富裕
FuYu

ANNUAL REPORT 2017

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
Tan Wee Sin
Kong Wei Fung

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SHARE REGISTRAR
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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

INVESTOR RELATIONS CONSULTANT
Octant Consulting
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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

Dr John Chen Seow Phun
Chairman

The Group has proposed the payment of a final dividend of one cent per share. Together with the interim dividends, the Group's total dividends with respect to FY2017 would be 1.5 cents per share, which translates into a dividend payout of approximately 252% based on its earnings per share of 0.59 cents in FY2017.

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 2017 ("FY2017").

During FY2017, the Group faced difficult operating conditions as certain business sectors continued to experience weak end-user demand which led to slower order momentum from customers. Thanks to the diversity of our market segments, the Group was able to partially cushion the soft performance of our printing & imaging, and consumer sectors by increasing sales from the medical and automotive sectors in FY2017. Hence, Group revenue dipped marginally by only 1.8% to S$195.0 million from S$198.6 million in FY2016.

In terms of performance by geographical segments, our Singapore operations registered higher sales in FY2017, which helped to mitigate the declines in revenue from our Malaysia and China segments. Nevertheless, China remained as the Group's largest geographical segment with a contribution of 60.6% in FY2017.

While revenue in the financial year under review was lower than in FY2016, the Group recorded quarter-on-quarter growth in sales throughout FY2017. Indeed, the Group capped off FY2017 with the fourth quarter recording the highest quarterly sales of the year, as revenue climbed steadily from S$44.7 million in 1Q17 to S$52.7 million in 4Q17.

Our emphasis on raising productivity, operational efficiency and cost-effectiveness of the Group's manufacturing facilities through lean management and automation initiatives continues to pay off. Notwithstanding lower revenue, the Group registered higher gross profit in FY2017 as gross profit margin expanded to 17.1% from 16.3% in FY2016. The Group also saw its selling and administrative expenses declining by 2.7% to S$27.1 million in FY2017 as we continued to administer effective cost control measures within the organisation.

As a result, the Group attained an operating profit of S$13.2 million in FY2017, before accounting for foreign exchange impact, share of results of joint venture and income tax. This was a steady performance when compared with its operating profit of S$13.1 million in FY2016.

Net profit attributable to owners of the Company ("PATMI") however, declined by S$6.1 million to S$4.5 million in FY2017, due mainly to a negative swing of S$5.9 million arising from a foreign exchange loss as opposed to a foreign exchange gain in FY2016. In addition, the Group recorded lower other income and a share of loss of joint venture in FY2017 as compared to a profit in FY2016.

Nonetheless, the Group sustained a sound financial position at the end of FY2017 with a cash balance of S$95.4 million and zero borrowings. Our shareholders' equity stood at S$165.3 million, which is equivalent to net asset value of 21.95 cents per share that includes cash and cash equivalents of 12.67 cents per share.

To reward shareholders for their belief and support of Fu Yu, the Group has proposed the payment of a final dividend of one (1) cent per share, subject to shareholders' approval at the upcoming Annual General Meeting. Together with interim dividends of 0.5 cents per share, the Group's total dividends with respect to FY2017 would be 1.5 cents per share, which is the same as the dividend payment for FY2016 in spite of lower PATMI. This translates into a dividend payout of approximately 252% based on the Group's earnings per share of 0.59 cents in FY2017.

Although we are encouraged by the uptick in Group revenue during the second half of FY2017, the Group remains mindful of the volatile market environment as our business is ultimately driven by the end-user demand of customers' products.

End-user demand may continue to be uneven across various business sectors amid a widely anticipated global economic recovery in 2018. In addition, the Group's financial performance is subject to other factors such as industry competition, pressure on selling prices, and fluctuations in the US Dollar as the Group is in net US Dollar assets position.

Thus, it is important that we maintain our balance sheet strength, focus on continual improvements to boost operational and cost efficiencies, while pursuing our goals to drive sales growth and improve utilisation rates of the Group's manufacturing facilities.

Besides raising the level of automation and improving our manufacturing processes for higher efficiency and precision, we have also taken steps to streamline and improve the Group's organisation structure for the future. A case in point is the amalgamation of two subsidiaries in Singapore which was completed during FY2017. The benefits of this amalgamation initiative were reflected in the improved profitability of our Singapore operations (excluding the foreign exchange impact) as it yielded economies of scale and cost savings.

In addition, the Group embarked on an exercise in December 2017 to acquire the remaining interests of our listed subsidiary in Malaysia, LCTH Corporation Berhad ("LCTH").

The Group owns an equity interest of 70.64% in LCTH which is listed on Bursa Malaysia Securities Berhad. In December 2017, the Group proposed to privatise LCTH to allow for greater flexibility in managing and developing LCTH's business and extract potential cost savings. With full ownership of LCTH, the Group can also better manage the production and financial resources of its operations in Asia. The privatisation exercise, which costs approximately S$20.3 million, has been approved by LCTH's shareholders at an Extraordinary General Meeting held on 8 March 2018. Completion of LCTH's privatisation is subject to the relevant regulatory and legal approvals.

With over 40 years of operating history, Fu Yu has established itself as a preferred supplier of one-stop precision plastic manufacturing solutions to renowned Original Equipment Manufacturers and Contract Manufacturers. The Group has a proven track record in supporting customers from diverse industries including printing and imaging, networking and communications, consumer, medical, automotive and power tools sectors. Together with our strategically-located manufacturing facilities in Asia, we believe the Group has a solid platform that we can leverage to execute our longer term growth strategies.

The Group plans to advance its business development efforts in a bid to expand market share with existing customers and make inroads with prospective customers. To this end, we will work closely with existing customers to support their new product introductions and actively pursue opportunities with new customers to build our project pipeline.

It is also our strategy to maintain a diversified customer base, and to enhance our revenue base with higher contributions from sectors with greater stability and longer product life cycles. At the same time, we will continue to stay on top of market trends and position the Group for opportunities in market segments that demonstrate growth potential. Some of the segments we have set our sights on are 3D printers, security-related, medical, automotive and green products. We believe that our sturdy financial position will ensure the Group's ability to capitalise on opportunities when they arise as well as withstand any challenging business periods.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders for your continued support of Fu Yu. I would also like to express my appreciation to my fellow directors for their valuable guidance, and to our management and staff for their dedication and contributions to the Group. We also wish to thank our valued customers, suppliers and business partners for your long-term support and patronage.

DR JOHN CHEN SEOW PHUN
Chairman

OPERATIONS REVIEW

REVENUE

For the financial year ended 31 December 2017 ("FY2017"), the Group registered revenue of S$195.0 million, a slight decrease of 1.8% from S$198.6 million in FY2016. This was attributed to lower revenue from its Malaysia and China segments which were offset partially by higher revenue from the Singapore operations.

GROSS PROFIT AND GROSS PROFIT MARGIN

Notwithstanding the decline in revenue, the Group recorded higher gross profit of S$33.3 million, up 2.7% from S$32.4 million in FY2016. Gross profit margin expanded to 17.1% from 16.3% previously.

The improvements in the Group's gross profit margin were attributed mainly to (i) lower depreciation charges as certain production assets have been fully depreciated but continue to be in use as a result of good maintenance and upkeep: and (ii) reduction in headcount and operating overheads due to better cost management and greater operational efficiency.

OTHER INCOME

The Group recorded other income of S$7.5 million in FY2017, a decrease of 13.5% from S$8.7 million in FY2016. This was due primarily to lower rental income, grants, and gain from sale of plant and equipment.

SELLING AND ADMINISTRATIVE EXPENSES

In tandem with lower revenue, the Group's selling and administrative expenses eased slightly by 2.7% to S$27.1 million from S$27.9 million in FY2016.

OTHER OPERATING (EXPENSES)/INCOME

The Group recorded other operating expenses of S$4.7 million in FY2017 due mainly to foreign exchange loss. In contrast, the Group posted other operating income of S$1.6 million in FY2016 which arose mainly from foreign exchange gain. As a result, the Group experienced a negative change of S$6.3 million during FY2017. The majority of the foreign exchange loss in FY2017 is unrealised loss.

The Group recognises foreign exchange gains or losses as a result of 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 weakening of the US Dollar against the Singapore Dollar and Malaysia Ringgit resulted in a foreign exchange loss during FY2017.

PROFITABILITY

As a result of the foreign exchange loss and its share of loss of joint venture of S$0.7 million, the Group's profit before tax declined 44.2% to S$8.3 million in FY2017 from S$14.9 million in FY2016. Excluding foreign exchange impact and share of results of joint venture, the Group's profit before tax, was stable at S$13.2 million in FY2017 as compared to S$13.1 million in FY2016.

After deducting tax expenses, the Group's net profit attributable to owners of the Company decreased by S$6.1 million to S$4.5 million in FY2017. This was due mainly to lower other income, a foreign exchange loss versus foreign exchange gain in FY2016, as well as the share of loss of joint venture compared to a profit in the last financial year.

FINANCIAL POSITION

The Group maintained a sound financial position as at 31 December 2017 with a cash balance of S$95.4 million and zero borrowings. Shareholders' equity stood at S$165.3 million, equivalent to net asset value of 21.95 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 12.67 cents per share.

Total assets as at 31 December 2017 decreased S$5.3 million to S$236.2 million from S$241.5 million as at 31 December 2016. This was due mainly to a decrease of S$1.7 million in property, plant and equipment to S$46.0 million, and a decline of S$10.2 million in cash and cash equivalents, offset partially by higher inventories, trade and other receivables. Total liabilities increased by S$2.3 million to S$50.7 million at the end of FY2017 as compared to S$48.4 million as at 31 December 2016 due primarily to higher trade and other payables.

The Group generated net cash from operating activities of S$5.9 million during FY2017. Net cash used in investing activities amounted to S$3.9 million due mainly to capital expenditure. The Group also used net cash of S$12.3 million in financing activities mainly for the payment of dividends to shareholders of the Company and non-controlling interests of a subsidiary. As a result, the Group recorded a net decrease of S$10.3 million in cash and cash equivalents during FY2017 to close the financial period with cash and cash equivalents of S$92.3 million (excluding cash deposits pledged of S$3.2 million).

GEOGRAPHICAL SEGMENT REVIEW

SINGAPORE

The Group's operations in Singapore reported revenue of S$41.0 million in FY2017, an increase of S$1.9 million from S$39.1 million in FY2016. This was driven mainly by increased sales of products in the medical segment. As a result, Singapore segment accounted for a higher 21.0% of Group revenue in FY2017, compared to 19.7% in FY2016.

Excluding the dividend income from Malaysia and China subsidiaries totaling S$9.1 million, Singapore segment would have recorded a profit of S$0.6 million in FY2017 which represented a decrease of S$4.1 million from S$4.7 million reported in FY2016. The Singapore segment would have recorded a higher profit if not for the net foreign exchange loss of S$4.7 million in FY2017, as opposed to a net foreign exchange gain of S$1.1 million in FY2016. The improved profitability of the Singapore segment, excluding the foreign exchange impact, was attributed to higher revenue and the amalgamation of two subsidiaries in Singapore which yielded cost benefits.

CHINA

The China operations saw revenue decrease S$3.7 million to S$118.2 million in FY2017 from S$121.9 million in FY2016. This was due primarily to slower orders for products in the printing & imaging, and consumer segments. Nonetheless, the China operations remained as the Group's largest geographical segment with a revenue contribution of 60.6% in FY2017 which was slightly lower compared to 61.4% in FY2016.

China segment's profit decreased by S$4.6 million to S$1.9 million in FY2017 from S$6.5 million in FY2016. This was attributable mainly to the combined effect of reduced revenue and lower gross profit margin resulting from a shift in sales mix and competitive pressure.

MALAYSIA

The Malaysia operations also witnessed a revenue decline of S$1.8 million to S$35.8 million in FY2017 from S$37.6 million in FY2016. This was attributed primarily to reduced customer orders in the consumer segment, offset partially by higher sales in the medical segment. Malaysia segment contributed 18.4% to Group revenue in FY2017, compared to 18.9% in FY2016.

Malaysia segment's profit decreased S$0.7 million to S$4.9 million in FY2017 from S$5.6 million in FY2016, due mainly to a foreign exchange loss in FY2017 versus a foreign exchange gain in FY2016.

FINANCIAL HIGHLIGHTS

Financial year ended 31 December

INCOME STATEMENT SUMMARY

(S$ million)	FY2017	FY2016	Change
Revenue	195.0	198.6	(1.8%)
Gross Profit Margin	17.1%	16.3%	0.8 ppt
Profit Before Tax	8.3	14.9	(44.2%)
Operating Profit *	13.2	13.1	0.5%
Net Profit Attributable to Owners of the Company (PATMI)	4.5	10.5	(57.5%)
Earnings Per Share (Cents)	0.59	1.40	(57.5%)

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

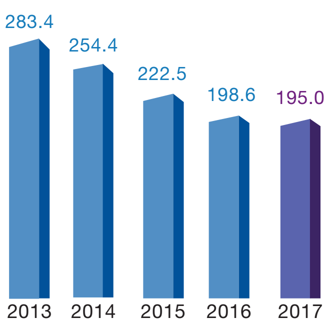
BALANCE SHEET SUMMARY

(S$ million)	As at 31 December 2017	As at 31 December 2016
Total Non-Current Assets	57.4	60.2
Total Current Assets	178.8	181.4
Total Non-Current Liabilities	0.6	0.6
Total Current Liabilities	50.1	47.8
Shareholders' Equity	165.3	173.5
Cash and cash equivalents	95.4	105.6
NAV per share (cents)	21.95	23.05

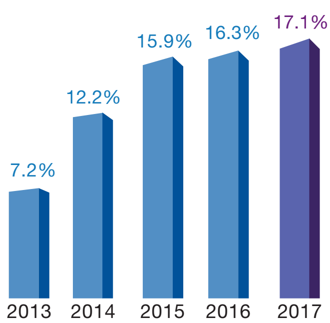
KEY FINANCIAL RATIOS

	FY2017	FY2016
Gearing	Zero borrowings	Zero borrowings
Return on Equity (excluding cash)	6.4%	15.5%
Dividend Per Share	1.5 cents	1.5 cents
Dividend Payout	252%	107%

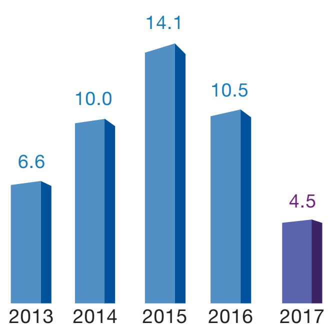
Revenue (S$ million)



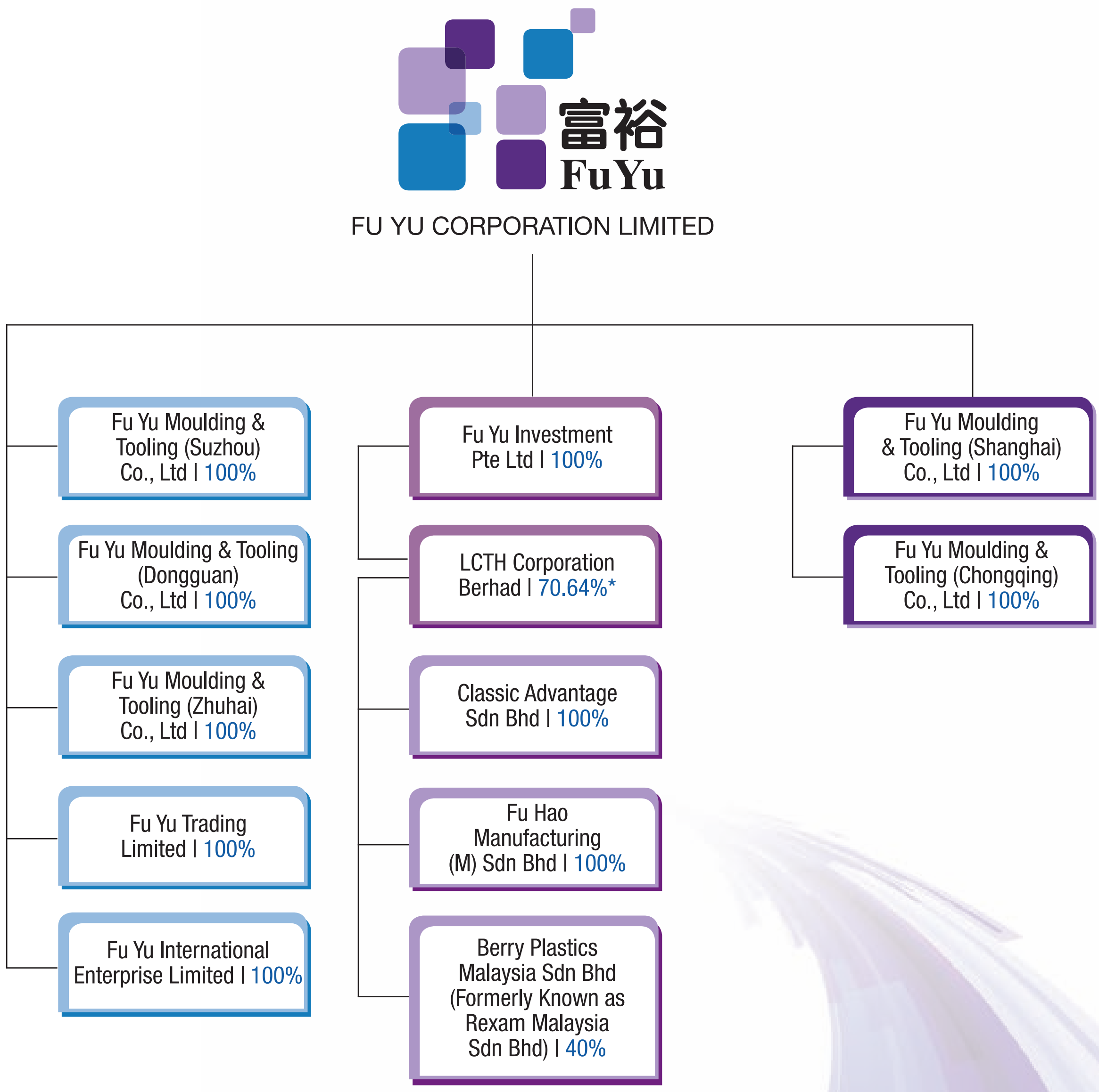
Gross Profit Margin



PATMI (S$ million)



GROUP STRUCTURE



* Proposed privatisation of LCTH via selective capital reduction and repayment exercise was approved at LCTH's Extraordinary General Meeting on 8 March 2018.

BOARD OF DIRECTORS

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

DR JOHN CHEN SEOW PHUN

Non-Executive Chairman, Independent Director

Dr John Chen Seow Phun, 64, 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 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 2017, Dr Chen holds 0.13% direct interest in the Company.

CHING HENG YANG

Vice Chairman, Executive Director

Mr Ching, 67, 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. Mr Ching is also an Executive Director of LCTH Corporation Berhad ("LCTH"), the Malaysia subsidiary of Fu Yu Group, listed on the Main Board of Bursa Malaysia Securities Berhad, Malaysia on 8 November 2004.

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 43 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 2017, Mr Ching holds 11.81% direct interest in the Company.

TAM WAI

Executive Director

Mr Tam, 67, 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 2016. He will stand for re-election as a Director in the forthcoming Annual General Meeting ("AGM"). Mr Tam is also an Executive Director of LCTH.

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 48 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 2017, Mr Tam holds 12.84% direct and 0.04% deemed interests in the Company.

HO NEE KIT

Executive Director

Mr Ho, 64, 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 2016. He will stand for re-election as a Director in the forthcoming AGM. Mr Ho is also an Executive Director of LCTH.

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

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

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 2017, Mr Ho holds 12.88% direct interest in the Company.

HEW LIEN LEE

Executive Director, Chief Executive Officer and Chief Operating Officer

Mr Hew, 61, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. Mr Hew was appointed acting Chief Executive Officer on 21 May 2014 and was promoted to Chief Executive Officer of the Group on 26 February 2016. He was last re-elected on 30 April 2015. He will stand for re-election as a Director in the forthcoming AGM. Mr Hew is also the Managing Director of LCTH.

Mr Hew joined Fu Yu in 1984 and holds a Diploma in Electrical Engineering. With 38 years of experience in the plastic injection moulding industry, he has played an instrumental role in the successful listing of LCTH. 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 2017, Mr Hew holds 1.08% direct interest in the Company.

TAN YEW BENG

Non-Executive Director, Independent Director

Mr Tan, 61, was appointed as Director on 22 May 1995 and was last re-elected on 28 April 2017. 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 (Pingkat 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 2017, Mr Tan holds 0.34% direct interest in the Company.

FOO SAY TUN

Non-Executive Director, Independent Director

Mr Foo, 52, was appointed as Director on 27 November 2007 and was last re-elected on 28 April 2017. Mr Foo 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. Mr Foo was called to the Malaysia Bar in 1992 and the Singapore Bar in 1995. He 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. Mr Foo also serves as an independent director on another SGX-ST listed company, Moneymax Financial Services Ltd.

As at 31 December 2017, Mr Foo does not hold any direct or indirect interest in the Company.

KEY EXECUTIVES

BEE HOEK CHAU

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

Mr Bee, 52, joined the Group in November 2008 as Financial Controller of Eastern China Region in charge of the finance and accounting functions of the region. In February 2011, he was appointed as General Manager of Fu Yu Shanghai. Mr Bee was also appointed as General Manager of Fu Yu Chongqing when it was incorporated in December 2012. He is responsible for the entire operations of these two subsidiaries.

Mr Bee began his career with a Chartered Accountant firm in Malaysia. Prior to joining Fu Yu, he has more than 17 years of experience working as an auditor and financial controller for various companies in Malaysia and China. He graduated from University Utara Malaysia with a Bachelor Degree in Accountancy and is a member of Malaysian Institute of Accountant.

CHEONG HOCK YAN

Group Business Development Director

Mr Cheong, 55, joined the Group in July 2016 as Group Business Development Director. He is responsible for formulating the Group's business development strategy, developing new business/market opportunities, growing existing business and proposing direction for product development. He has 30 years of regional business development experience, holding middle to senior management positions. Mr Cheong started his career with Archive Singapore Pte Ltd in 1987 as a Test Engineer and was subsequently the Plant Manager for Digital Appliance Controls Singapore Pte Ltd. Between 1999 to 2008, he held senior positions in Technomatix-Unicam Singapore Pte Ltd, Fuji Machines Singapore Pte Ltd, Schmidt China Ltd and Siemens Electronics Assembly Systems China Ltd. Before joining Fu Yu, Mr Cheong was the Senior Business Development Manager for Venture Corporation since 2009. He holds a Bachelor of Engineering Degree from National University of Singapore and a Master's degree in Business Administration from Nanyang Technological University.

HEE SIEW FONG

Chief Financial Officer

Ms Hee, 46, 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 20 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, 50, 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 29 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, 64, 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 the 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.

OUR NETWORK

SINGAPORE

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Fax: (604) 398 3221

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888 Xin Ling Road
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CORPORATE MILESTONES

2017 – 2018

- Proposed privatisation of LCTH through a Selective Capital Repayment exercise was approved by LCTH's shareholders on 8 March 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 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 this inaugural Sustainability Report.

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 recently 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 identification of 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 inaugural 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 2017. 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 2017.

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. Our Malaysia operations were listed on the Main Board of Bursa Malaysia Securities Berhad (Bursa) under the name of LCTH Corporation Berhad in 2004.

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 below:

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	

Key Stakeholders	Engagement Methods	Frequency	Key Topics of Interest
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	

MATERIALITY ASSESSMENT

In order to identify, prioritise and validate the ESG issues that are significant to business operations and of interest to key stakeholders, a Materiality Assessment was initiated by the Group. The exercise took reference from the GRI Standards (2016) Materiality Principle and was facilitated by an independent sustainability consultant, KPMG Services Pte Ltd. The participants responded to an online questionnaire and engaged in an assessment workshop that required them to consider the following:

- Global and local emerging sustainability trends;
- Main topics and future challenges, as identified by peers;
- Options of sustainability reporting frameworks and relevant sector-specific guidance;
- Observation gained from regular day-to-day interactions with external stakeholders; and
- Key organisational strategies and risks identified in our existing Risk Management framework.

As a result of the workshop, the following 12 factors were identified to be material for the Group. These were validated by the Board and are the focus of this inaugural sustainability report.

	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

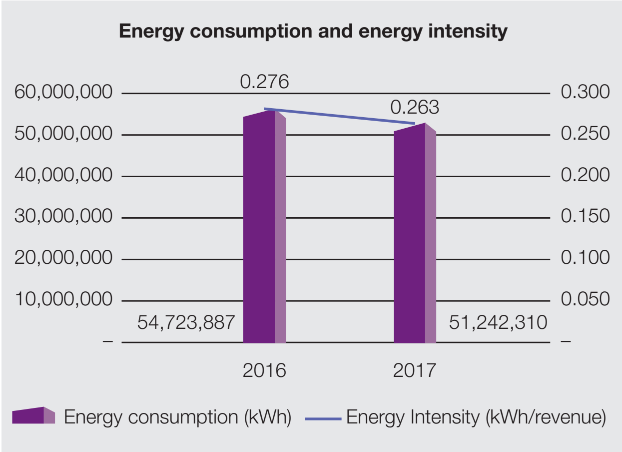
ENERGY

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.

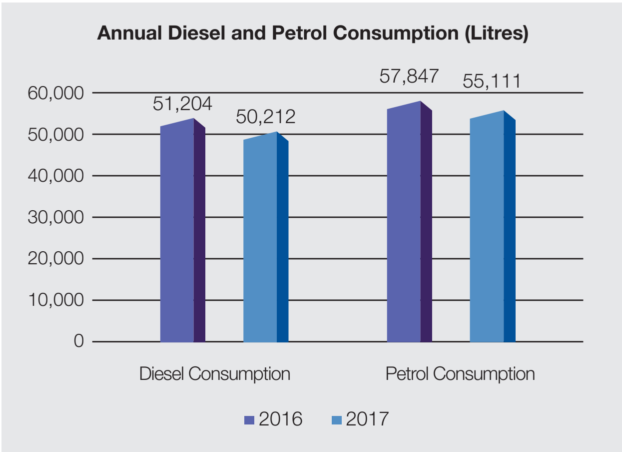
The Group has implemented, and continues to explore, various initiatives to reduce operational energy consumption. Some of these initiatives include:

- 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.

The electricity consumption is from purchased grid electricity. In 2017, electrical energy consumption amounted to 51,242,310 kilowatt hours (kWh), representing a 6.4% year-on-year decrease from 54,723,887 kWh in 2016 due mainly to the abovementioned initiatives that were carried out throughout the year. The overall energy intensity for the Group also decreased from 0.276 kWh per dollar of revenue in 2016 to 0.263 kWh per dollar of revenue in 2017.



As shown in the bar diagram below, a total of 50,212 litres diesel were consumed in 2017 representing a 1.9% year-on-year decrease from 51,204 in 2016. Diesel is mainly used for forklift machines. Similarly, the petrol consumption caused by company cars and vehicles reduced from 57,847 litres to 55,111 litres. This is a decrease of 4.7% from 2016.



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

WATER

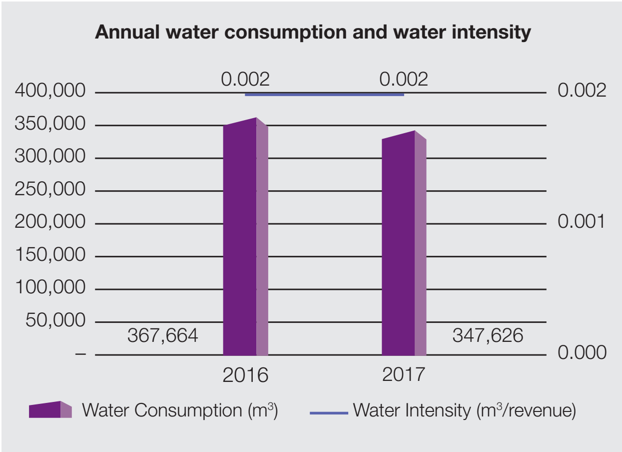
Water is essential for life and it is used in huge quantities in the manufacturing industry. At the Group, we require water for the following reasons:

- 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. During the year, we rolled-out 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 2017, the water consumption amounted to 347,626 cubic metres (m^3), representing a 5.5% year-on-year decrease from 367,664 m^3 in 2016 due mainly to the water efficiency initiatives. The overall water intensity for the Group stayed the same at 0.002 m^3 per dollar of revenue.



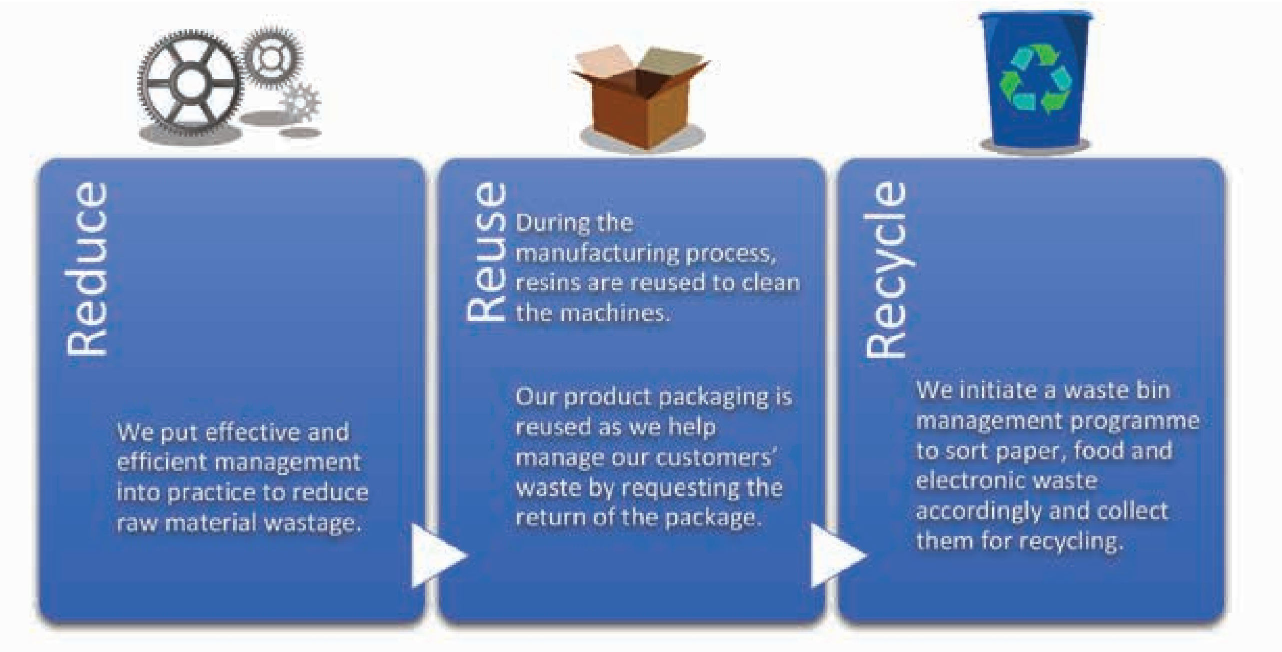
Moving forward, the Group targets to maintain current average water consumption per dollar of revenue.

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:

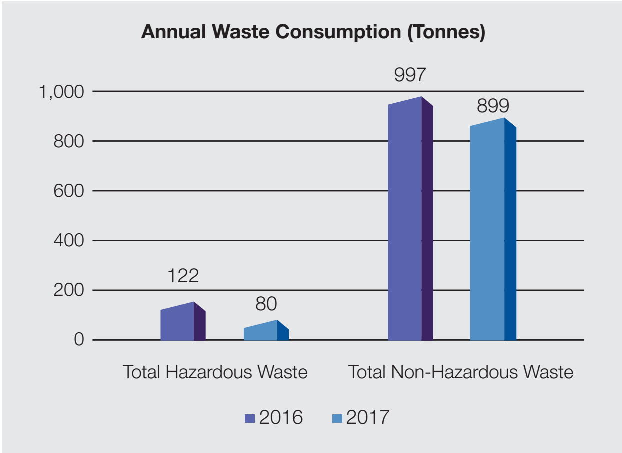



Training on chemical spillage control

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.

The amount of hazardous waste reduced 34.4% from 122 tonnes in 2016 to 80 tonnes in 2017. In the same period, our general, non-hazardous waste reduced 9.8% from 997 tonnes in 2016 to 899 tonnes in 2017. This was due mainly to better management of waste and effective use of resources.

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.

In line with our commitment towards creating a positive work environment, we have adopted a strategic rewarding 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.

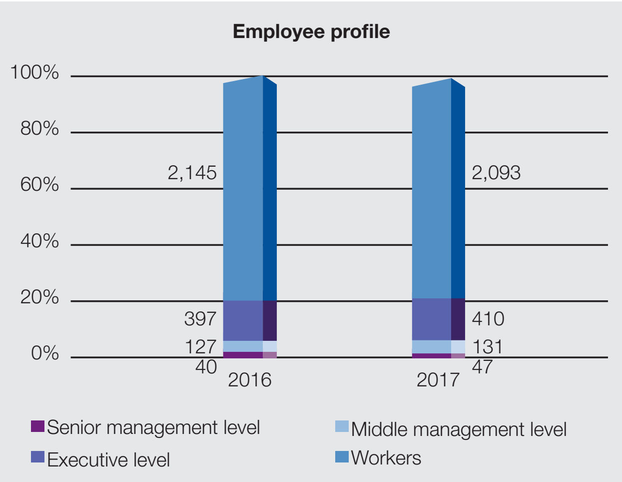
We encourage a work-life balance concept in the Group as we believe it affects the well-being of individuals, families and communities and it strengthens an employee's commitment to the organisation. We employ human resource strategies and policies which are supportive of organising recreational activities,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

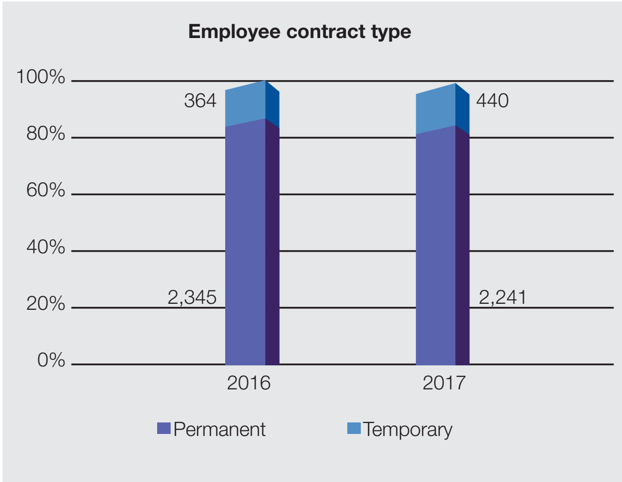

Team building activities

SUSTAINABILITY REPORT

As of 31 December 2017, we had a total of 2,681 employees across Fu Yu Corporation and its subsidiaries. The slight decrease of 28 employees was to manage our costs. Most of our employees are permanent and full-time. Temporary workers fluctuate with the manufacturing activities. Our new hire increased from 23.4% in 2016 to 33.6% in 2017 and our turnover remained about the same at 41.6% and 43.5% in 2016 and 2017 respectively. Our high turnover is due to the nature of work in the industry we operate and mainly attributed to workers in China.

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





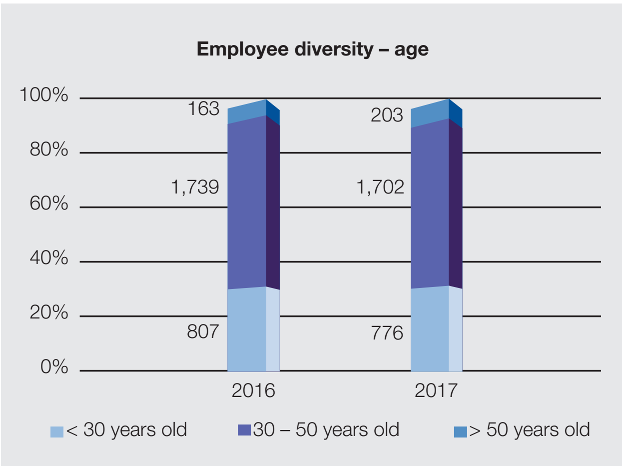
DIVERSITY AND EQUAL OPPORTUNITY

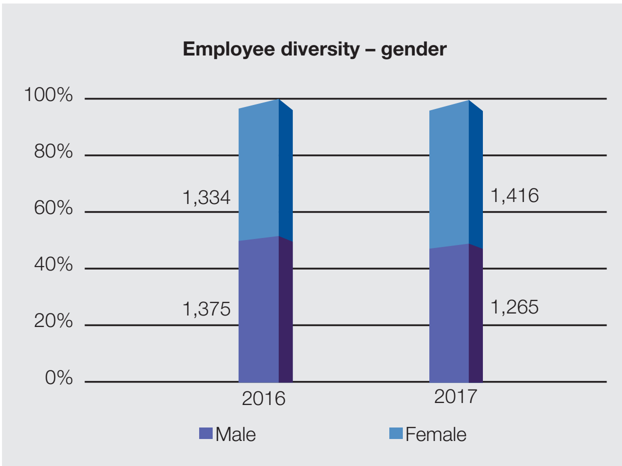
Equal opportunity to the Group is about treating people fairly without bias and encouraging conditions in the workplace that value diversity and promote dignity.

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.

Our male/female split remained fairly even with a slight increase in percentage of females in 2017. 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.



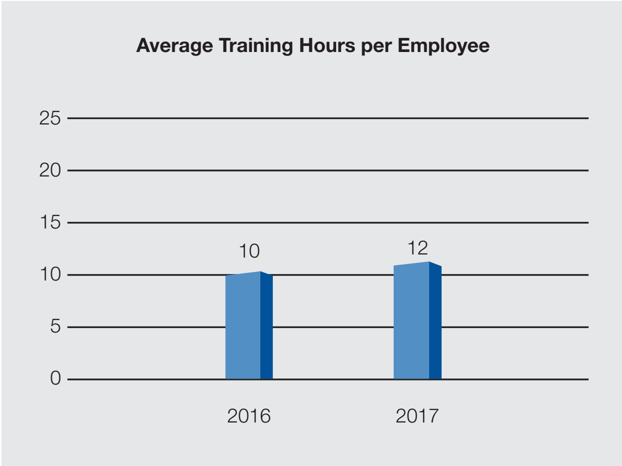


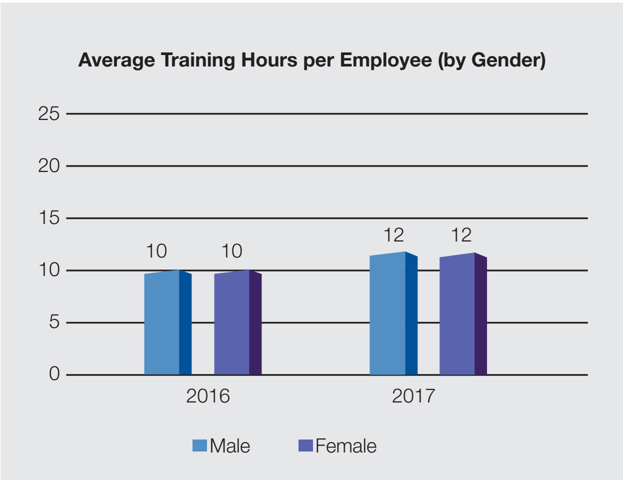
TRAINING AND EDUCATION

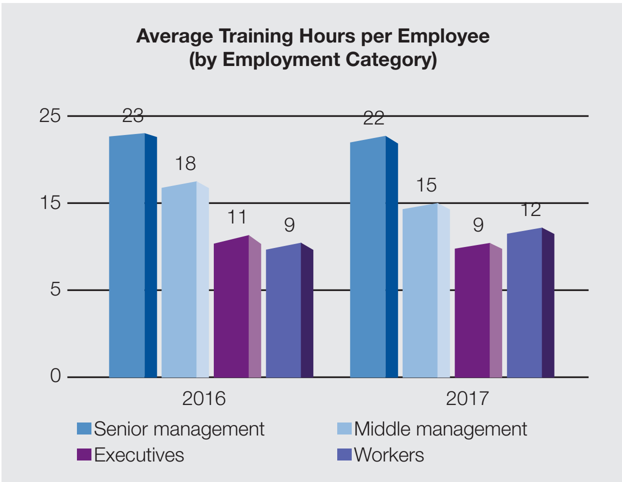
As we navigate through an increasingly challenging global environment, we are a strong advocate of developing employee potential to contribute towards the progress of the Group. Employee training and development always remain our key priorities. We trust that ongoing career development will enhance the 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, the Group 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.

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 measurements 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 permit/licences.

In 2017, the Group continued to record zero incidents of workplace fatalities. Furthermore, two subsidiaries continued to record zero injuries in their manufacturing facilities. There 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
Fu Yu Corporation (including Fu Yu Corporation Limited and its subsidiaries)	7.12	7.03

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

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 forbid 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 facilities 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 2017, there were no incidents of non-compliance with forced or compulsory labour at our factories and the two entities that were audited achieved a "satisfactory" result. 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.

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 2017, there were no incidents of non-compliance with child labour at our factories and the two entities that were audited achieved a "satisfactory" result. 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.

PRACTICING GOOD GOVERNANCE

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

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 to 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 antifraud measures to mitigate the risks of frauds. 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.

Training session on policies

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 2017. Moving forward, the Group targets to maintain zero incidents of non-compliance with environmental laws and regulations resulting in significant fines or sanctions.

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 2017. Moving forward, the Group targets to maintain zero incidents in the forthcoming year.

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 19 to 20
102-9	Supply chain	Stakeholder Engagement, pages 14 to 15 Effluents and Waste, pages 18 to 19
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, pages 14 to 15
102-13	Membership of associations	Stakeholder Engagement, pages 14 to 15
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, pages 14 to 15
102-41	Collective bargaining agreements	FYC Singapore has collective bargaining agreements in place.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, pages 14 to 15
102-43	Approach to stakeholder engagement	Stakeholder Engagement, pages 14 to 15
102-44	Key topics and concerns raised	Stakeholder Engagement, pages 14 to 15

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	Materiality Assessment, page 15
102-48	Restatements of information	No restatements as this is an inaugural report
102-49	Changes in reporting	No changes as this is an inaugural report
102-50	Reporting period	1 January 2017 – 31 December 2017
102-51	Date of most recent report	NA
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 Materiality Assessment, 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
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302-1	Energy consumption within the organisation	Energy, page 16
302-3	Energy intensity	Energy, page 16
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303-1	Water withdrawal by source	Water, page 17

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Effluents and Waste		
306-2	Waste by type and disposal method	Effluents and Waste, pages 18 to 19
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307-1	Non-compliance with environmental laws and regulations	Environmental Compliance, page 24
Employment		
401-1	New employee hires and employee turnover	Employment and Talent Retention, pages 19 to 20
Occupational Health & Safety		
403-2	Types of Injury and rates of injury	Occupational Health and Safety, pages 21 to 22
Training and Education		
404-1	Average hours of training per year per employee	Training and Education, page 21
Diversity & Equal Opportunity		
405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity, page 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 23
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 2017

Company	Awards
Fu Yu Corporation Limited	Singapore International 100 Company 2017; Singapore 1000 Company 2017
Fu Hao Manufacturing (M) Sdn Bhd	Shinning Star Award from Arburg; Innovation PT Asia Supplier from Robert Bosch

CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2017

Company	ISO 9001:2008	ISO 9001:2015	ISO 13485:2012	ISO 14001:2004	ISO 14001:2015	TS 16949:2009	TS 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	^			^		^	

2018 CORPORATE CERTIFICATION PLAN

Company	Plan
Fu Yu Corporation Limited	ISO 9001:2015, ISO 14001:2015 and TS 16949:2015
Fu Hao Manufacturing (M) Sdn Bhd	ISO 13485:2016
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	ISO 9001:2015 and TS 16949:2016
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd	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 reference to the Singapore Code of Corporate Governance 2012 (the "Code") and any deviations from the Code are explained. This report also includes disclosure requirements under the Best Practices Guide in the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

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 and monitor 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. 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.

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 need 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 is taking initiative to comply with Rule 711A of SGX-ST Listing Manual to issue its sustainability report.

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:

Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	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.

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.

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.

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. The Company also encourages Directors to attend continuing education 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.

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.

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 Board has examined its size, taking into account the scope and nature of the operations of the Group, and is satisfied that the present size of seven (7) Directors, is appropriate in facilitating effective decision-making. Board members comprise of 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 of individuals dominates the Board's decision making.

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.

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.

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 Non-Executive Chairman schedules board meetings when necessary and set the board meeting agenda in consultation with the CEO and Chief Financial Officer ("CFO"). He ensures that the Board members are provided with complete, adequate and timely information. The Non-Executive Chairman also assists in ensuring compliance with the Group's guidelines on corporate governance. The CEO assumes responsibilities for the Group's business and is accountable to the Board.

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.

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 Director 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. The NC having considered the guidelines set out in the Code, 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.

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, 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. 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. The NC has recommended the re-election of Mr Tam Wai, Mr Ho Nee Kit and Mr Hew Lien Lee as Directors of the Company at the forthcoming AGM to be held on 26 April 2018. 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 Tam Wai and Mr Hoo Nee Kit who are also substantial shareholders each holding 12.88% 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 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
Mr Ching Heng Yang	10/12/1980	28/04/2017	Vice Chairman, Executive Director	–	Present: 1. LCTH Corporation Berhad	–
Mr Tam Wai	10/12/1980	26/04/2016	Executive Director	–	Present: 1. LCTH Corporation Berhad	–
Mr Ho Nee Kit	10/12/1980	26/04/2016	Executive Director	–	Present: 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

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	30/04/2015	CEO and Executive Director	–	Present: 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

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 complied results of the assessment are reviewed by the NC. The performance of each individual Director is taken into account in their re-election.

The NC was of the view that the performance of the Board as a whole was satisfactory 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.

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 expenses to enable them to discharge their duties. The 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 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.

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 three (3) founding Executive Directors comprises a base fee, a base salary, an annual wage supplement (AWS) and a profit sharing bonus. The remuneration for the other Executive Director comprises a base fee, a base salary, allowances, annual and profit sharing bonuses. 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.

All the four (4) Executive Directors have service contracts for a fixed period of one year which are subject to renewal annually. The RC had reviewed and recommended to the Board the renewal of the contracts of the four (4) Executive Directors for a further term of one year, from 1 January 2018 to 31 December 2018. The Board approved all the above renewals.

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 29 of the Audited Financial Statements for FY2017, the Company does not provide any other termination, retirement and post-employment benefits to the Directors, the CEO and key management personnel.

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 key management personnel 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	3.4	71.2	20.6	4.8	100.0
Tam Wai	3.4	70.7	20.4	5.5	100.0
Ho Nee Kit	3.7	70.5	20.3	5.5	100.0
S$500,000 to S$749,999					
Hew Lien Lee	4.5	60.1	23.1	12.3	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$3,400,000 for FY2017.

Name of Top Five Key Management Personnel	Salary %	Bonus %	Allowances and Benefits %	Total %
S$250,000 to S$499,999				
Bee Hoek Chau	71.4	28.6	–	100.0
Hee Siew Fong	78.3	16.6	5.1	100.0
Ong Kang Lye	61.7	30.8	7.5	100.0
Below S$250,000				
Cheong Hock Yan	78.6	6.6	14.8	100.0
Tan Lay Kheng	76.2	17.5	6.3	100.0

The remuneration of the top five key management personnel (who are not directors or the CEO) in bands of S$250,000 is presented above.

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$1,357,000 for FY2017.

None of the Directors and the key management personnel of the Company has received any termination, retirement and post-employment benefits for FY2017.

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 the financial year ended 31 December 2017.

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 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.

The internal auditor conducts annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance 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 quarterly. 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 report 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 various management controls put in place and the 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.

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, who are Independent Non-Executive Directors. The Chairman of the AC is Dr John Chen Seow Phun.

All AC members have relevant accounting and financial management experience.

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 the Company's Management at least once annually, which allows for a more open discussion on any issue of concern.

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 has in place a whistle-blowing framework where employees of the Group have access to the AC Chairman to raise concerns about improprieties. Details of this policy have been disseminated and contact details of the AC Chairman are made available to all employees of the Group. AC will carry out independent investigations on the complaints received and will report the outcome to the Board for appropriate actions to be taken.

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.

The AC has undertaken a review of the scope of audit and non-audit services provided by the external auditor and the objectivity of the external auditor on an annual basis, and is satisfied that all non-audit services provided by the external auditor would not, in the AC's opinion, affect the independence of the external auditor. 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 FY2017 amounted to S$169,000, S$151,000 and S$88,000 respectively. Non-audit fee paid/payable to KPMG LLP and other auditors amounted to S$17,000 and S$23,000 respectively in FY2017.

Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries for consolidation purposes except for 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 and LCTH Corporation Berhad is also listed on the Main Board of Bursa Malaysia Securities Berhad. The Company confirms that it is in compliance with Rule 715 of the SGX Listing Manual.

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

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.

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 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. 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 FY2017 subject to the shareholders' approval in the forthcoming AGM.

The Company has decided on 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 is 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.

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 of 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 for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. 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 external auditor is also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Shareholders are also informed of the rules and voting procedures governing general meetings.

The Company will prepare the detailed AGM minutes, which include comments and the questions received from shareholders, if any. The Company will be pleased to make these minutes 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. The Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Electronic polling may be considered in the near future.

The Company's Constitution allow a shareholder to appoint one (1) or two (2) proxies to attend and vote at general meetings in his/her stead. Nonetheless, under the revised Companies Act, a relevant intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified). 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.

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 to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;

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

(c) the Company and its officers must not deal in the Company's shares (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, 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.

In addition, the Company issues quarterly reminders to its Directors, officers and employees on such restrictions in dealings in listed securities of the Group.

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 2017.

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 the 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 at least 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 escalated 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 close to 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 FY2017.

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 – 3D printing, security-related, medical and green products. By keeping abreast of customers' developments and market trends, the Group continues to expand its business with existing customers, and penetrate new customer accounts/ product 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, cordial relationships with suppliers, as well as obtaining short term credit facilities from the banks. A certain level of cash and cash equivalent 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 efforts 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, to name a few. 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 ISO14000:2004 certified.

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 of key persons. Succession planning is also put in place to recruit and develop our employees to fill key business leadership positions in the Group.

LEASEHOLD AND INVESTMENT PROPERTIES

No.	Company Name	Location of the properties	Existing Use	Year of acquisition	Land Area/ Built-up Area	Percentage interest in property	Tenure
1	Fu Yu Corporation Limited	5 Tuas Drive 1 Singapore 638672	Warehouse, factory and office	1981	Land: 4,756 sq m Building: 5,179 sq m	100%	Leasehold for 60 years expiring on 15 Nov 2041
		7 Tuas Drive 1 Singapore 638674	Warehouse, factory and office	1981	Land: 4,756 sq m Building: 2,646 sq m	100%	Leasehold for 40 years expiring on 15 Nov 2021
		8 Tuas Drive 1 Singapore 638675	Warehouse, factory and office	1988	Land: 5,000 sq m Building: 3,606 sq m	100%	Leasehold for 56 years expiring on 31 Oct 2044
		9 Tuas Drive 1 Singapore 638676	Warehouse, factory and office	1981	Land: 4,755 sq m Building: 2,572 sq m	100%	Leasehold for 40 years expiring on 15 Nov 2021
		10 Tuas Drive 1 Singapore 638677	Warehouse, factory and office	1988	Land: 3,366 sq m Building: 3,334 sq m	100%	Leasehold for 56 years expiring on 31 Oct 2044
2	Classic Advantage Sdn Bhd	21 Jalan Teknologi 4 Taman Teknologi Johor 81400 Senai Johor Darul Takzim Malaysia	Warehouse, factory and office	2004	Land: 54,054 sq m Building: 12,728 sq m Investment properties: 15,700 sq m	100%	Leasehold for 60 years expiring on 31 Mar 2066
3	Fu Hao Manufacturing (M) Sdn Bhd	Plot 562 Mukim 1 Jalan Perusahaan Baru 1, Perai III Perai Industrial Estate 13600 Perai, Penang Malaysia	Warehouse, factory and office	1995	Land: 5,807 sq m Building: 4,865 sq m	100%	Leasehold for 60 years expiring on 11 Dec 2050
4	Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	89 Xing Nan Road Wuzhong Economic Skill Development Zone Suzhou, China 215128	Warehouse, factory and office	2006	Land: 58,847 sq m Building: 47,800 sq m	100%	Leasehold for 50 years expiring on 18 Mar 2054
5	Fu Yu Moulding & Tooling (Dongguan) Co., Ltd	Jing Fu Road, Xin Cheng Industry Area Heng Li Town, Dongguan, Guangdong China 523477	Warehouse, factory and office	1997	Land: 15,000 sq m Building: 21,110 sq m	100%	Leasehold for 50 years expiring on 14 Dec 2047
				2001	Land: 10,000 sq m Building: 18,890 sq m	100%	Leasehold for 50 years expiring on 17 May 2051

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 2017.

In our opinion:

(a) the financial statements set out on pages 63 to 118 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 2017 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; 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
Dr John Chen Seow Phun
Tan Yew Beng
Foo Say Tun

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of 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 Berhad		
– ordinary shares of RM0.20 each		
– interest held	300,000	300,000
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	18,000,000	–*

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 Berhad		
– ordinary shares of RM0.20 each		
– interest held	366,000	366,000
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	18,000,000	–*
Ho Nee Kit		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	96,999,225	96,999,225
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	369,120	369,120
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	18,000,000	–*
Tan Yew Beng		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	2,562,500	2,562,500
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	300,000	300,000

* NanoTechnology Manufacturing Pte Ltd was amalgamated with Fu Yu Corporation Limited on 28 February 2017.

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Hew Lien Lee		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	8,100,000	8,100,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	3,031,524	3,031,524
John Chen Seow Phun		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	1,000,000	1,000,000

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 interests in the Company between the end of the financial year and 21 January 2018.

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:

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

DIRECTORS' STATEMENT

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.

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.

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

16 March 2018

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 2017, 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 118.

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 Financial Reporting Standards in Singapore (FRSs) 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 2017 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.

<table>
<tr><td colspan="2">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)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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 judgment.

Management has estimated the recoverable amount of each cash generating unit (CGU) based on the higher of (i) value in use (VIU) considering appropriate revenue growth rate, gross profit margin, terminal value (for investment in subsidiaries and receivables from subsidiaries) and discount rate or (ii) fair value less cost to sell, determined by independent external valuers.</td><td>We reviewed management's assessment of impairment indicators and the appropriateness of management's determination of CGU.

For recoverable amounts measured based on VIU, our audit procedures included obtaining an understanding of the Group's budgeting process upon which the forecasts are based, and assessment of management's key assumptions used, including the projected revenue growth rate, projected gross profit margin, terminal value and discount rates. We compared the key assumptions used to external market data, where available, and historical performance achieved by the CGUs. We also performed stress testing on key assumptions to evaluate the sensitivity of the outcomes, taking into account the downside scenarios against reasonably plausible changes to the key assumptions.

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.</td></tr>
<tr><td colspan="2">Findings

The estimates used by management to determine recoverable amounts measured based on VIU were balanced.

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.</td></tr>
</table>

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 $1.7 million as at 31 December 2017. 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's key assumptions used in the forecast, including the projected revenue growth rate, projected gross profit margin and discount rates, 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.	

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 FRSs, 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.

- 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
16 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	45,954	47,703	12,593	12,175
Investment property	5	8,204	8,215	–	–
Subsidiaries	6	–	–	48,811	61,166
Joint venture	7	1,490	2,162	–	–
Deferred tax assets	8	1,727	2,100	–	–
		57,375	60,180	61,404	73,341
Current assets					
Inventories	9	17,646	15,968	2,742	1,958
Trade and other receivables	10	62,429	57,008	14,965	13,590
Tax recoverable		7	82	–	–
Short term investments	14	3,318	2,678	–	–
Cash and cash equivalents	13	95,437	105,632	43,576	36,002
		178,837	181,368	61,283	51,550
Total assets		236,212	241,548	122,687	124,891
Equity attributable to equity holders of the Company					
Share capital	15	102,158	102,158	102,158	102,158
Reserves	16	63,150	71,379	11,497	16,090
		165,308	173,537	113,655	118,248
Non-controlling interests		20,186	19,646	–	–
Total equity		185,494	193,183	113,655	118,248
Non-current liabilities					
Deferred tax liabilities	8	616	614	523	354
		616	614	523	354
Current liabilities					
Trade and other payables	18	47,482	45,376	8,362	6,289
Tax payable		2,620	2,375	147	–
		50,102	47,751	8,509	6,289
Total liabilities		50,718	48,365	9,032	6,643
Total equity and liabilities		236,212	241,548	122,687	124,891

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	19	194,973	198,561
Cost of sales		(161,656)	(166,130)
Gross profit		33,317	32,431
Other income	20	7,492	8,665
Selling and administrative expenses		(27,120)	(27,883)
Other operating (expenses)/income, net	21	(4,668)	1,604
Results from operating activities		9,021	14,817
Finance costs	22	(1)	–
Share of (loss)/profit of joint venture (net of tax)	7	(700)	94
Profit before income tax	23	8,320	14,911
Tax expense	24	(2,860)	(3,049)
Profit for the year		5,460	11,862
Profit for the year attributable to:			
Owners of the Company		4,477	10,539
Non-controlling interests		983	1,323
Profit for the year		5,460	11,862
Earnings per share			
Basic and diluted earnings per share	25	0.59 cents	1.40 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 $'000	2016 $'000
Profit for the year	5,460	11,862
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(875)	(3,765)
Items that will not be reclassified subsequently to profit or loss:		
Reclassification adjustment of foreign currency translation reserve to profit or loss arising from liquidation of subsidiaries	(110)	–
Other comprehensive income for the year (net of tax)	(985)	(3,765)
Total comprehensive income for the year	4,475	8,097
Total comprehensive income attributable to:		
Owners of the Company	3,066	7,183
Non-controlling interests	1,409	914
Total comprehensive income for the year	4,475	8,097

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	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 2016		102,158	140	6,561	789	(9,905)	78,324	178,067	19,677	197,744
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	10,539	10,539	1,323	11,862
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	(3,356)	–	(3,356)	(409)	(3,765)
Total comprehensive income for the year		–	–	–	–	(3,356)	10,539	7,183	914	8,097
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid to owners of the Company	30	–	–	–	–	–	(11,295)	(11,295)	–	(11,295)
Dividends paid to non-controlling interests	30	–	–	–	–	–	–	–	(1,363)	(1,363)
Acquisition of subsidiary from non-controlling interests	31	–	–	–	–	–	(418)	(418)	418	–
Total transactions with owners		–	–	–	–	–	(11,713)	(11,713)	(945)	(12,658)
Transfers between reserves										
Transfers to statutory reserve		–	–	1,055	–	–	(1,055)	–	–	–
At 31 December 2016		102,158	140	7,616	789	(13,261)	76,095	173,537	19,646	193,183

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	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 adjustment 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	30	–	–	–	–	–	(11,295)	(11,295)	–	(11,295)
Dividends paid to non-controlling interests	30	–	–	–	–	–	–	–	(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 CASH FLOWS

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit before income tax		8,320	14,911
Adjustments for:			
Depreciation of property, plant and equipment and investment property	4, 5	7,698	9,791
Reversal of impairment on property, plant and equipment	4	(238)	–
Gain on liquidation of subsidiaries	20	(51)	–
Finance costs	22	1	–
Interest income	20	(1,763)	(1,883)
Gain on disposal of property, plant and equipment	20	(285)	(340)
Property, plant and equipment written off	21	740	47
Share of loss/(profit) of joint venture (net of tax)	7	700	(94)
Unrealised foreign exchange (gain)/loss		(1,000)	1,229
		14,122	23,661
Changes in working capital:			
Inventories		(1,763)	(1,416)
Trade and other receivables		(5,855)	2,379
Trade and other payables		1,548	(286)
Cash from operating activities		8,052	24,338
Tax paid		(2,119)	(3,363)
Net cash from operating activities		5,933	20,975
Cash flows from investing activities			
Dividends from joint venture	7	–	374
Interest income received		1,763	1,883
Proceeds from disposal of property, plant and equipment		380	600
Purchase of property, plant and equipment		(5,520)	(6,988)
(Withdrawal)/Placement of short term investments		(571)	917
Net cash used in investing activities		(3,948)	(3,214)
Cash flows from financing activities			
Finance costs paid		(1)	–
Proceeds from short term borrowings		500	–
Repayment of short term borrowings and finance lease liabilities		(500)	–
Dividends paid to non-controlling interests of a subsidiary	30	(869)	(1,363)
Dividends paid to owners of the Company	30	(11,295)	(11,295)
Deposits pledged		(90)	(95)
Net cash used in financing activities		(12,255)	(12,753)
Net (decrease)/increase in cash and cash equivalents		(10,270)	5,008
Cash and cash equivalents at 1 January		102,602	99,939
Effect of exchange rate fluctuations on cash held		(80)	(2,345)
Cash and cash equivalents at 31 December	13	92,252	102,602

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 March 2018.

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 (FRS).

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 financial statements in conformity with FRSs 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

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 24 – provision for income tax and recoverability of deferred tax assets
- Note 27 – allowance for impairment of doubtful receivables

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 note:

- Note 5 – classification of investment property

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 27 – financial risk management

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and 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 average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented 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. 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 non-controlling interests. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

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 other comprehensive income, and are presented in the translation reserve in equity.

3.2 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

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 required to be 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.

Non-controlling interests 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 non-controlling interests' 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 non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (cont'd)

(i) Business combinations (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 non-controlling interest arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(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 non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(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 other comprehensive income 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.

When the Group's share of losses exceeds its interest in an equity-accounted 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (cont'd)

(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 investee. 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

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

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

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 (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

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.

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) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

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

Financial assets designated at fair value through profit or loss comprise short term investments in money market fund and trust funds.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are 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 are measured at amortised cost using the effective interest method, less any impairment losses.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or when they expire.

Financial assets and 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 offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liabilities category.

Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

These financial liabilities comprise trade and other payables.

(iii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

(iv) 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases

When entities within the Group are lessees of a finance lease

Leased assets in 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.

When entities within the Group are lessees of an operating lease

Other leases are operating leases and are not recognised in the Group's statement of financial position. Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

3.7 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss, including an interest in a joint venture, is 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 indicates that a loss event has 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 can be estimated reliably.

Objective evidence that financial assets are impaired can include 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 will 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 on a specific asset level.

An impairment loss in respect of a financial asset measured at amortised cost 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 against loans and receivables. Interest on the impaired asset continues to be recognised. 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 decreases 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories 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.

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 selling expenses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfer of risks and rewards vary depending on the individual terms of the sales agreement. For sales of products, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue recognition (cont'd)

Tooling contracts

Tooling revenue and costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the reporting date. The percentage of completion is measured by reference to the stage and progress of work performed, based on records maintained by the divisions. An expected loss on the construction contract is recognised as an expense when it is probable that total costs will exceed total contract revenue.

Tooling contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

When the total costs incurred on tooling contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is classified as amount due from customers for contract work. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers for contract work.

Rental income

Rental income receivable under operating leases is recognised in profit or loss 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.

3.12 Finance costs

Finance costs comprise interest expense on borrowings and finance leases. All borrowing costs are recognised in profit or loss. 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 Other operating income/expense

Other operating expense includes plant and equipment written off and allowance for doubtful receivables. 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 items recognised directly in equity or in other comprehensive income.

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.

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, 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 utilised. 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.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. 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 2017

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, which comprise share options granted to directors and employees.

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 Group's 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.

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 2016	75,729	239,618	2,273	12,463	10,808	340,891
Currency realignment	(1,753)	(4,741)	(54)	(261)	(283)	(7,092)
Additions	497	3,646	674	1,566	216	6,599
Disposals/Write-off	(65)	(7,117)	(339)	(2,142)	(74)	(9,737)
At 31 December 2016	74,408	231,406	2,554	11,626	10,667	330,661
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
Accumulated depreciation and accumulated impairment losses						
At 1 January 2016	42,039	225,475	1,713	11,158	8,107	288,492
Currency realignment	(959)	(4,218)	(41)	(226)	(252)	(5,696)
Depreciation for the year	2,440	5,555	255	643	699	9,592
Disposals/Write-off	(26)	(6,876)	(320)	(2,140)	(68)	(9,430)
At 31 December 2016	43,494	219,936	1,607	9,435	8,486	282,958
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
Carrying amounts						
At 1 January 2016	33,690	14,143	560	1,305	2,701	52,399
At 31 December 2016	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

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 2016	29,526	20,444	741	2,817	1,746	55,274
Additions	–	63	630	903	–	1,596
Disposals/Write-off	–	(2,159)	(242)	(1,131)	(26)	(3,558)
Transferred to subsidiaries	–	–	–	(1)	–	(1)
At 31 December 2016	29,526	18,348	1,129	2,588	1,720	53,311
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
Accumulated depreciation and accumulated impairment losses						
At 1 January 2016	19,823	18,722	532	2,693	1,435	43,205
Depreciation for the year	713	274	109	239	134	1,469
Disposals/Write-off	–	(2,158)	(222)	(1,131)	(26)	(3,537)
Transferred to subsidiaries	–	–	–	(1)	–	(1)
At 31 December 2016	20,536	16,838	419	1,800	1,543	41,136
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
Carrying amounts						
At 1 January 2016	9,703	1,722	209	124	311	12,069
At 31 December 2016	8,990	1,510	710	788	177	12,175
At 31 December 2017	7,695	2,923	1,229	611	135	12,593

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 or may have decreased. 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.

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	
	2017	**2016**
Value-in-use assumptions:		
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%

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

***Impairment loss* (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 are 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.

5 INVESTMENT PROPERTY

	Group $'000
Cost	
At 1 January 2016	10,178
Currency realignment	(210)
At 31 December 2016	9,968
At 1 January 2017	9,968
Currency realignment	204
At 31 December 2017	10,172
Accumulated depreciation	
At 1 January 2016	1,593
Depreciation for the year	199
Currency realignment	(39)
At 31 December 2016	1,753
At 1 January 2017	1,753
Depreciation for the year	175
Currency realignment	40
At 31 December 2017	1,968
Carrying amounts	
At 1 January 2016	8,585
At 31 December 2016	8,215
At 31 December 2017	8,204

5 INVESTMENT PROPERTY (CONT'D)

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 2017 amounts to approximately $9,653,000 (2016: $8,701,000) and has been determined based on valuation performed by an accredited independent valuer with recent experience in the location and category of investment property being valued. The valuation is 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 property does not differ from its 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.

6 SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Equity investments, at cost	89,078	116,403
Forgiveness of amounts due from a subsidiary	9,331	9,331
	98,409	125,734
Impairment losses	(77,778)	(100,024)
	20,631	25,710
Amounts due from subsidiaries	36,393	48,646
Impairment losses	(8,213)	(13,190)
	28,180	35,456
	48,811	61,166

Certain amounts due from subsidiaries were in substance part of the shareholders' net investments in the entities as the settlement of these amounts are neither planned nor likely to occur in the foreseeable future. Accordingly, these balances are classified as quasi-equity investment in subsidiaries and are stated at cost.

6 SUBSIDIARIES (CONT'D)

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 or may have decreased. Accordingly, the Company performed an assessment of the recoverable amount of its investments in subsidiaries and its receivables from these subsidiaries. The recoverable amounts of investments and receivables from these subsidiaries were estimated based on the higher of fair value less cost to sell and value-in-use.

The approach to determine the recoverable amounts of investments and receivables from subsidiaries is categorised as follows:

- Investments and receivables from 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 and receivables from subsidiaries 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 and receivables from 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, an additional net impairment loss of $2,261,000 (2016: $4,913,000) was recognised in profit or loss. The recoverable amount of the CGUs based on fair value less cost to sell approach was $27,110,000 (2016: $25,069,000). 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 and amounts due from subsidiaries during the year are as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
At 1 January	113,214	110,718
Impairment loss during the year	2,261	4,913
Impairment written off	(29,484)	(2,417)
At 31 December	85,991	113,214

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 2017 %	2016 %
Held by the Company:			
Fu Yu Investment Pte Ltd[1]	Singapore	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
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd[3]	People's Republic of China	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
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd[5]	People's Republic of China	100	100
Fu Yu International Enterprise Limited[6]	Hong Kong	100	100
Fu Yu Trading Limited[6]	Hong Kong	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
Held through Fu Yu Investment Pte Ltd:			
LCTH Corporation Berhad[8]	Malaysia	70.64	70.64
Held through LCTH Corporation Berhad:			
Fu Hao Manufacturing (M) Sdn Bhd[8]	Malaysia	70.64	70.64
Classic Advantage Sdn Bhd[8]	Malaysia	70.64	70.64

[#] Fu Yu Electronics (Dongguan) Co., Ltd and Fu Yu Moulding & Tooling (Wujiang) Co., Ltd were liquidated in 2017
[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 Chengdu Si Hai Lian He CPA Limited (2016: Wongga Partners Certified Public Accounts (SZ) General Partner)
[8] Audited by Ernst & Young, Malaysia

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 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.

6 SUBSIDIARIES (CONT'D)

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

LCTH Corporation Berhad and its subsidiaries

	2017 $'000	2016 $'000
Revenue	35,960	37,936
Profit for the year	3,350	4,843
Other comprehensive income	–	–
Total comprehensive income	3,350	4,843
Attributable to NCI:		
– Profit for the year	983	1,422
– Other comprehensive income	–	–
Total comprehensive income attributable to NCI	983	1,422
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	5,748
Cash flows used in investing activities	(2,025)	3,135
Cash flows used in financing activities (dividends to NCI: $869,000)	(2,891)	(4,810)
Net increase in cash and cash equivalents	(2,126)	4,073

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. The accounting model applied is equity model. Details of the joint venture are as follows:

Name of company	Country of incorporation/ Place of business	Effective equity interest held by the Group 2017 %	2016 %
Berry Plastics Malaysia Sdn Bhd*	Malaysia	28.26	28.26

* Audited by PricewaterhouseCoopers, Malaysia.

7 JOINT VENTURE (CONT'D)

The joint venture is held through its subsidiary, 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 FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies:

	2017 $'000	2016 $'000
Revenue	647	3,809
(Loss)/Profit after income tax#	(1,749)	234
Other comprehensive income	–	–
Total comprehensive income	(1,749)	234
Assets and liabilities		
Non-current assets	1,373	384
Current assets^	2,665	5,436
Current liabilities	(313)	(415)
Net assets	3,725	5,405
Group's interest in net assets of investee at beginning of the year	2,162	2,484
Share of total comprehensive income	(700)	94
Dividends from joint venture	–	(374)
Currency realignment	28	(42)
Carrying amount of interest in investee at end of the year	1,490	2,162

\# Includes:
- depreciation of $201,000 (2016: $504,000)
- impairment on property, plant and equipment of $67,000 (2016: $Nil)
- interest income of $46,000 (2016: $52,000)
- income tax expense of $85,000 (2016: $45,000)

^ Includes cash and cash equivalents of $2,015,000 (2016: $4,455,000).

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 1/1/2016 $'000	Recognised in profit or loss (Note 24) $'000	Exchange differences $'000	At 31/12/2016 $'000	Recognised in profit or loss (Note 24) $'000	Exchange differences $'000	At 31/12/2017 $'000
Group							
Deferred tax assets							
Employee benefits	25	1	–	26	9	–	35
Others	534	(141)	(24)	369	86	(5)	450
Tax loss carry-forward	2,977	(542)	(42)	2,393	(161)	39	2,271
	3,536	(682)	(66)	2,788	(66)	34	2,756
Deferred tax liabilities							
Property, plant and equipment	(1,981)	665	14	(1,302)	(326)	(17)	(1,645)

	2017 $'000	2016 $'000
Company		
Deferred tax assets		
Employee benefits	36	26
Tax loss carry-forward	251	–
	287	26
Deferred tax liabilities		
Property, plant and equipment	(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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets	1,727	2,100	–	–
Deferred tax liabilities	616	614	523	354

Based on the cash flows forecast prepared as described in note 4, 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.

8 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

As at 31 December, 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	
	2017	2016
	$'000	$'000
Unutilised capital allowances	–	534
Unutilised tax losses	27,768	31,591
Unutilised investment allowances	2,978	2,978
Temporary differences	–	(1,124)
	30,746	33,979

Other than tax losses arising from China subsidiaries of $21,912,000 (2016: $22,720,000) which will expire between 2018 and 2022 (2016: 2017 and 2021), the remaining tax losses, capital allowances, export and reinvestment allowances and temporary differences do not expire under current tax legislation. Unutilised tax losses of $2 million (2016: $2 million) expired and forfeited during the financial year.

Unrecognised temporary differences relating to investments in subsidiaries

At the reporting date, a deferred tax liability of $244,000 (2016: $247,000) for temporary differences of $4,887,000 (2016: $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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Raw materials	8,363	7,923	1,486	954
Work-in-progress	1,192	750	58	50
Finished goods	8,091	7,295	1,198	954
	17,646	15,968	2,742	1,958

9 INVENTORIES (CONT'D)

Movements in the allowance for stock obsolescence are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
At 1 January	1,117	1,185	145	211
Allowance made	355	513	–	–
Allowance reversed	(230)	(295)	(67)	(66)
Allowance utilised	(109)	(260)	(48)	–
Amalgamation	–	–	83	–
Currency realignment	1	(26)	–	–
At 31 December	1,134	1,117	113	145

In 2017, the amount of inventories recognised as an expense for the Group amounted to $161,656,000 (2016: $166,130,000).

10 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Trade receivables		60,010	54,381	9,800	7,245
Allowance for impairment of doubtful receivables		(4,637)	(4,820)	(1)	(6)
Net trade receivables		55,373	49,561	9,799	7,239
Other receivables		742	757	62	95
Allowance for impairment of doubtful other receivables		–	(71)	–	(63)
Net other receivables		742	686	62	32
Amounts due from subsidiaries	11	–	–	3,817	5,153
Deposits		1,079	849	8	322
		57,194	51,096	13,686	12,746
Prepayments		825	631	84	78
Advances to suppliers		980	1,633	95	96
Amounts due from customers for contract work	12	3,430	3,648	1,100	670
		62,429	57,008	14,965	13,590

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 27.

11 AMOUNTS DUE FROM SUBSIDIARIES

	Note	Company 2017 $'000	Company 2016 $'000
Amounts due from subsidiaries			
– trade		343	105
– non-trade		3,474	5,048
	10	3,817	5,153

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances. The Company's exposure to credit risk is disclosed in note 27.

12 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Contract costs incurred to date		11,499	10,673	3,968	2,616
Recognised profits to date		2,230	3,424	688	354
		13,729	14,097	4,656	2,970
Progress billings		(11,619)	(10,968)	(4,228)	(2,322)
Amounts due from customers, net		2,110	3,129	428	648
Gross amounts due from customers for contract work	10	3,430	3,648	1,100	670
Gross amounts due to customers for contract work	18	(1,320)	(519)	(672)	(22)
		2,110	3,129	428	648

13 CASH AND CASH EQUIVALENTS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Cash at bank and in hand	23,867	33,728	7,621	4,660
Deposits with banks	71,570	71,904	35,955	31,342
Cash and cash equivalents	95,437	105,632	43,576	36,002
Deposits pledged	(3,185)	(3,030)		
Cash and cash equivalents in the consolidated statement of cash flows	92,252	102,602		

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

13 CASH AND CASH EQUIVALENTS (CONT'D)

Deposits with financial institutions mature on varying periods within 12 months (2016: 12 months) from the financial year end. Effective interest rates range from 0.4% to 3.9% (2016: 0.2% to 3.9%) per annum.

Cash and bank balances totalling the equivalent of $15,621,000 (2016: $31,046,000) are held in a country which operates foreign exchange controls.

14 SHORT TERM INVESTMENTS

The short term investments refer to funds deposited with quoted trust fund and money market funds. The investments are designated at fair value through profit or loss and is categorised as level 1 under the fair value hierarchy.

15 SHARE CAPITAL

	Group and Company	
	2017	**2016**
	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, merger reserve and foreign currency translation reserve ("net equity"); and

– Gearing ratio.

15 SHARE CAPITAL (CONT'D)

***Capital management* (cont'd)**

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Net equity	179,191	186,009	114,291	117,459
Gearing ratio	28.3%	26.0%	7.9%	5.7%

The Group and the Company have complied with the externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

In addition, as disclosed in note 16, 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 2017 and 31 December 2016.

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.

16 RESERVES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	140	140	–	–
Statutory reserve	7,997	7,616	–	–
Revaluation reserve	789	789	789	789
Merger reserve	–	–	(1,425)	–
Foreign currency translation reserve	(14,672)	(13,261)	–	–
Retained earnings	68,896	76,095	12,133	15,301
	63,150	71,379	11,497	16,090

The capital reserve comprises negative goodwill arising from acquisition of remaining interest in a subsidiary from non-controlling interests written off against shareholder's equity.

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16 RESERVES (CONT'D)

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 NanoTechnology Manufacturing Pte Ltd ("NTM") and SolidMicron Technologies Pte Ltd ("SMT") ("amalgamated subsidiaries") into the Company. It represents (1) retained earnings of the amalgamated subsidiaries, (2) the difference between the Companies' 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.

17 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.

The effect of the amalgamation is set out below:

	NTM 2017 $'000	SMT 2017 $'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.

17 MERGER RESERVE (CONT'D)

	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

18 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Trade payables		23,694	22,888	3,300	2,283
Accrued expenses		10,150	9,461	3,282	2,864
Amounts payable for purchase of property, plant and equipment		1,229	360	119	22
Other payables		9,394	10,290	710	416
Amounts due to subsidiaries:					
– trade		–	–	112	363
– non-trade		–	–	2	2
Deposits		1,535	1,747	5	206
		46,002	44,746	7,530	6,156
Advance billings		160	111	160	111
Amounts due to customers for contract work	12	1,320	519	672	22
		47,482	45,376	8,362	6,289

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.

19 REVENUE

	Group	
	2017	2016
	$'000	$'000
Sale of goods	174,703	178,450
Revenue from tooling contracts	20,270	20,111
	194,973	198,561

20 OTHER INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
Interest income	1,763	1,883
Rental income	3,977	4,370
Gain on disposal of property, plant and equipment	285	340
Sale of scrap and raw materials	697	706
Gain on liquidation of subsidiaries	51	–
Government grants	55	598
Others	664	768
	7,492	8,665

Included in rental income is sublease income of $2,804,000 (2016: $2,865,000).

The government grant compensates a subsidiary of the Group for expenses incurred and is recognised directly in profit or loss. The grant was conditional that the subsidiary operates in specific industries designated by local government.

21 OTHER OPERATING (EXPENSES)/INCOME, NET

	Group	
	2017	**2016**
	$'000	**$'000**
Foreign exchange (loss)/gain, net	(4,209)	1,659
Reversal of allowance for impairment of trade receivables	94	–
Reversal of impairment on property, plant and equipment	238	–
Others	13	–
Other operating (expenses)/income	(3,864)	1,659
Property, plant and equipment written off	(740)	(47)
Allowance made for doubtful receivables	(64)	(8)
Other operating expense	(804)	(55)
Other operating (expenses)/income, net	(4,668)	1,604

22 FINANCE COSTS

	Group	
	2017	**2016**
	$'000	**$'000**
Interest expense		
– bank loans	1	–

23 PROFIT BEFORE INCOME TAX

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

	Note	Group 2017 $'000	Group 2016 $'000
Directors of the Company			
– fees		357	331
– salaries, bonuses and other costs		3,231	3,199
– contributions to defined contribution plans		58	66
Directors of subsidiaries			
– fees		82	92
– salaries, bonuses and other costs		12	12
Audit fees paid or payable to			
– auditors of the Company		169	148
– overseas affiliates of the auditors of the Company		151	158
– other auditors		88	103
Non-audit fees paid or payable to			
– auditors of the Company		17	–
– other auditors		23	22
Depreciation of property, plant and equipment and investment property	4, 5	7,698	9,791
Staff costs, excluding directors of the Company and subsidiaries			
– salaries, bonuses and other costs		45,179	45,628
– contributions to defined contribution plans		6,019	6,297
Operating lease expenses		5,103	5,107
Operating expenses incurred in relation to investment property		196	223

24 TAX EXPENSE

	Group 2017 $'000	Group 2016 $'000
Current tax expense		
Current year	1,912	2,480
Group tax relief	–	(350)
Withholding taxes	551	732
Under provision in prior years	5	170
	2,468	3,032
Deferred tax expense		
Movements in temporary differences	952	1,084
Recognition of tax effect of previously unrecognised tax losses	(251)	(554)
Overprovision in prior years	(309)	(513)
	392	17
Tax expense	2,860	3,049
Reconciliation of effective tax rate		
Profit before income tax	8,320	14,911
Tax calculated using Singapore tax rate of 17% (2016: 17%)	1,414	2,535
Effect of different tax rates in foreign jurisdictions	5	(284)
Tax exempt income	(704)	(687)
Non-deductible expenses	2,203	531
Tax incentives	(196)	(403)
Recognition of tax effect of previously unrecognised tax losses	(251)	(554)
Utilisation of capital allowances, reinvestment allowances and tax losses previously not recognised	(418)	(186)
Overprovision in prior years	(304)	(343)
Current year tax losses and capital allowances for which no deferred tax asset was recognised	447	2,098
Withholding taxes	551	732
Group tax relief	–	(350)
Others	113	(40)
	2,860	3,049

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% (2016: 24%) during the year.

24 TAX EXPENSE (CONT'D)

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%.

25 EARNINGS PER SHARE

	Group	
	2017	**2016**
	$'000	**$'000**
Basic and diluted earnings per share is based on profit attributable to ordinary shareholders	4,477	10,539

	Number of shares 2017	**Number of shares 2016**
Weighted average number of ordinary shares (basic and diluted)	752,994,775	752,994,775
Basic and diluted earnings per share (cents)	0.59	1.40

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

26 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, (impairment loss)/reversal of impairment loss on property, plant and equipment, finance cost and net foreign exchange gain 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 $43,256,000 (2016: $49,414,000) relates to two (2016: two) external customers with revenue in excess of 10% of Group's revenue. This revenue relates to Singapore, Malaysia and China segments.

26 OPERATING SEGMENTS (CONT'D)

Geographical segments

	Singapore		China		Malaysia		Total operations before adjustment		Group adjustment and eliminations		Total operations	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue and expenses												
Total external revenue	40,958	39,079	118,180	121,899	35,835	37,583	194,973	198,561	–	–	194,973	198,561
Inter-segment revenue	409	403	113	–	125	353	647	756	(647)	(756)	–	–
Segment profit before income tax*	16,527	19,962	6,141	12,928	7,494	6,947	30,162	39,837	(9,234)	(16,888)	20,928	22,949
Depreciation of property, plant and equipment and investment property	(2,148)	(2,252)	(3,899)	(5,912)	(1,790)	(1,728)	(7,837)	(9,892)	139	101	(7,698)	(9,791)
Finance cost	(1)	–	–	–	–	–	(1)	–	–	–	(1)	–
Foreign exchange (loss)/gain (net)	(4,705)	1,069	(384)	(495)	(796)	399	(5,885)	973	1,676	686	(4,209)	1,659
	9,673	18,779	1,858	6,521	4,908	5,618	16,439	30,918	(7,419)	(16,101)	9,020	14,817
Share of (loss)/profit of joint venture (net of tax)	–	–	–	–	(700)	94	(700)	94	–	–	(700)	94
Profit before income tax											8,320	14,911
Tax expense											(2,860)	(3,049)
Net profit for the year											5,460	11,862
Other segment information												
Non-current assets	60,177	70,304	18,214	20,227	25,036	25,370	103,427	115,901	(47,779)	(57,821)	55,648	58,080
Unallocated assets											1,727	2,100
Total non-current assets											57,375	60,180
Capital expenditure	1,391	1,815	2,528	3,836	2,464	948	6,383	6,599	–	–	6,383	6,599
Interest income	402	241	275	494	1,086	1,148	1,763	1,883	–	–	1,763	1,883
Segment reporting assets	125,580	126,568	89,124	103,902	75,552	73,686	290,256	304,156	(55,778)	(64,790)	234,478	239,366
Unallocated assets											1,734	2,182
Total assets											236,212	241,548
Segment reporting liabilities	8,375	6,912	38,242	37,201	7,883	7,375	54,500	51,488	(7,018)	(6,112)	47,482	45,376
Unallocated liabilities											3,236	2,989
Total liabilities											50,718	48,365

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

27 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 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* at the reporting date by geographical areas is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	10,069	8,401	6,980	8,789
China	29,024	28,727	1,552	965
Malaysia	8,227	7,364	1,114	387
United States	2,624	2,415	168	228
Hong Kong	165	556	2,475	1,856
Others	7,085	3,633	1,397	521
	57,194	51,096	13,686	12,746

* Excludes prepayments, advances to suppliers and amounts due from customers for contract work

At the reporting date, there is a concentration of credit risk relating to two (2016: two) major customers with outstanding receivable balance of approximately $12,863,000 (2016: $14,778,000) and $4,109,000 (2016: $3,732,000) at the Group and Company respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the statement of financial position.

The ageing analysis of trade and other receivables* is as follows:

	2017		2016	
	Gross	**Impairment loss**	**Gross**	**Impairment loss**
	$'000	**$'000**	**$'000**	**$'000**
Group				
No credit terms	1,079	–	849	–
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
	61,831	4,637	55,987	4,891

* Excludes prepayments, advances to suppliers and amounts due from customers for contract work

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

	2017		2016	
	Gross	Impairment loss	Gross	Impairment loss
	$'000	$'000	$'000	$'000
Company				
No credit terms	9	–	322	–
Not past due	5,598	–	4,942	–
Past due 1 to 30 days	3,367	–	2,468	–
Past due 31 to 90 days	1,215	–	667	–
Past due more than 90 days	3,498	1	4,416	69
	13,687	1	12,815	69

Movements in the allowance for impairment loss in respect of trade receivables during the year are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
At 1 January	4,820	8,025	6	6
Impairment loss recognised	64	8	–	–
Allowance utilised	(87)	(2,860)	(5)	–
Impairment loss reversed	(94)	–	–	–
Currency realignment	(66)	(353)	–	–
At 31 December	4,637	4,820	1	6

Movements in the allowance for impairment loss in respect of other receivables during the year are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
At 1 January	71	71	63	63
Amounts written off	(71)	–	(63)	–
At 31 December	–	71	–	63

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* in determining when a financial asset is impaired. This determination requires significant judgement. The Group evaluates among other factors, the financial health, repayment history and near-term business outlook of the financial assets, including factors such as industry and sector performance. The Group believes that no additional impairment allowance, other than those specially identified, is necessary in respect of trade and other receivables. These receivables are mainly arising from customers that have a good payment record with the Group.

27 FINANCIAL RISK MANAGEMENT (CONT'D)

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				
2017				
Trade and other payables#	46,002	46,002	46,002	–
2016				
Trade and other payables#	44,746	44,746	44,746	–
Company				
2017				
Trade and other payables#	7,530	7,530	7,530	–
2016				
Trade and other payables#	6,156	6,156	6,156	–

Excludes advance billings and amounts due to customers for contract work

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.

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk

At the reporting date, the interest rate profiles of the Group's interest-bearing financial instruments were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial assets	71,570	71,904	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.

Sensitivity analysis

An increase of 25 (2016: 25) basis points in interest rates at the reporting date would have increased profit for the year by $179,000 (2016: $180,000) and $90,000 (2016: $78,000) 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 (2016: 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	
	2017	**2016**	**2017**	**2016**
	US dollar $'000	**US dollar $'000**	**US dollar $'000**	**US dollar $'000**
Trade and other receivables	80,107	168,955	9,473	7,522
Cash and cash equivalents	51,517	36,044	42,473	17,307
Trade and other payables	(47,733)	(141,550)	(2,150)	(1,615)
	83,891	63,449	49,796	23,214

27 FINANCIAL RISK MANAGEMENT (CONT'D)

***Foreign currency risk* (cont'd)**

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 $839,000 (2016: $634,000) and decrease the Company's profit before income tax by approximately $498,000 (2016: $232,000). 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 2016.

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 fair value through profit or loss $'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
31 December 2016				
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

27 FINANCIAL RISK MANAGEMENT (CONT'D)

***Accounting classification and fair values* (cont'd)**

	Loans and receivables	Other financial liabilities	Total carrying amount
	$'000	$'000	$'000
Company			
31 December 2017			
Trade and other receivables+	13,686	–	13,686
Cash and cash equivalents	43,576	–	43,576
Trade and other payables#	–	(7,530)	(7,530)
	57,262	(7,530)	49,732
31 December 2016			
Trade and other receivables+	12,746	–	12,746
Cash and cash equivalents	36,002	–	36,002
Trade and other payables#	–	(6,156)	(6,156)
	48,748	(6,156)	42,592

\+ Excludes prepayments, advances to suppliers and amounts due from customers for contract work
\# Excludes advance billings and amounts due to customers for contract work

28 COMMITMENTS

Capital expenditure commitments

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Capital expenditure contracted for as at the reporting date but not recognised in the financial statements	3,726	825	180	–

28 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 $2,823,000 (2016: $2,815,000) are expected to be received within 1 year. The subsequent payments of $3,851,000 (2016: $6,568,000) 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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Payable:				
Within 1 year	4,954	5,023	673	856
After 1 year but within 5 years	9,225	14,395	1,632	2,765
After 5 years	4,354	4,496	4,354	4,496
	18,533	23,914	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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Receivable:				
Within 1 year	800	1,297	28	589
After 1 year but within 5 years	948	1,568	–	28
	1,748	2,865	28	617

29 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	
	2017	**2016**
	$'000	**$'000**
Directors' fees	357	331
Short term employee benefits	4,532	3,912
Contributions to defined contribution plans	116	116
	5,005	4,359
Comprise amounts paid/payable to:		
– directors of the Company	3,646	3,596
– key executives	1,359	763
	5,005	4,359

Other related party transactions

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Rental income from a joint venture	414	430
Dividend from a joint venture	–	374

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

30 DIVIDENDS

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Paid by the Company to owners of the Company		
An interim dividend of 0.25 cents (2016: 0.25 cents) per qualifying ordinary share	1,882	1,882
Second interim dividend of 0.25 cents (2016: 0.25 cents) per qualifying ordinary share	1,883	1,883
Final dividend of 1.0 cents (2016: 1.0 cents) per qualifying ordinary share	7,530	7,530
	11,295	11,295

	Group	
	2017	**2016**
	$'000	**$'000**
Paid by a subsidiary to NCI		
An interim dividend of RM0.5 cents (2016: RM0.5 cents) per qualifying ordinary share	174	171
Second interim dividend of RM0.5 cents (2016: RM0.5 cents) per qualifying ordinary share	174	170
Final dividend of RM1.5 cents (2016: RM3.0 cents) per qualifying ordinary share	521	1,022
	869	1,363

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	
	2017	**2016**
	$'000	**$'000**
Proposed by the Company to owners of the Company		
A final dividend of 1.0 cents (2016: 1.0 cents) per qualifying ordinary share	7,530	7,530

	Group	
	2017	**2016**
	$'000	**$'000**
Proposed by a subsidiary to NCI		
A final dividend of RM Nil (2016: RM1.5 cents) per qualifying ordinary share	–	512

31 ACQUISITION OF NON-CONTROLLING INTERESTS

In May 2016, the Company acquired an additional 20% interest in NanoTechnology Manufacturing Pte Ltd ("NTM") for cash consideration of $1, increasing its ownership interests from 80% to 100%. The carrying amount of NTM's net liabilities in the Group's financial statements on the date of the acquisition was $8,214,000. The Group recognised a decrease in both NCI and retained earnings of $418,000, resulting in a net decrease in equity attributable to owners of the Group of $418,000.

	Group 2016 $'000
Carrying amount of NCI acquired	(418)
Consideration paid to NCI	*
Decrease in equity attributable to owners of the Group	(418)

* Less than $1,000

32 FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS

Applicable to 2018 financial statements

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, or are in the process of issuing, 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.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply 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 the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by the IASB in September 2016;

32 FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to 2018 financial statements (cont'd)

- 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 1 – *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 Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements.

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

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 plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

32 FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 15 (cont'd)

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of SFRS(I) 15.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively. The Group and the Company plans to adopt the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment.

Impairment

SFRS(I) 9 replaces the current incurred loss model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group intends to apply the simplified approach and record lifetime ECL on all trade and other receivables, and any contract assets arising from the application of SFRS(1) 15.

The Group does not expect the possible increase in impairment for trade and other receivables as at 1 January 2018 with the adoption of SFRS(1) 9 to have significant impact on the financial statements, and is currently finalising the testing of its expected credit loss model.

32 FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to 2019 financial statements and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) 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)

Mandatory effective date 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 is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements.

33 SUBSEQUENT EVENTS

The Company, on behalf of its wholly owned subsidiary Fu Yu Investment Pte Ltd, has submitted an offer to LCTH Corporation Berhad ("LCTH") to undertake a selective capital reduction and repayment exercise ("SCR"). Under the proposed exercise, the minority shareholders will receive a total cash payment of Ringgit Malaysia 61,309,000 (approximately $20,290,000) which represents a cash amount of RM0.58 per LCTH share. The SCR has been approved in a Special Resolution by the LCTH Shareholders on 8 March 2018. The application to the High Court of Malaya to seek the confirmation for the reduction of share capital under Section 116 of the Companies Act 2016 in Malaysia will be lodged in due course.

STATISTICS OF SHAREHOLDINGS

As at 12 March 2018

Class of equity securities	:	Ordinary shares
Number of equity securities	:	752,994,775 ordinary shares
Voting rights	:	one vote per share

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	51	0.78	1,889	0.00
100 – 1,000	329	5.05	162,173	0.02
1,001 – 10,000	3,016	46.31	15,005,512	1.99
10,001 – 1,000,000	3,077	47.24	194,298,099	25.81
1,000,001 AND ABOVE	40	0.62	543,527,102	72.18
TOTAL	**6,513**	**100.00**	**752,994,775**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2018

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Ho Nee Kit	96,999,225	12.88	–	–
Tam Wai[1]	96,715,475	12.84	300,000	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 in the name of his spouse.

STATISTICS OF SHAREHOLDINGS

As at 12 March 2018

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	52,871,450	7.02
5	CITIBANK NOMINEES SINGAPORE PTE LTD	26,626,000	3.54
6	PHILLIP SECURITIES PTE LTD	25,423,125	3.38
7	RAFFLES NOMINEES (PTE) LIMITED	20,238,850	2.69
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	16,203,481	2.15
9	MAYBANK KIM ENG SECURITIES PTE LTD	13,841,813	1.84
10	OCBC SECURITIES PRIVATE LIMITED	13,679,189	1.82
11	UOB KAY HIAN PRIVATE LIMITED	9,018,750	1.20
12	HEW LIEN LEE	8,100,000	1.08
13	HONG LEONG FINANCE NOMINEES PTE LTD	6,510,500	0.86
14	2G CAPITAL PTE LTD	6,000,000	0.80
15	JEREMY LEE SHENG POH	6,000,000	0.80
16	LIM HOE KOK	5,000,000	0.66
17	LOH TEE YANG	4,888,800	0.65
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,702,050	0.62
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,403,760	0.58
20	LIANG KIM TEE	3,933,000	0.52
	TOTAL	**510,120,943**	**67.74**

As at 12 March 2018, 60.87% of the issued share capital 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 Thursday, 26 April 2018 at 2.00 p.m. for the purposes of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditors' Report thereon.

(Resolution 1)

2. To approve the payment of a tax exempt (one-tier) final dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2017 as recommended by the Directors.

(Resolution 2)

3. To re-elect the following Directors retiring pursuant to Article 91 of the Constitution of the Company:

   (a) Mr Tam Wai **(Resolution 3)**
   [see explanatory note (i)]

   (b) Mr Ho Nee Kit **(Resolution 4)**
   [see explanatory note (i)]

   (c) Mr Hew Lien Lee **(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 2018, payable quarterly in arrears (2017: 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)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

6. **Ordinary Resolution: Authority to allot and issue shares**

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of 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) securities, 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

(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 (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 existing 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 (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(2) (subject to such manner of calculation as may be prescribed by the 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 is based on the Company's total number of issued Shares excluding treasury shares 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 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

(4) (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)

7. To transact any other business which may properly be transacted at an AGM.

By Order of the Board

Tan Wee Sin
Kong Wei Fung
Joint Company Secretaries

Singapore

Dated: 3 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The detailed information of Mr Tam Wai, Mr Ho Nee Kit and Mr Hew Lien Lee can be found under the section entitled "Board of Directors" and pages 8 and 9 of the Annual Report. There are no relationships (including immediate family relationships) between these Directors and the other Directors and the Company.

(ii) **Ordinary Resolution 8** proposed in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next AGM to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "AGM") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. Where a member (other than a Relevant Intermediary) appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing the proxies.

3. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to different share or shares held by him (which number and class of shares shall be specified).

   "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 license 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 the intermediary pursuant to the or in accordance with that subsidiary legislation.

4. 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.

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 forty-eight (48) hours before the time appointed for holding the AGM.

6. 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 or under the hand of an officer or attorney duly authorised. 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.

7. 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, Chapter 50 of Singapore.

8. 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN, subject to the shareholders' approval to the proposed final dividend at the forthcoming Annual General Meeting ("AGM"), the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2018 at 5.00 p.m. for the purpose of determining the entitlement of shareholders of the Company. Duly completed transfers in respect of Shares 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 11 May 2018 will be registered to determine Shareholders' entitlements to the proposed tax exempt (one-tier) final dividend. The tax exempt (one-tier) final dividend of 1.0 cent per ordinary share, if approved at the AGM, will be paid on 23 May 2018.

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) for the purpose of the processing and administration by the Company (or its agents) 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) 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), 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) 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.

FU YU CORPORATION LIMITED

Company Registration No. 198004601C
(Incorporated In The Republic of Singapore)

Personal data privacy
By submitting an instrument appointing a proxy and/or representative, the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting ("AGM") dated 3 April 2018.

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) ____________________ (NRIC/Passport No.)

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 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 Thursday, 26 April 2018 at 2.00 p.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 financial year ended 31 December 2017		
2	Approval of tax exempt (one-tier) final dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2017		
3	Re-election of Mr Tam Wai as a Director		
4	Re-election of Mr Ho Nee Kit as a Director		
5	Re-election of Mr Hew Lien Lee as a Director		
6	Approval of Directors' fees of S$288,000 for the financial year ending 31 December 2018, payable quarterly in arrears		
7	Re-appointment of Messrs KPMG LLP as Auditors		
Special Business			
8	Authority to issue new shares		

#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 ______________ 2018

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 (as defined in section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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 of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a AGM of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing the proxies.
4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

   *"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.

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FU YU CORPORATION LIMITED
8 Tuas Drive 1
Singapore 638675

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5. 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.
6. 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 forty-eight (48) hours before the time appointed for the AGM.
7. 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 or under the hand of an officer or attorney duly authorised. 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.
8. 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, Chapter 50 of Singapore.
9. 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.

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