Group 1 Jan 2017 $'000	Company 31 Dec 2018 $'000	Company 31 Dec 2017 $'000	Company 1 Jan 2017 $'000
Capital reserve		(415)	140	140	–	–	–
Statutory reserve		8,480	7,997	7,616	–	–	–
Revaluation reserve		789	789	789	789	789	789
Merger reserve	16	–	–	–	(1,425)	(1,425)	–
Foreign currency translation reserve		(21,889)	(14,672)	(13,261)	–	–	–
Retained earnings		74,998	68,896	76,095	13,248	12,133	15,301
		61,963	63,150	71,379	12,612	11,497	16,090

The capital reserve comprises negative goodwill arising from acquisition of remaining interest in a subsidiary from NCI written off against shareholder's equity and transaction cost related to selective capital reduction exercise completed on 8 June 2018.

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, wholly-owned subsidiaries are required to make appropriation to statutory reserve fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

The revaluation reserve represents increase in the fair value of certain properties that were subject to one-off revaluation exercise conducted in 1994. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

The merger reserve relates to the amalgamation of Nano Technology Manufacturing Pte Ltd (NTM) and SolidMicron Technologies Pte Ltd (SMT) (collectively, the amalgamated subsidiaries) into the Company. It represents (1) retained earnings of the amalgamated subsidiaries, (2) the difference between the Company's cost of investment (net of impairment made in prior years) and share capital of the amalgamated subsidiaries, and reversal of impairment on receivables of the amalgamated subsidiaries made in prior years.

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

16 MERGER RESERVE

On 28 February 2017, the Company merged with its wholly owned subsidiaries NTM and SMT by way of a short form amalgamation pursuant to and in accordance with Section 215D of the Singapore Companies Act, Chapter 50. The assets and liabilities were transferred at net book value as at 28 February 2017. The amalgamation is accounted for using "as-if-pooling" method. No restatement was made to the comparatives.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

16 MERGER RESERVE (CONT'D)

The effect of the amalgamation is set out below:

	At date of amalgamation	
	NTM	**SMT**
	$'000	**$'000**
Property, plant and equipment	891	658
Inventories	290	153
Trade and other receivables	1,436	979
Cash and cash equivalents	586	263
Trade and other payables	(11,570)	(2,350)
Net assets transferred and cash received	(8,367)	(297)

NTM and SMT had deferred tax assets which have not been recognised in respect of the following items at the date of amalgamation.

	At date of amalgamation	
	NTM	**SMT**
	$'000	**$'000**
Unutilised capital allowances	534	–
Unutilised tax losses	8,149	740
Unutilised investment allowances	2,978	–
	11,661	740

17 TRADE AND OTHER PAYABLES

		Group			Company	
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables	20,794	23,694	22,888	3,001	3,300	2,283
Accrued expenses	11,666	10,150	9,461	3,833	3,282	2,864
Amounts payable for purchase of property, plant and equipment	405	1,229	360	23	119	22
Other payables	8,402	9,394	10,290	911	710	416
Amounts due to subsidiaries:						
– trade	–	–	–	64	112	363
– non-trade	–	–	–	22	2	2
Deposits	1,440	1,535	1,747	5	5	206
	42,707	46,002	44,746	7,859	7,530	6,156
Advance billings	322	160	111	322	160	111
	43,029	46,162	44,857	8,181	7,690	6,267

The non-trade amounts due to subsidiaries of the Company are unsecured, interest-free and repayable on demand.

Included in other payables are payables arising from non-inventorised purchases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18 REVENUE

	Group	
	2018	2017
	$'000	$'000
Contracts with customers		
– Sale of goods	180,897	174,703
– Revenue from tooling contracts	16,790	20,270
	197,687	194,973

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Sale of goods

Nature of goods or services	Manufacture and sub-assembly of precision plastic parts and components
When revenue is recognised	Revenue is recognised at a point in time upon delivery and transfer of control of goods to the customer.
Significant payment terms	Payment is due when control of goods is transferred to the customer, upon delivery and acceptance by the customer. Invoices for sale of goods are payable between 22 to 120 days.
Obligations for returns and refunds, if any	Customer has the right to return the goods to the Group only if the goods are defective.
Obligations for warranties	Standard warranty terms are provided for defective products. These warranties form part of the contract and the customer does not need to purchase the warranty separately (i.e., standard warranty).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18 REVENUE (CONT'D)

Tooling contracts

Nature of goods or services	Fabrication of precision moulds and dies
When revenue is recognised	Tooling contracts for which (i) the assets created or generated by the Group's performance have no alternative use to the Group and (ii) the Group has an enforceable right to payment for performance completed to date, are recognised over time. The stage of completion is measured by reference to the stages and progress of work performed, based on records maintained by the Group. An expected loss on the tooling contract is recognised as an expense immediately when it is probable that total tooling cost will exceed total tooling revenue. For contracts that do not meet criteria (i) or (ii) above, revenue is recognised at a point in time when control is transferred to the customer upon completion of the performance obligation.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of contract milestones. If the value of the tooling services rendered exceeds payments received from the customer, a contract asset is recognised. Invoices for tooling contracts are payable between 0 to 120 days.
Obligations for returns and refunds, if any	Customer has the right to return the goods to the Group only if the goods are defective.
Obligations for warranties	Under the terms of the tooling contracts, the Group is obligated to make good, by repair or replacement, manufacturing defects that become apparent during the warranty period. Standard warranty terms are provided for the tools to supply an agreed number of products. These warranties form part of the contract and the customer does not need to purchase the warranty separately (i.e., standard warranty).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18 REVENUE (CONT'D)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 25).

	Reportable segments							
	Singapore		China		Malaysia		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Major products/ service line								
Sales of goods	40,054	34,349	105,156	108,719	35,687	31,635	180,897	174,703
Revenue from tooling contracts	7,211	6,609	7,112	9,461	2,467	4,200	16,790	20,270
	47,265	40,958	112,268	118,180	38,154	35,835	197,687	194,973
Timing of revenue recognition								
Products transferred at a point in time	40,054	34,349	105,156	108,719	35,687	31,635	180,897	174,703
Services transferred over time	7,211	6,609	7,112	9,461	2,467	4,200	16,790	20,270
	47,265	40,958	112,268	118,180	38,154	35,835	197,687	194,973

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

		Group		
	Note	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Trade receivables	10	50,571	55,373	49,561
Contract assets		2,353	3,430	3,648
Contract liabilities		(581)	(1,320)	(519)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on tooling contracts. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

The contract liabilities primarily relate to advance consideration received from customers for tooling contracts.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18 REVENUE (CONT'D)

Contract balances (cont'd)

Significant changes in the contract assets and the contract liabilities balances during the year are as follows.

	Contract assets		Contract liabilities	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revenue recognised from prior year balance	–	–	1,023	491
Cash received in advance and not recognised as revenue	–	–	(296)	(1,296)
Changes in measurement of progress	1,219	2,342	–	–
Contract asset reclassified to trade receivables	(2,254)	(2,526)	–	–

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of project teams to determine the progress of the tooling contracts and also on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

19 OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Interest income	1,604	1,763
Rental income	3,803	3,977
Gain on disposal of property, plant and equipment	899	285
Sale of scrap and raw materials	707	697
Gain on liquidation of subsidiaries	–	51
Government grants	173	55
Others	534	664
	7,720	7,492

Included in rental income is sublease payments of $2,919,000 (2017: $2,804,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

20 OTHER OPERATING INCOME/(EXPENSES), NET

	Group	
	2018 $'000	2017 $'000
Foreign exchange gain/(loss), net	1,253	(4,209)
Reversal of impairment loss on property, plant and equipment	–	238
Property, plant and equipment written off	(22)	(740)
Bad debts written off	–	13
Other operating income/(expenses), net	1,231	(4,698)

21 FINANCE COSTS

	Group	
	2018 $'000	2017 $'000
Interest expense		
– bank loans	–	1

22 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

		Group	
	Note	2018 $'000	2017 $'000
Directors of the Company			
– fees		360	357
– salaries, bonuses and other costs		3,445	3,231
– contributions to defined contribution plans		49	58
Directors of subsidiaries			
– fees		86	82
– salaries, bonuses and other costs		18	12
Audit fees paid or payable to			
– auditors of the Company		133	169
– overseas affiliates of the auditors of the Company		184	151
– other auditors		83	88
Non-audit fees paid or payable to			
– auditors of the Company		8	17
– overseas affiliates of the auditors of the Company		15	–
– other auditors		35	23
Depreciation of property, plant and equipment and investment property	4, 5	6,987	7,698
Staff costs, excluding directors of the Company and subsidiaries			
– salaries, bonuses and other costs		46,031	45,179
– contributions to defined contribution plans		5,960	6,019
Operating lease expenses		5,091	5,103
Operating expenses incurred in relation to investment property		201	196

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23 TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Current tax expense		
Current year	2,201	1,912
Withholding taxes	228	551
Under provision in prior years	2	5
	2,431	2,468
Deferred tax expense		
Movements in temporary differences	1,285	952
Recognition of tax effect of previously unrecognised tax losses	(190)	(251)
Under/(Over) provision in prior years	200	(309)
	1,295	392
Tax expense	3,726	2,860

Reconciliation of effective tax rate

	2018 $'000	2017 $'000
Profit before income tax	15,923	8,320
Tax calculated using Singapore tax rate of 17% (2017: 17%)	2,707	1,414
Effect of different tax rates in foreign jurisdictions	443	5
Tax exempt income	(1,003)	(704)
Non-deductible expenses	674	2,203
Tax incentives	(253)	(196)
Recognition of tax effect of previously unrecognised tax losses	(190)	(251)
Utilisation of capital allowances, reinvestment allowances and tax losses previously not recognised	(236)	(418)
Under/(Over) provision in prior years	201	(304)
Current year tax losses and capital allowances for which no deferred tax asset was recognised	1,139	447
Withholding taxes	228	551
Others	16	113
	3,726	2,860

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Income tax for the subsidiaries in Malaysia is calculated at the statutory rate of 24% (2017: 24%) during the year.

One of the subsidiaries in China was accredited as a "High and New Technology Enterprise" in 2016 and was entitled to a preferential tax rate of 15% for a period of three years from 2016 to 2018 which is subject to the subsidiary's compliance with the conditions imposed by the tax authority. Another subsidiary operates in western China of which the industry it operates in enjoys preferential tax rate of 15%.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

24 EARNINGS PER SHARE

	Group	
	2018	2017
	$'000	$'000
Basic and diluted earnings per share is based on profit attributable to ordinary shareholders	11,885	4,477

	Number of shares 2018	Number of shares 2017
Weighted average number of ordinary shares (basic and diluted)	752,994,775	752,994,775
Basic and diluted earnings per share (cents)	1.58	0.59

Diluted earnings per share is the same as basic earnings per share as there are no dilutive instruments.

25 OPERATING SEGMENTS

The Group has three reportable segments which are geographical segments and are based on the location of assets, namely Singapore, Malaysia and China. These geographical segments are managed separately because they require different marketing strategies and bear different financial and business risks. The location of the Group's customers is not significantly different from the location of the Group's assets. In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the assets.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Performance is measured based on profit before income tax, depreciation of property, plant and equipment and investment property, finance cost and net foreign exchange gain/(loss) as included in internal management reports that are reviewed by the Group's chief operating decision maker. Such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the Group's industry. Inter-segment pricing is based on terms agreed by the counterparties.

Concentration of revenue

Revenue of approximately $44,890,000 (2017: $43,256,000) relates to two (2017: two) external customers with revenue in excess of 10% of Group's revenue. This revenue relates to Singapore, Malaysia and China segments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25 OPERATING SEGMENTS (CONT'D)

Geographical segments

	Singapore		China		Malaysia		Total operations before adjustment		Group adjustment and eliminations		Total operations	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue and expenses												
Total external revenue	47,265	40,958	112,268	118,180	38,154	35,835	197,687	194,973	–	–	197,687	194,973
Inter-segment revenue	160	409	125	113	440	125	725	647	(725)	(647)	–	–
Segment profit before income tax*	16,158	16,527	6,144	6,141	8,533	7,494	30,835	30,162	(8,380)	(9,234)	22,455	20,928
Depreciation of property, plant and equipment and investment property	(1,783)	(2,148)	(3,362)	(3,899)	(2,004)	(1,790)	(7,149)	(7,837)	162	139	(6,987)	(7,698)
Finance cost	–	(1)	–	–	–	–	–	(1)	–	–	–	(1)
Foreign exchange gain/(loss) (net)	1,026	(4,705)	(336)	(384)	78	(796)	768	(5,885)	485	1,676	1,253	(4,209)
	15,401	9,673	2,446	1,858	6,607	4,908	24,454	16,439	(7,733)	(7,419)	16,721	9,020
Share of loss of joint venture (net of tax)	–	–	–	–	(798)	(700)	(798)	(700)	–	–	(798)	(700)
Profit before income tax											15,923	8,320
Tax expense											(3,726)	(2,860)
Net profit for the year											12,197	5,460
Other segment information												
Non-current assets	60,052	60,177	15,829	18,214	25,982	25,036	101,863	103,427	(48,305)	(47,779)	53,558	55,648
Unallocated assets											772	1,727
Total non-current assets											54,330	57,375
Capital expenditure	1,216	1,391	1,554	2,528	3,643	2,464	6,413	6,383	–	–	6,413	6,383
Interest income	672	402	127	275	805	1,086	1,604	1,763	–	–	1,604	1,763
Segment reporting assets	128,705	125,580	81,386	89,124	57,836	75,552	267,927	290,256	(57,138)	(55,778)	210,789	234,478
Unallocated assets											796	1,734
Total assets											211,585	236,212
Segment reporting liabilities	8,408	8,375	34,907	38,242	8,522	7,883	51,837	54,500	(8,227)	(7,018)	43,610	47,482
Unallocated liabilities											3,854	3,236
Total liabilities											47,464	50,718

* *After excluding share of results of joint venture, finance cost, foreign exchange gain/(loss) (net) and depreciation.*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

The carrying amounts of financial assets and contract assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk from trade and other receivables+, and contract assets at the reporting date by geographical areas is as follows:

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Singapore	8,412	11,252	9,976	7,537	7,560	6,953
China	29,931	29,789	29,570	792	713	125
Malaysia	5,595	8,320	8,037	277	1,045	371
United States	2,918	2,778	2,443	688	170	228
Hong Kong	438	319	718	–	–	12
Others	6,875	8,166	4,000	2,538	1,824	679
	54,169	60,624	54,744	11,832	11,312	8,368

\+ *Excludes prepayments and advances to suppliers.*

At the reporting date, there is a concentration of credit risk relating to two (31 December 2017: two; 1 January 2017: two) major customers with outstanding receivable balance of approximately $12,483,000 (31 December 2017: $12,863,000; 1 January 2017: $14,778,000) and $5,064,000 (31 December 2017: $4,109,000; 1 January 2017: $3,732,000) at the Group and the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Comparative information under FRS 39

The aging analysis of trade receivables and other receivables+, and contract assets is as follows:

	31 Dec 2017		1 Jan 2017	
	Gross $'000	Impairment loss $'000	Gross $'000	Impairment loss $'000
Group				
No credit terms	4,509	–	4,497	–
Not past due	41,409	–	37,379	–
Past due 1 to 30 days	9,009	–	9,985	–
Past due 31 to 90 days	4,826	–	2,564	–
Past due more than 90 days	5,508	4,637	5,210	4,891
	65,261	4,637	59,635	4,891
Company				
No credit terms	1,109	–	993	–
Not past due	5,511	–	4,681	–
Past due 1 to 30 days	3,297	–	2,291	–
Past due 31 to 90 days	976	–	319	–
Past due more than 90 days	420	1	153	69
	11,313	1	8,437	69

\+ *Excludes prepayments and advances to suppliers.*

The impairment loss provided as at 31 December 2017 relates to several customers that have indicated they are not expecting to be able to pay their outstanding balances.

Expected credit loss assessment as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables and other receivables+, and contract assets which comprise a large number of small balances.

Loss rates are estimated based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

The following table provides information about the exposure to credit risks and ECL of trade receivables and other receivables+, and contract assets as at 31 December 2018.

	Gross carrying amount $'000	Impairment loss allowance $'000
Group		
No credit terms	2,817	–
Not past due	43,127	–
Past due 1 to 30 days	6,044	–
Past due 31 to 90 days	1,489	30
Past due more than 90 days	1,116	394
	54,593	424
Company		
No credit terms	929	–
Not past due	7,069	–
Past due 1 to 30 days	2,844	–
Past due 31 to 90 days	539	–
Past due more than 90 days	452	1
	11,833	1

\+ *Excludes prepayments and advances to suppliers.*

Movements in the allowance for impairment loss in respect of trade and other receivables, and contract assets during the year are as follows:

	Group $'000	Company $'000
At 1 January 2017 per FRS 39	4,891	69
Impairment loss recognised	64	–
Allowance utilised	(158)	(68)
Impairment loss reversed	(94)	–
Currency realignment	(66)	–
At 31 December 2017 per FRS 39	4,637	1
At 1 January 2018 per FRS 39 and SFRS(I) 9	4,637	1
Impairment loss recognised	140	29
Allowance utilised	(4,248)	–
Impairment loss reversed	(65)	(29)
Currency realignment	(40)	–
At 31 December 2018 SFRS(I) 9	424	1

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $80,310,000 and $44,400,000, respectively at 31 December 2018 (31 December 2017: $95,437,000 and $43,576,000; 1 January 2017: $105,632,000 and $36,002,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties with high credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Non-trade amounts due from related companies and subsidiaries

The Company held non-trade receivables from its related companies and subsidiaries of $41,305,000 (31 December 2017: $39,867,000; 1 January 2017: $53,694,000). These balances are amounts lent to related companies and subsidiaries to satisfy funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, and available press information, if available), these exposures are considered to have low credit risk. Therefore impairment on these balances has been measured on the 12-month expected credit loss basis and additional net impairment loss of $903,000 (31 December 2017: $2,261,000) was recognised in profit or loss.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000
Non-derivative financial liabilities				
Group				
31 December 2018				
Trade and other payables#	42,707	42,707	42,707	–
31 December 2017				
Trade and other payables#	46,002	46,002	46,002	–
1 January 2017				
Trade and other payables#	44,746	44,746	44,746	–

Excludes advance billings

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000
Non-derivative financial liabilities				
Company				
31 December 2018				
Trade and other payables#	7,859	7,859	7,859	–
31 December 2017				
Trade and other payables#	7,530	7,530	7,530	–
1 January 2017				
Trade and other payables#	6,156	6,156	6,156	–

Excludes advance billings

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

At the reporting date, the interest rate profiles of the Group's interest-bearing financial instruments were as follows:

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Fixed rate instruments						
Financial assets	53,765	71,570	71,904	40,433	35,955	31,342

The Group's interest-bearing financial assets comprise fixed deposits placed with banks. The deposits were rolled over during the financial year at market interest rates upon maturity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis

An increase of 25 (2017: 25) basis points in interest rates at the reporting date would have increased profit for the year by $134,000 (2017: $179,000) and $101,000 (2017: $90,000) for the Group and the Company respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A decrease of 25 (2017: 25) basis points in interest rates at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in currencies other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily the United States (US) dollar.

The Group's and Company's exposures to foreign currency risk (before elimination of inter-company balances) are as follows:

	Group			Company		
	31 Dec 2018 US dollar $'000	31 Dec 2017 US dollar $'000	1 Jan 2017 US dollar $'000	31 Dec 2018 US dollar $'000	31 Dec 2017 US dollar $'000	1 Jan 2017 US dollar $'000
Trade and other receivables	98,638	104,660	195,520	44,613	34,026	34,088
Cash and cash equivalents	44,677	51,517	36,044	32,588	42,473	17,307
Trade and other payables	(70,587)	(72,285)	(168,116)	(1,832)	(2,150)	(1,615)
	72,728	83,892	63,448	75,369	74,349	49,780

Sensitivity analysis

A one percentage point strengthening of the Singapore dollar against the US dollar at the reporting date would decrease the Group's profit before income tax by approximately $727,000 (2017: $839,000) and decrease the Company's profit before income tax by approximately $754,000 (2017: $743,000). This analysis assumes that all other variables in particular interest rates, remain constant.

A one percentage point weakening of the Singapore dollar against the US dollar at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classification and fair values

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity or re-pricing.

	Designated at FVTPL $'000	Amortised costs $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2018				
Trade and other receivables+	–	51,816	–	51,816
Cash and cash equivalents	–	80,310	–	80,310
Short term investments	3,596	–	–	3,596
Trade and other payables#	–	–	(42,707)	(42,707)
	3,596	132,126	(42,707)	93,015

	Designated at FVTPL $'000	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2017				
Trade and other receivables+	–	57,194	–	57,194
Cash and cash equivalents	–	95,437	–	95,437
Short term investments	3,318	–	–	3,318
Trade and other payables#	–	–	(46,002)	(46,002)
	3,318	152,631	(46,002)	109,947
1 January 2017				
Trade and other receivables+	–	51,096	–	51,096
Cash and cash equivalents	–	105,632	–	105,632
Short term investments	2,678	–	–	2,678
Trade and other payables#	–	–	(44,746)	(44,746)
	2,678	156,728	(44,746)	114,660

\+ *Excludes prepayments and advances to suppliers*

\# *Excludes advance billings*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classification and fair values (cont'd)

	Amortised costs $'000	Other financial liabilities $'000	Total carrying amount $'000
Company			
31 December 2018			
Trade and other receivables+	43,098	–	43,098
Cash and cash equivalents	44,400	–	44,400
Trade and other payables#	–	(7,859)	(7,859)
	87,498	(7,859)	79,639

	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
31 December 2017			
Trade and other receivables+	41,866	–	41,866
Cash and cash equivalents	43,576	–	43,576
Trade and other payables#	–	(7,530)	(7,530)
	85,442	(7,530)	77,912
1 January 2017			
Trade and other receivables+	48,202	–	48,202
Cash and cash equivalents	36,002	–	36,002
Trade and other payables#	–	(6,156)	(6,156)
	84,204	(6,156)	78,048

\+ *Excludes prepayments and advances to suppliers*
\# *Excludes advance billings*

27 COMMITMENTS

Capital expenditure commitments

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Capital expenditure contracted for as at the reporting date but not recognised in the financial statements	2,764	3,726	825	454	180	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

27 COMMITMENTS (CONT'D)

Operating lease commitments

Leases as lessee

The Group and the Company lease certain properties and land under lease arrangements that are non-cancellable within one year. Other leases, which include the renewal options, expire at various dates till 2044 and contain provisions for rental adjustments and restrictions to further sub-lease certain properties.

One of the leased properties has been sublet by the Group to a third party. Sublease payments of $2,878,000 (2017: $2,823,000) are expected to be received within 1 year. The subsequent payments of $1,079,000 (2017: $3,851,000) will be received within 5 years.

At the reporting date, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

		Group			Company	
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Payable:						
Within 1 year	4,998	4,954	5,023	665	673	856
After 1 year but within 5 years	4,994	9,225	14,395	1,686	1,632	2,765
After 5 years	4,144	4,354	4,496	4,144	4,354	4,496
	14,136	18,533	23,914	6,495	6,659	8,117

Leases as lessor

At the reporting date, the Group entered into cancellable and non-cancellable commercial property leases to lease out its surplus space. The cancellable commercial property leases can be cancelled by way of the lessees giving notice in advance to the Group and vice versa. The lease payments under non-cancellable leases are as follows:

		Group			Company	
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Receivable:						
Within 1 year	664	800	1,297	28	28	589
After 1 year but within 5 years	299	948	1,568	–	–	28
	963	1,748	2,865	28	28	617

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28 RELATED PARTIES

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and key executives are considered as key management personnel of the Group and Company.

Key management personnel compensation comprises:

	Group	
	2018	**2017**
	$'000	**$'000**
Directors' fees	360	357
Short term employee benefits	5,002	4,532
Contributions to defined contribution plans	129	116
	5,491	5,005
Comprise amounts paid/payable to:		
– directors of the Company	3,854	3,646
– key executives	1,637	1,359
	5,491	5,005

Other related party transactions

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Rental income from a joint venture	436	414

29 DIVIDENDS

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Paid by the Company to owners of the Company		
An interim dividend of 0.3 cents (2017: 0.25 cents) per qualifying ordinary share	2,259	1,882
Second interim dividend of 0.3 cents (2017: 0.25 cents) per qualifying ordinary share	2,259	1,883
Final dividend of 1.0 cents (2017: 1.0 cents) per qualifying ordinary share	7,530	7,530
	12,048	11,295

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

29 DIVIDENDS (CONT'D)

	Group	
	2018 $'000	2017 $'000
Paid by a subsidiary to NCI		
An interim dividend of RM Nil cents (2017: RM0.5 cents) per qualifying ordinary share	–	174
Second interim dividend of RM Nil cents (2017: RM0.5 cents) per qualifying ordinary share	–	174
Final dividend of RM Nil cents (2017: RM1.5 cents) per qualifying ordinary share	–	521
	–	869

After the reporting date, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	Group and Company	
	2018 $'000	2017 $'000
Proposed by the Company to owners of the Company		
A final dividend of 1.0 cents (2017: 1.0 cents) per qualifying ordinary share	7,530	7,530

30 ACQUISITION OF NON-CONTROLLING INTERESTS

In June 2018, the Group acquired an additional 29.36% interest in LCTH, increasing its ownership interests from 70.64% to 100%. The carrying amount of LCTH's net assets in the Group's consolidation financial statements on the date of the acquisition was $71,675,000. The Group recognised a decrease in NCI and translation reserve of $21,044,000 and $6,420,000 respectively, offset by an increase in retained earnings of $27,464,000 resulting in a net decrease in equity attributable to owners of the Group of $227,000.

	Group 2018 $'000
Carrying amount of NCI	21,044
Consideration of SCR	(20,716)
Payment of transaction cost related to SCR	(555)
Decrease in equity attributable to owners of the Company	(227)

The decrease in equity attributable to owners of the Company comprised:

- An increase in retained earnings of $6,748,000;
- A decrease in the translation reserve of $6,420,000; and
- A decrease in capital reserve of $555,000.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions issued* by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value issued by the IASB* in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations does not have material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

A. SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

B. SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the following practical expedients as allowed under SFRS(I) 1.

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

Revenue from tooling contracts

The Group designs and builds customised tools for the customers. The Group previously recognised revenue from such contracts over time by reference to stage of completion which is measured by completion of designated phases of a contract. On adoption of SFRS(I) 15, only tooling contracts for which (i) the assets created or generated by the Group's performance have no alternative use to the Group and (ii) the Group has an enforceable right to payment for performance completed to date, are recognised over time. The stage of completion is measured by reference to the stages and progress of work performed, based on records maintained by the Group. An expected loss on the tooling contract is recognised as an expense immediately when it is probable that total tooling cost will exceed total tooling revenue. For contracts that do not meet criteria (i) or (ii) above, revenue is recognised at a point in time when control is transferred to the customer upon completion of the performance obligation.

The impact of the adoption of SFRS(I) 15 on the Group financial statements is not significant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

B. SFRS(I) 15 (cont'd)

Presentation of contract assets and liabilities

On adoption SFRS(I) 15, the Group has also changed the presentation of the following amounts:

Consolidated statement of financial position

	31 Dec 2017 $'000	1 Jan 2017 $'000
Increase in contract assets	3,430	3,648
Decrease in trade and other receivables	(3,430)	(3,648)
Increase in contract liabilities	1,320	519
Decrease in trade and other payables	(1,320)	(519)

C. SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9, if any, are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.

- The determination of the business model within which a financial asset is held; and
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects are described below.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

C. SFRS(I) 9 (cont'd)

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt investment, FVOCI – equity investment or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instruments as a whole is assessed for classification.

There is no changes on the classification of financial assets and liabilities on adoption of SFRS(I) 9.

The adoption of SFRS(I) 9 does not have a significant effect on the Group's accounting policies for financial liabilities.

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and contract assets.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables and contract assets, separately in the consolidated income statement. As a result, the Group reclassified impairment loss amounting to $75,000 (2017: reversal of impairment loss of $30,000) recognised under FRS 39, from 'other expenses' to 'impairment loss on trade receivables and contract assets' in the consolidated income statement for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective data deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group’s assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

SFRS(I) 16 (Cont'd)

i. The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying an incremental discount rate to their portfolio of warehouse and factory facilities leases. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

As at 1 January 2019, the Group and the Company expect an increase in ROU asset and lease liabilities of $11,746,000 and $4,611,000 respectively.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases.

ii. The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases and to account for these leases using the existing operating lease models.

No significant impact is expected for other leases in which the Group is a lessor.

33 COMPARATIVE INFORMATION

Certain changes have been made to the comparative information in the consolidated statement of financial position as follows to better reflect the nature of the transactions. The non-current non-trade amounts due from subsidiaries were reclassified from 'investment in subsidiaries' to 'other receivables'.

Consolidated statements of financial position

	31 Dec 2017 $'000 As previously stated	31 Dec 2017 $'000 Restated	1 Jan 2017 $'000 As previously stated	1 Jan 2017 $'000 Restated
Subsidiaries:				
Amount due from subsidiaries	36,393	–	48,646	–
Impairment losses	(8,213)	–	(13,190)	–
Other receivables:				
Amount due from subsidiaries	–	36,393	–	48,646
Impairment losses	–	(8,213)	–	(13,190)

STATISTICS OF SHAREHOLDINGS

As at 11 March 2019

Number of Issued and Paid-up Share Capital	:	S$102,157,996.20
Number of Issued and Paid-up Shares	:	752,994,775
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote per Ordinary Share
Number and Percentage of Treasury Shares	:	Nil
Number and Percentage of Subsidiary Holdings Held	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	57	0.87	2,189	0.00
100 – 1,000	333	5.09	163,123	0.02
1,001 – 10,000	2,971	45.41	14,727,712	1.96
10,001 – 1,000,000	3,140	48.00	205,564,149	27.30
1,000,001 AND ABOVE	41	0.63	532,537,602	70.72
TOTAL	**6,542**	**100.00**	**752,994,775**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2019

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Ho Nee Kit	96,999,225	12.88	–	–
Tam Wai	96,715,475	12.84	300,000[1]	0.04
Ching Heng Yang	88,965,475	11.81	–	–

Note:

1. Mr Tam Wai is deemed to be interested in the 300,000 shares held by his spouse.

STATISTICS OF SHAREHOLDINGS

As at 11 March 2019

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HO NEE KIT	96,999,225	12.88
2	TAM WAI	96,715,475	12.84
3	CHING HENG YANG	88,965,475	11.81
4	DBS NOMINEES (PRIVATE) LIMITED	58,032,750	7.71
5	CITIBANK NOMINEES SINGAPORE PTE LTD	24,188,300	3.21
6	RAFFLES NOMINEES (PTE.) LIMITED	24,177,450	3.21
7	PHILLIP SECURITIES PTE LTD	22,292,925	2.96
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	18,178,781	2.41
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,627,810	1.28
10	HEW LIEN LEE	8,100,000	1.08
11	UOB KAY HIAN PRIVATE LIMITED	7,555,700	1.00
12	DB NOMINEES (SINGAPORE) PTE LTD	6,333,200	0.84
13	LOH TEE YANG	5,000,800	0.66
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,536,510	0.60
15	LIANG KIM TEE	4,163,000	0.55
16	OCBC SECURITIES PRIVATE LIMITED	4,012,089	0.53
17	2G CAPITAL PTE LTD	4,000,000	0.53
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,868,250	0.51
19	DBSN SERVICES PTE. LTD.	3,761,100	0.50
20	LIEW CHOON FONG	3,700,000	0.49
	TOTAL	**494,208,840**	**65.60**

As at 11 March 2019, 60.87% of the issued and paid-up shares of the Company were held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Fu Yu Corporation Limited (the "Company") will be held at Bridge Rooms, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Wednesday, 24 April 2019 at 10.00 a.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors' Report thereon.

   (Resolution 1)

2. To approve the payment of a final tax exempt (one-tier) dividend of 1.0 Singapore cent per ordinary share for the financial year ended 31 December 2018.

   (Resolution 2)

3. To re-elect the following Directors who will be retiring by rotation pursuant to Regulation 110 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Dr John Chen Seow Phun **(Resolution 3)**
   [see explanatory note (i)]

   (b) Mr Tan Yew Beng **(Resolution 4)**
   [see explanatory note (i)]

   (c) Mr Ching Heng Yang **(Resolution 5)**
   [see explanatory note (i)]

4. To approve the payment of Directors' fees of S$288,000 for the financial year ending 31 December 2019, payable quarterly in arrears (2018: S$288,000).

   (Resolution 6)

5. To re-appoint Messrs KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 7)

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Ordinary Resolution: Authority to allot and issue shares**

   That authority be and is hereby given to the Directors of the Company to:–

   (a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in this Resolution, "subsidiary holdings" shall have the meaning ascribed to it in the Listing Manual of the SGX-ST;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(5) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.
[see explanatory note (ii)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

7. **Ordinary Resolution: Proposed Renewal of Share Purchase Mandate**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time ("Companies Act"), the exercise by the Directors of the Company of all the powers of the Company:

(a) to purchase or otherwise acquire issued and fully paid Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) an on-market purchase ("On-Market Purchase") transacted on the SGX-ST; and/or

(ii) an off-market purchase ("Off-Market Purchase") effected in accordance with any equal access scheme (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable (collectively, the "Share Purchase Mandate"); and

(b) to deal with the Shares purchased or acquired by the Company under the Share Purchase Mandate in accordance with the Constitution of the Company, whether to (i) deem such Shares as cancelled upon purchase or acquisition; (ii) hold such Shares as treasury shares; and/or (iii) otherwise deal with such Shares in the manner provided and to the fullest extent permitted under the Companies Act,

be and is hereby authorised and approved generally and unconditionally;

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate in paragraph (1) of this Resolution may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(a) the date on which the next AGM of the Company is held;

(b) the date by which the next AGM of the Company is required by law to be held; or

(c) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

NOTICE OF ANNUAL GENERAL MEETING

(3) in this Resolution:

"Maximum Limit" means, subject to the Companies Act, 10% of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution;

"Maximum Price" in relation to a Share to be purchased or acquired, means an amount (excluding ancillary expenses such as brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(a) in the case of an On-Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:

"Average Closing Price" means the average of the Closing Market Prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the date of the On-Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five (5) Market Day period;

"Closing Market Price" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

"date of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

(4) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[see explanatory note (iii)]

(Resolution 9)

By Order of the Board

Kong Wei Fung
Cheok Hui Yee
Joint Company Secretaries

Singapore
9 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) **Ordinary Resolutions 3, 4 and 5** are to re-elect Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Ching Heng Yang who will be retiring by rotation pursuant to Regulation 110 of the Constitution of the Company.

Dr John Chen will, upon re-election, remain as Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. Mr Tan will, upon re-election, remain as Chairman of Remuneration Committee and member of the Audit and Nominating Committees. Mr Ching will, upon re-election, continue to serve as the Vice Chairman and Executive Director.

Dr John Chen and Mr Tan are considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Detailed information on these directors can be found under "Board of Directors", "Corporate Governance Report", "Directors' Statement" and "Additional Information on Directors Seeking Re-Election" of the Company's Annual Report. Saved as disclosed therein, there are no relationships (including immediate family relationships) between each of these Directors and the other Directors, the Company or its 10% shareholders.

(ii) **Ordinary Resolution 8** proposed in item 6 above, if passed, will authorise and empower the Directors of the Company from the date of the AGM to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be allotted and issued would not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, of which the total number of shares that may be issued other than on a pro-rata basis to shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time the resolution is passed. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

(iii) **Ordinary Resolution 9** proposed in item 7, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of on-market purchases or off-market purchases) up to 10 percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company on the terms of the Share Purchase Mandate set out in the Appendix. The authority conferred by this Resolution will continue in force until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held or the date on which purchases or acquisitions of Shares are carried out to the full extent mandated, whichever is the earlier, unless previously revoked or varied at a general meeting.

The Company intends to use the Group's internal resources, or external loans and borrowings or a combination of both to finance its purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire the Shares under the Share Purchase Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

For illustrative purposes only, the financial effects of purchases or acquisitions of Shares under the Share Purchase Mandate on the audited financial statements of the Company and the Group for the financial year ended 31 December 2018, based on certain stated assumptions, are set out in section 2.6 of the Appendix.

Notes:

1. A Member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A Member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member's form of proxy appoints more than two (2) proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

3. A proxy need not be a member of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notes: (cont'd)

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675 not less than seventy-two (72) hours before the time appointed for the AGM.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act.

7. Investors who have used their CPF/SRS monies ("CPF/SRS Investors") to buy shares in the Company may attend and cast their vote at the AGM in person. CPF/SRS Investors who are unable to attend the AGM but would like to vote, may inform CPF Approved Nominees and/or SRS Operators to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF/SRS Investor shall be precluded from attending the AGM.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders of the Company (the "Shareholders") for the proposed final tax exempt (one-tier) dividend ("Final Dividend") of 1.0 Singapore cent per ordinary share in the capital of the Company for the financial year ended 31 December 2018 at the Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 10 May 2019 for the purpose of determining the entitlement of Shareholders to the Final Dividend.

Duly completed registrable transfers of ordinary shares of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 10 May 2019 will be registered to determine Shareholders' entitlements to the Final Dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company at 5.00 p.m. on 10 May 2019 will be entitled to the proposed Final Dividend.

Payment of the Final Dividend, if approved by Shareholders, will be made on 23 May 2019.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Ching Heng Yang are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 24 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in the Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:–

	DR JOHN CHEN SEOW PHUN	**MR TAN YEW BENG**	**MR CHING HENG YANG**
Date of Appointment	27 November 2007	22 May 1995	10 December 1980
Date of last re-appointment	26 April 2016	28 April 2017	28 April 2017
Age	65	62	68
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this re-appointment	The Nominating Committee ("**NC**"), having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Dr John Chen Seow Phun ("**Dr John Chen**"), recommended to the Board that Dr John Chen be nominated for re-election at the forthcoming Annual General Meeting ("**AGM**"). The Board accepted the NC's recommendation and recommends shareholders to approve the re-election of Dr John Chen as Director of the Company.	The NC, having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Mr Tan Yew Beng ("**Mr Tan**"), recommended to the Board that Mr Tan be nominated for re-election at the forthcoming AGM. The Board accepted the NC's recommendation and recommends shareholders to approve the re-election of Mr Tan as Director of the Company.	The NC, having reviewed and considered the qualification, expertise, past experience and overall contribution of Mr Ching Heng Yang ("**Mr Ching**"), recommended to the Board that Mr Ching be nominated for re-election at the forthcoming AGM. The Board accepted the NC's recommendation and recommends shareholders to approve the re-election of Mr Ching as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Executive, Mr Ching oversees the plastic injection moulding, finishing and sub-assembly operations of the Group, and is responsible for the investment in factory buildings and machinery of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman, AC Chairman, NC and RC members	Independent Non-Executive Director, RC Chairman, AC and NC members	Vice Chairman, Executive Director

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR CHING HENG YANG
Professional Qualifications	PhD in Electrical Engineering from the University of Waterloo, Canada	1) Bachelor of Commerce Degree from Nanyang University 2) Graduate Diploma in Marketing Management from the Singapore Institute of Management 3) Diploma in Marketing from the Institute of Marketing, United Kingdom	Member of the Singapore Institute of Directors
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	Mr Ching, Mr Tam Wai and Mr Ho Nee Kit are concert parties
Conflict of interests (including any competing business)	No	No	No
Working experience and occupation(s) during the past 10 years	Dr John Chen was a member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. Dr John Chen was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, Dr John Chen was the Minister of State for National Department. Dr John Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. Dr John Chen taught at the National University of Singapore from 1983 to 1991. Presently, he is the Executive Chairman of Pavillon Holdings Ltd and Chairman of SAC Capital Pte Ltd.	Mr Tan is the Chairman and Managing Director of several companies in Singapore and Malaysia. Mr Tan has more than 25 years of experience in business management.	Mr Ching is one of the co-founders of Fu Yu Corporation Limited and was appointed as the Executive Director of the Company since 1980. Mr Ching has over 43 years of experience in the mould fabrication and plastic injection moulding industry.
Undertaking has been submitted to the listed issuer in the form of Appendix 7.7 under Rule 720(1)	Yes	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	**MR TAN YEW BENG**	**MR CHING HENG YANG**
Shareholding interest in the listed issuer and its subsidiaries	1,000,000 ordinary shares (representing 0.13% shareholding interest) in Fu Yu Corporation Limited	2,562,500 ordinary shares (representing 0.34% shareholding interest) in Fu Yu Corporation Limited	88,965,475 ordinary shares (representing 11.81% shareholding interest) in Fu Yu Corporation Limited
Other Principal Commitments Including Directorships: Past (for the last 5 years)	1) Riverstar Investments Limited 2) SAC Asset Management Pte Ltd 3) National University Health System Pte Ltd 4) Pattern Discovery Technologies Pte Ltd	SA-Koyo Pte Ltd	Nil
Present	Directorships: 1) Pavillon Holdings Ltd 2) OKP Holdings Limited 3) Hiap Seng Engineering Ltd 4) Hanwell Holdings Ltd 5) Matex International Limited 6) Tat Seng Packaging Group Ltd 7) HLH Group Limited Other Principal Commitments: 1) JCL Business Development Pte Ltd 2) SAC Capital Private Limited 3) DataESP Pte Ltd 4) SAC Advisors Pte Ltd 5) JLM Foundation Ltd 6) Unigold Asia Limited 7) Pavillon Financial Leasing Co. Ltd 8) Pavillon Business Development (Shanghai) Co. Ltd.	Directorships: 1) Accord Corporation Pte Ltd 2) Locker & Lock Pte Ltd 3) Locker & Lock Solutions Pte Ltd 4) Locker & Lock Placement Pte Ltd 5) Accord Corporation (2006) Sdn Bhd 6) Locker & Lock Sdn Bhd 7) Locker & Lock Solutions Sdn Bhd 8) Locker & Lock Placement Sdn Bhd Other Principal Commitments: 1) Joo Chiat Citizens' Consultative Committee 2) Singapore Buddhist Federation 3) Maha Bodhi School Management Committee 4) Manjusri Secondary School Management Committee 5) Singapore Hui Hwa Pugillistic Art Association 6) Singapore Hui Ann Association 7) The Tan Lark Sye Professorship in Chinese Language and Culture Advisory Committee, NTU	Directorship: LCTH Corporation Sdn. Bhd. Other Principal Commitment Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR CHING HENG YANG
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR CHING HENG YANG
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR CHING HENG YANG
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR CHING HENG YANG
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

FU YU CORPORATION LIMITED

Company Registration No. 198004601C
(Incorporated in the Republic of Singapore)

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting ("AGM") dated 9 April 2019.

IMPORTANT

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Operators to appoint the Chairman of the AGM to act as proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (Name)

of ____ (Address)

being a member/members of Fu Yu Corporation Limited (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the AGM as *my/our proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the AGM of the Company to be held at Bridge Rooms, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Wednesday, 24 April 2019 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

(Please indicate your number of votes "For" or "Against" within the box provided.)

No.	**Resolutions relating to:**	**No. of votes For#**	**No. of votes Against#**
Ordinary Business			
1	Approval of Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2	Approval of final tax exempt (one-tier) dividend of 1.0 Singapore cent per ordinary share for the financial year ended 31 December 2018		
3	Re-election of Dr John Chen Seow Phun as Director		
4	Re-election of Mr Tan Yew Beng as Director		
5	Re-election of Mr Ching Heng Yang as Director		
6	Approval of Directors' fees of S$288,000 for the financial year ending 31 December 2019, payable quarterly in arrears		
7	Re-appointment of Messrs KPMG LLP as Auditors		
Special Business			
8	Authority to allot and issue new shares		
9	Proposed Renewal of Share Purchase Mandate		

\# Voting will be conducted by poll. If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise please indicate the number of votes.

Dated this __________ day of ________________ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

* Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A Member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

3. A Member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member's form of proxy appoints more than two (2) proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

4. A proxy need not be a member of the Company.

5. "Relevant Intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Fold here

Affix Postage Stamp

FU YU CORPORATION LIMITED
8 Tuas Drive 1
Singapore 638675

Fold here

6. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675 not less than seventy-two (72) hours before the time appointed for the AGM.

8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act (Chapter 50) (the "Act") or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Act.

10. Investors who have used their CPF/SRS monies ("CPF/SRS Investors") to buy shares in the Company may attend and cast their vote at the AGM in person. CPF/SRS Investors who are unable to attend the AGM but would like to vote, may inform CPF Approved Nominees and/or SRS Operators to appoint Chairman of the AGM to act as their proxy, in which case, the CPF/SRS Investor shall be precluded from attending the AGM.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Fold along this line and glue overleaf.

FU YU CORPORATION LIMITED
Co. Reg. No. 198004601C
8 Tuas Drive 1, Singapore 638675
T: (65) 6578 7338 F: (65) 6578 7347
www.fuyucorp.com