富裕
FuYu

FU YU CORPORATION LIMITED

FU YU CORPORATION LIMITED ANNUAL REPORT 2011

ANNUAL REPORT 2011

富裕 FuYu

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.

Established in 1978 as a partnership fabricating injection moulds and manufacturing plastic injection parts, Fu Yu has since grown to become a listed corporation with global presence. We are now one of the largest manufacturers and suppliers of high-precision injection moulds and plastic parts in Asia. Currently, we have 10 plants in Singapore, Malaysia and China.

Taking a vertically integrated approach towards greater profitability, our operations make a complete range from design to fabrication to assembly, and include secondary processes such as silk screening, pad printing, ultrasonic welding, heatstaking and spray painting. The markets we serve include the information technology, telecommunications, automotive, medical, electronic and electrical appliance sectors.

CONTENTS

CORPORATE INFORMATION

Board of Directors

Dr John Chen Seow Phun, Chairman
Ching Heng Yang, Vice Chairman
Tam Wai
Ho Nee Kit
Ho Kang Peng
Hew Lien Lee
Ng Hock Ching
Tan Yew Beng
Foo Say Tun

Executive Directors

Ching Heng Yang
Tam Wai
Ho Nee Kit
Ho Kang Peng
Hew Lien Lee
Ng Hock Ching

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 Secretary

Low Siew Tian
Liaw Chun Huan

Registered Office

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

Share Registrar

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

External Auditors

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Audit Partner: Ang Fung Fung
Since financial year 2009

Bankers

DBS Bank Ltd
Malayan Banking Berhad

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Group's Annual Report for the financial year ended 31 December 2011 ("FY2011").

The past year was marked by catastrophic natural disasters, economic chaos and political turmoil, signified by the Japan earthquake, Tsunami and nuclear disaster, the Eurozone and United States ("US") debt crisis and revolutions in the Arab World. While the West, in particular Europe, struggled to avert another financial crisis, Asia was once again a key driver in economic growth. Nevertheless, even this region was not spared the effects of the economic fallout from the Eurozone crisis and the weak labour market and fiscal restructuring in the US which led to weakening export demand in Europe and the US. Manufacturing slowed down or contracted in many of Asia's big export economies, including China. In Singapore, manufacturing expanded by 7.6 % with GDP growth at a modest 4.9%.

We were not spared the effects of this slowdown. The Group's turnover for FY2011 increased marginally by 0.9 % to S$261.1 million, from S$258.9 million for the financial year ended 31 December 2010 ("FY2010"). Our China segment recorded higher sales while Malaysia and Singapore sales were lower as a result of customers shifting their supplier base to China. Gross profit fell by 26.3% to S$18.4 million, from S$25.0 million in FY2010. Gross profit margin slid to 7.1% from 9.6% in FY2010 due to under-utilisation of production capacity, under-absorption of fixed overhead costs as well as lower high-margin export sales. While the Group recorded a foreign exchange gain for the year due to translation of receivables, cash and payables denominated in foreign currencies to the functional currencies of the respective companies in the Group, net loss after tax was S$3.9 million, as opposed to a net profit after tax of S$1.3 million in FY2010. The Group's net loss after tax position was very much affected by the erosion of the gross profit margin as mentioned above.

Our balance sheet remained robust and we maintained a strong cash position despite a net decrease in our cash holdings. The decrease in our cash was mainly due to repayment of some S$16.5 million bank borrowings.

STRENGTHENING OUR BUSINESSES, EXPANDING CAPABILITIES

In terms of the performance of our subsidiaries, we are pleased with the performances of the majority of our subsidiaries in China. Notably, our wholly-owned subsidiary, Fu Yu Moulding & Tooling (Shanghai) Co., Ltd in Shanghai, China, continued to perform strongly. In the past year, we successfully concluded the consolidation exercise of our interests in China, finalising the closure of our unprofitable subsidiaries in Tianjin and Wuxi while optimising costs structures at the other subsidiaries to ensure greater profitability. We also continued to explore business opportunities to expand our customer base in China.

In Malaysia, we secured a new major customer which will positively impact our revenue stream in the immediate future. This new business will mitigate and hopefully replace the lost income from a major customer which had, in the previous year, relocated operations to China. We also started transforming our operations in Malaysia from a purely component manufacturing function to a more integrated service with emphasis on getting more value operations such as mechanical assembly.

In Singapore, we completed the relocation of NanoTechnology Manufacturing Pte Ltd to our Tuas premises. All our Singapore operations, with the exception of SolidMicron Technologies Pte Ltd, are now housed in a single location, which allows for greater efficiencies particularly in terms of plant engineering and safety protocols as well as shared back-end and support resources. SolidMicron Technologies Pte Ltd, which had turned around its financial performance and became a profitable subsidiary in FY2011, will relocate its operations to Tuas later this year.

Our focus in FY2011 was on improving internal efficiencies, enhancing existing engineering and technical capabilities, maintaining costs as well as growing our customer base in order to prepare ourselves for future growth opportunities when the economic climate improves. Additionally, we continued to invest efforts at providing the highest level of efficiency and service excellence, which was recognised by our Penang subsidiary, Fu Hao Manufacturing (M) Sdn Bhd ("Fu Hao") being the only Robert Bosch Power Tools supplier in Asia Pacific to receive a Supplier Excellence Award from Robert Bosch headquarters in Stuttgart, Germany. This signifies great potential for Fu Hao and the Group to emerge as Bosch Global key supplier in the near future.

OUTLOOK FOR THE COMING YEAR

It is anticipated that the year ahead of us will be a very challenging one. The forecast growth for Singapore is 1-3%. The World Bank has cut its global growth forecast to 2.5% from the initial forecast of 3.6% on account of declining world trade growth and plunging capital flows, which had its trigger in the still unresolved Eurozone crisis. The Eurozone crisis has generated headwinds for both developing and developed countries. Singapore, with its heavy dependence on exports, is already beginning to feel the effects of a sluggish global economy, particularly in the electronics sector. Likewise, Singapore's manufacturing sector, the engine of growth, contracted for the seventh straight month in January 2012 as export orders shrank. With many countries anticipated to tighten fiscal policy in response to the downturn, and banks deleveraging as the flow of funds diminish, there is a danger that global trade will further be dampened.

Despite the gloomy predictions there is still optimism for our Group in the coming year. Although China's growth is slowing, it is still an economic powerhouse with opportunities in the interior and southern areas. We will continue to expand our customer base in Malaysia and transform our business there to provide a more comprehensive and integrated range of services. Our Singapore operations will focus on higher value-added services, as high-volume, low-value activities are gradually transferred to our other lower cost centres in Asia.

The industry in which the Group operates remains competitive. Price pressure from customers and rising operating costs throughout the region are among the challenges that the Group is facing. In light of the very uncertain outlook, we will proceed with cautious optimism, adopting a careful approach to our financial matters and much circumspection in our business undertakings. The Group will focus on expanding our business with existing customers, consolidating resources where possible and streamlining some of our operations to remain competitive and efficient. We are confident that our sound business fundamentals, strong customer relationships and proven operational capabilities will be an effective formula in overcoming the difficulties of the coming months.

DIVIDEND

Financial prudence necessitates that we conserve our cash and maintain a strong position in order to comfortably weather the difficult months ahead and to position ourselves to take advantage of future growth opportunities. Therefore, the Board of Directors has decided not to declare a dividend this year.

APPRECIATION

My Board of Directors and I wish to thank our valued customers, suppliers and business associates for their continued loyalty and commitment to our Group. We would also like to thank the management and staff for their dedication and hard work throughout the year, which has helped keep the company on the right path, even during difficult times. I would also like to personally extend my heartfelt appreciation to the members of the Board of Directors for their invaluable guidance and counsel during the year.

Last but not least, I would like to thank you, our shareholders, for your support. I look forward, together with my management team, to leading the Group in the coming year as we strive to turn in a strong performance.

Dr John Chen Seow Phun
Chairman

OPERATIONS REVIEW

REVENUE AND GROSS MARGIN

For the financial year ended 31 December 2011 ("FY2011") the Group reported total revenue of S$261.1 million, a marginal 0.9% increase as compared with revenue of S$258.9 million for the financial year ended 31 December 2010 ("FY2010"). There was no significant movement in the total revenue of the Group but geographically we saw our China segment recording higher sales while Malaysia and Singapore sales were lower. This was a result of customers relocating their supplier base to China.

Cost of sales increased by S$8.8 million or 3.7% to S$242.7 million from S$233.9 million in FY2010. Gross profit decreased by 26.3% or S$6.6 million from S$25.0 million registered in the previous financial year. On account of lower absorption of overhead costs, under-utilisation of production capacity, lower sales of higher-margin exports coupled with the development costs incurred to secure a new customer in Malaysia, the Group's gross profit margin decreased to 7.1% from 9.6% in the previous year.

OTHER INCOME

The Group's other income decreased by S$10.2 million from S$16.8 million in FY2010 to S$6.6 million in FY2011 on account of decrease in net reversal of impairment of property, plant and equipment, rental income, gain on disposal of a subsidiary and gain on disposal of property, plant and equipment, offset by the foreign exchange gain recorded in FY2011. The Group registered a net write back of impairment for property, plant and equipment of S$0.1 million in FY2011 as compared to S$6.1 million write back in FY2010. As the Group has gradually stabilised its operations, no significant provision for nor write back of impairment for property, plant and equipment is required.

The Group recorded a foreign currency gain of S$2.2 million as compared to foreign currency loss of S$7.7 million sustained in the previous financial year. The underlying items which contributed to the foreign exchange gain were the translation of receivables, cash and payables denominated in currencies other than the functional currencies of the companies within the Group. Both the Group's Singapore and Malaysian companies are in net US dollar assets position, contributing to the foreign exchange gain as the US dollar gained ground against the Singapore dollar and Malaysian Ringgit during the year. In addition, China subsidiaries that are in net US dollar liabilities position also recorded foreign exchange gain as the US dollar weakened against the Chinese Renminbi.

SELLING AND ADMINISTRATIVE EXPENSES

Despite the marginal increase in revenue, selling and administrative expense declined by S$5.1 million or 14.7% from S$34.4 million in FY2010 to S$29.3 million mainly due to a decrease in rental expenses.

OTHER EXPENSES

The Group's other operating expenses decreased by S$7.4 million from S$8.2 million in FY2010 to S$0.8 million in FY2011. The other operating expenses in FY2010 mainly comprised of foreign exchange loss of S$7.7 million while in FY2011, an exchange gain of S$2.2 million was registered as explained in Other Income.

The Group successfully reduced its finance costs by S$0.3 million from S$1.0 million in FY2010 by repaying and reducing outstanding bank loans.

We recorded a tax credit of S$0.3 million mainly arising from recognition of deferred tax assets for unabsorbed losses carried forward and capital allowances previously not recognised.

GROUP PROFITABILITY

The Group registered a net loss of S$3.9 million compared to the net profit of S$1.3 million in FY2010. The net loss position in FY2011 was largely due to the erosion of gross profit margin and the decrease in profits from disposal of property, plant and equipment and a subsidiary.

GEOGRAPHICAL SEGMENT REVIEW

Singapore

Singapore contributed 16.1% or S$42.0 million to total Group revenue, a 12.0% or S$5.7 million decrease from the S$47.7 million revenue contribution in FY2010. The weaker performance of this segment was due to the transfer of projects to China by a customer in Singapore.

The segmental result from Singapore was relatively stable due to effective costs management in the face of decreasing revenue and rising operational costs. Singapore segment's loss decreased by S$2.1 million or 85.2%, to S$0.3 million from a loss of S$2.4 million in FY2010. The reduction in loss in the Singapore segment was mainly contributed by foreign exchange gain recorded, as opposed to a foreign exchange loss in FY2010. We will be further consolidating our operations in Singapore as we relocate our subsidiary SolidMicron Technologies Pte Ltd ("SMT") to our Tuas premises in FY2012/FY2013. SMT had seen an increase in revenue and became a profitable subsidiary in FY2011.

China

As with the previous year, China was the stellar performer among our segments, contributing 65.8% or S$171.9 million to total Group revenue, which is a 9.3% increase from S$157.2 million in FY2010. Accordingly, the China segment result improved by S$2.7 million from a profit of S$1.7 million in FY2010 to S$4.4 million in FY2011.

Despite increasing costs of raw materials and labour in China, most of our plants in China are profitable, including our newest in Shenzhen. We will be undertaking some costs restructuring to our plants there, especially the non-profitable ones, in order to maximise profitability. We will also be exploring new business opportunities and studying the feasibility of opening up new centres of production.

Malaysia

Malaysia contributed 18.1% or S$47.2 million to total Group revenue, a 12.5% or S$6.8 million decrease from S$54.0 million in FY2010. Our revenue performance in this geographical segment continued to be impacted by the loss of a major customer who had relocated operations to China. One of our two plants in Malaysia was profitable although its profits were not sufficient to offset the losses sustained from the other. As a result, Malaysia segment loss increased from S$6.8 million in FY2010 to S$10.1 million in the current year. There is much cause for optimism, however, as we have secured a new major customer which should contribute to our topline this year. We will focus on managing cash flow and better utilising resources. We will be undertaking more value services there which, hopefully, translate into more robust profits.

AWARDS AND CERTIFICATIONS

AWARDS RECEIVED BY FU YU GROUP IN YEAR 2011	
Company	**Awards**
Fu Yu Corporation Limited	Singapore 1000 Company 2011
Fu Hao Manufacturing (M) Sdn. Bhd.	Supplier Award 2009/2010 from Bosch Germany
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	The Best Supplier for FY11 from Molex Interconnect (Shanghai) Co., Ltd

CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2011					
Company	**ISO 9001:2008**	**ISO 13485:2003**	**ISO 14001:2004**	**TS 16949:2009**	**OHSAS 18001:2007**
Fu Yu Corporation Limited	^		^		
Classic Advantage Sdn Bhd	^		^	^	^
Fu Hao Manufacturing (M) Sdn Bhd	^		^		
SolidMicron Technologies Pte Ltd	^			^	
NanoTechnology Manufacturing Pte Ltd	^	^	^		
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 (Wujiang) Co., Ltd.	^				
Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd	^				

2012 CORPORATE CERTIFICATION PLAN	
Company	**Plan**
Fu Hao Manufacturing (M) Sdn Bhd	ISO13485:2003
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	ISO13485:2003

GROUP STRUCTURE

富裕 FuYu
FU YU CORPORATION LIMITED

- 80% Nano Technology Manufacturing Pte Ltd
- 100% SolidMicron Technologies Pte Ltd
- 100% Chang Fu Resources Pte Ltd
- 100% Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.
- 100% Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.
- 100% Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.
- 100% Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.
- 100% Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.
- 100% Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd.
- 100% Fu Yu Moulding & Tooling (Wuxi) Co., Ltd.^
- 100% Fu Yu Electronics (Dongguan) Co., Ltd.*
- 100% Fu Yu Trading Limited
- 100% Fu Yu International Enterprise Limited
- 100% Fu Yu Investment Pte Ltd
  - 100% Fu Yu Moulding & Tooling (Tianjin) Co., Ltd.^
  - 70.64% LCTH Corporation Berhad
    - 100% Classic Advantage Sdn Bhd
    - 100% Fu Hao Manufacturing (M) Sdn Bhd
    - 40% Berry Plastics Malaysia Sdn Bhd (formerly known as Rexam Malaysia Sdn Bhd)

^ Under member's voluntary liquidation
* Dormant

BOARD OF DIRECTORS

Dr John Chen Seow Phun
Non-Executive Chairman
Independent Director

Dr John Chen Seow Phun, 58, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007 and was last re-elected on 29 April 2010. Dr Chen was a Member of Parliament from 1998 to 2006. He was the Assistant Secretary General of the NTUC from 1991 to 1997. He also served as the Deputy Chairman and Managing Director of NTUC Healthcare Co-op Ltd from 1992 to 1997. And 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 Managing Director of JCL Business Development Pte 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.

Ching Heng Yang
Vice Chairman
Executive Director

Mr Ching, 61, 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 2011. 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 38 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2011, Mr Ching holds 12.16% direct interest in the Company.

Ho Kang Peng
Executive Director
Chief Executive Officer (CEO)

Mr Ho Kang Peng, 57, is appointed as our Chief Executive Officer and Executive Director on 31 March 2008. He was last re-elected on 28 April 2011. Mr Ho is responsible for the charting out of new corporate direction, including formulating business strategy, corporate restructuring and management alignment and to meet the new challenges faced by the Company. Mr Ho was the executive director of Fu Yu since 1995. He was responsible for its IPO exercise and regional expansion program of the Company. Mr Ho assisted the Company in setting up overseas subsidiaries covering Malaysia, China and Mexico. He was also responsible for marketing and new investment until he left the Company in 2004. Mr Ho was appointed executive director of Watson Plastics Industries in June 2005 and later of the year being appointed as CEO of Scintronix Corporation Ltd (formerly known as TTL Holding Limited). He was responsible for the corporate restructuring, strengthening management by introducing cost analysis and performance measurement for the two companies. Mr Ho is currently the independent director of Fuxing China Group Limited and Plastoform Holding Limited. On 15 September 2010, Mr Ho is appointed as the Non-Independent Non-Executive Director of LCTH Corporation Berhad, a subsidiary listed on the Main Market of Bursa Malaysia.

Mr Ho has more than 29 years of experience in the plastics industries. He holds a Bachelor of Business and Commerce Degree from Nanyang University of Singapore.

At 31 December 2011, Mr. Ho holds 0.50% direct interest in the Company.

Ho Nee Kit
Executive Director

Mr Ho, 58, 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 30 April 2009. He will stand for re-election as a Director at the forthcoming Annual General Meeting. Mr Ho jointly oversees the mould fabrication, plastic injection moulding, finishing and sub-assembly operations of the Group. Prior to joining Fu Yu, Mr Ho worked for a plastic injection company as a tool maker. Realising the potential of the precision mould making industry in the 1970s, together with the other 3 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.

At 31 December 2011, Mr Ho holds 13.25% direct interest in the Company.

Tam Wai
Executive Director

Mr Tam, 61, 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 28 April 2011. 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 10 years in Hong Kong specialising in high precision moulds for the electronics and electrical industries. Mr Tam has over 42 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2011, Mr Tam holds 13.22% direct and 0.04% deemed interests in the Company.

Hew Lien Lee
Executive Director
Chief Operating Officer

Mr Hew, 55, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. He was last re-elected on 29 April 2010 and will stand for re-election as a Director in the forthcoming Annual General Meeting. Mr Hew is also the Managing Director of LCTH Corporation Berhad ("LCTH"), the Malaysia subsidiary of Fu Yu Group, listed on the Main Market of Bursa Malaysia Securities Berhad, Malaysia on 8 November 2004. Mr Hew joined Fu Yu in 1984 and holds a Diploma in Electrical Engineering. With 32 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 Company and LCTH Group.

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

As at 31 December 2011, Mr Hew holds 0.01% direct interest in the Company.

BOARD OF DIRECTORS

Ng Hock Ching
Executive Director

Mr Ng, 51, was the corporate advisor for the Group prior to being appointed as the Executive Director of the Company on 1 January 2010. He was last re-elected on 29 April 2010. His area of responsibilities includes charting the Group's corporate finance direction as well as corporate affairs of the Company. Mr Ng was a director in Scintronix Corporation Ltd (formerly known as TTL Holding Ltd) from September 2005 to April 2007 and a director in Adventus Holdings Ltd (formerly known as SNF Corporation Ltd) from February 2003 to April 2007. On 15 September 2010, Mr Ng is appointed as Non-Independent Non-Executive Director of LCTH Corporation Berhad, a subsidiary listed on Main Market of Bursa Malaysia.

Mr Ng holds a Masters in Business Administration and a First Class Honours Degree in Electrical and Electronic Engineering from the National University of Singapore. He is also presently an adjunct associate professor at the National University of Singapore.

At 31 December 2011, Mr Ng holds 0.11% direct and 6.88% indirect interests in the Company.

Tan Yew Beng
Non-Executive Director
Independent Director

Mr Tan, 55, is a non-executive and independent director of Fu Yu. He was appointed as Director on 22 May 1995 and was last re-elected on 30 April 2009. He will stand for re-election as a Director in the forthcoming Annual General Meeting. Mr Tan is the Chairman of the Remuneration 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 of Singapore, 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. He is also a member of Singapore Institute of Directors.

At 31 December 2011, Mr Tan holds 0.21% indirect interest in the Company.

Foo Say Tun
Non-Executive Director
Independent Director

Mr Foo, 46, is a non-executive and independent director of Fu Yu. He was appointed as Director on 27 November 2007 and was last re-elected on 28 April 2011. He is presently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr Foo is qualified to practise law in Singapore and Malaysia. At present, he is a partner in the law firm of Wee, Tay & Lim LLP. His area of practice is civil and commercial litigation.

KEY EXECUTIVES

Chow Weng Fook

Advisor

Mr Chow, 56, is the operational advisor for Fu Yu Corporation Ltd and its Group of companies. He advises and helps the Group in the area of operational efficiency, global procurement and resource deployment. Mr Chow has over 20 years of experience in global supply chain management in the electronics industry with more than ten years in top management positions. He holds a Masters of Technology and a Bachelor of Electrical Engineering degree from the National University of Singapore.

Yeo See Joo

Group Business Development Director

Mr Yeo, 48, joined Fu Yu Corporation Ltd 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 over 28 years of business development experience in the plastics industry holding middle to senior management positions. He joined Philips Machine Factory in 1983 as a mold maker and later joined Tritech Manufacturing Pte Ltd as mold designer and project engineer in 1986, in 1994 joined Thomson Multi Media as a Tooling Engineer. In 1995 he joined TTL Holding Ltd (currently known as Scintronix Corporation Ltd) and in-charge of the Sales and Marketing and Programs Management in the company till 2005. He later joined Watson Plastics Manufacturing Pte Ltd as the Corporate Business Development Director. He holds an Advance Diploma in Business Management from University of Bradford.

Tan Lay Kheng

Group Human Resource Director

Madam Tan, 58, was the Group Human Resource Manager before she is promoted to Group Human Resource Director in October 2008. She oversees the management and development of the human resources across the Group. She is also responsible for the administrative function of the Group. Madam Tan has 27 years of experience in Industrial Relations Management. She holds a Bachelor of Art Degree from Nanyang University of Singapore.

Tan Chee Kian

Acting CFO
Financial Controller, Southern China

Mr Tan, 56, joined the Group in August 2008 as Financial Controller of Southern China in charge of the finance and accounting functions of that region. In September 2010, he was appointed Acting CFO to assist on the Group's financial reporting. He has more than 16 years of experience working as financial controller for various listed companies in Singapore. He graduated from Nanyang University of Singapore in 1980 with a bachelor degree in accountancy. He is a fellow member of the Institute of Certified Public Accountant of Singapore since 1987.

Cheah Ngook Wah

Group Financial Controller

Ms Cheah, 38, is the Group Financial Controller of Fu Yu Group. She is responsible for the Group's accounting and finance functions. Prior to joining Fu Yu, she was an auditor with two of the international accounting firms for 5 years. Ms Cheah is a member of Certified Public Accountant Australia and graduated from the University of Western Australia. She holds a Bachelor of Commerce Degree.

OUR NETWORK

SINGAPORE

Fu Yu Corporation Limited

Headquarters

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

NanoTechnology Manufacturing Pte Ltd

8 Tuas Drive 1
Singapore 638675
Tel : (65) 6755 2280
Fax : (65) 6755 7326
www.nanotechnology.com.sg

SolidMicron Technologies Pte Ltd

2 Serangoon North Avenue 5 #03-00
Singapore 554911
Tel : (65) 6483 1281
Fax : (65) 6483 1382
www.solidmicrontech.com

MALAYSIA

LCTH Corporation Berhad

11 Jalan Persiaran Teknologi
Taman Teknologi Johor
81400 Senai, Johor, Malaysia
Tel : (607) 599 9980
Fax : (607) 599 9982
www.lcthcorp.com

Classic Advantage Sdn Bhd

Senai Head Office:
11 Jalan Persiaran Teknologi
Taman Teknologi Johor
81400 Senai, Johor, Malaysia
Tel : (607) 599 9980
Fax : (607) 599 9982

Senawang Branch:
PT 5179, Persiaran Bunga Tanjung 1
Senawang Industrial Park
70450 Seremban
Negeri Sembilan Darul Khusus
Malaysia
Tel: (606) 678 3181
Fax: (606) 678 3182

Fu Hao Manufacturing (M) Sdn Bhd

Plot 562 Mukim 1,
Lorong Perusahaan Baru 1 Perai III
Perai Industrian Estate 13600
Perai, Penang
Malaysia
Tel : (604) 398 0500
Fax : (604) 398 3221

CHINA

Fu Yu Moulding & Tooling (Dongguan) Co., Ltd

Jing Fu Rd, Xin Cheng Industry Area
Heng Li Town, Dongguan, Guangdong
China 523477
Tel: (86769) 8982 1818
Fax: (86769) 8982 1815

Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd

477 Jinhaian Road, Sanzao Town
Jin Wan District, Zhuhai, Guangdong
China 519040
Tel: (86756) 7761 862
Fax: (86756) 7761 851

Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd

Block 6A, Mingkeda Logistic Park
No.18, Huanguan South Road
Guanlan Town, Bao An District
Shenzhen, Guangdong
China 518110
Tel: (86755) 3380 5511
Fax: (86755) 3380 5533

Fu Yu Moulding & Tooling (Shanghai) Co., Ltd

888 Xin Ling Road
WaiGaoQiao Free Trade Zone
Shanghai, China 200131
Tel: (8621) 5046 1225
Fax: (8621) 5046 0229

Fu Yu Moulding & Tooling (Suzhou) Co., Ltd

89 Xing Nan Road
Wuzhong Economic Skill Development Zone
Suzhou, China 215128
Tel: (86512) 6562 1838
Fax: (86512) 6563 9463

Fu Yu Moulding & Tooling (Wujiang) Co., Ltd

2288 Jiang Xing East Road
Wujiang Economic Development Zone
Jiangsu, China 215200
Tel: (86512) 6300 5939
Fax: (86512) 6300 5993

CORPORATE MILESTONE

2011

– Set up Senawang plant by Classic Advantage Sdn Bhd
– Completion of disposal of properties in Tianjin plant, China

2010

– Entered into sale and purchase agreement to dispose properties in Tianjin plant, China
– Disposal of 100% interest in QingDao Fu Qiang Electronics Co., Ltd
– Sale and leaseback of Fu Yu Moulding & Tooling (Shanghai) Co., Ltd's properties
– Completion of member's voluntary liquidation of Fu Yu Guadalajara S.A.De C.V.
– Obtained ISO 14001:2004 and OHSAS 18001:2007 certification for our plant in Johor, Malaysia
– Obtained TS16949:2009 certification for our plants in Dongguan, Zhuhai and Suzhou in China
– Conversion of ISO 9001:2000 to ISO 9001:2008 certification for our plants in Johor, Malaysia and Dongguan, Zhuhai, Shanghai, Suzhou, Wujiang in China and SolidMicron in Singapore

2009

– Incorporation of Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd in Shenzhen, China
– Obtained ISO 14001:2004 certification for our plant in Penang, Malaysia
– Obtained TS 16949 certification for our plant in Johor, Malaysia
– Conversion of ISO 9001:2000 to ISO 9001:2008 certification for the Company and our plant in Penang, Malaysia

2008

– Grant of Options pursuant to Fu Yu Employees Share Option Scheme
– Completion of sale and leaseback of property located at 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, Senai, Johor, Malaysia
– Completion of Capital Repayment and Shares Consolidation of LCTH Corporation Berhad
– Obtained ISO 9001:2000, ISO 14001 and TS 16949 certification for our plant in Shanghai

2007

– Placement of 117 million new ordinary shares at S$0.18 each in the capital of the company
– Signed Sale and Purchase Agreement for sale and leaseback of property located at 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, Senai, Johor, Malaysia
– Set up Fu Yu Moulding & Tooling (Wuxi) Co., Ltd, China
– Disposal of Kodon (Tianjin) Electronics & Electrical Apparatus Co., Ltd, China
– Implemented SAP Enterprise Resource Planning System at Fu Yu Moulding & Tooling (Suzhou) Co., Ltd, China
– Obtained ISO 9001:2000 certification for SolidMicron Technologies Pte Ltd
– Obtained ISO 13485:2003 certification for NanoTechnology Manufacturing Pte Ltd

2006

– Completion of sale and leaseback of property at 2 Serangoon North Avenue 5, Singapore
– Joint venture by LCTH Corporation Bhd (Malaysia) with Owens- Illinois Plastics Pte Ltd on the set up of a new Company, O-I Plastics Malaysia Sdn Bhd in Malaysia
– Set up SolidMicron Technologies Pte. Ltd., Singapore
– Achieved ISO 14001 certification for our plants at Suzhou and Qingdao, China

2005

– Entered into a Put and Call Option Agreement for sale and leaseback of Property at 2 Serangoon North Avenue 5, Singapore
– Entered into a Memorandum of Understanding by LCTH Corporation Bhd (Malaysia), with Knobs Sdn Bhd (Malaysia) to co-operate and work together as a strategic alliance
– Implemented SAP Enterprise Resource Planning System at Fu Yu Moulding & Tooling (Dongguan) Co., Ltd, China
– Set up Fu Yu Electronics (Dongguan) Co., Ltd, China
– Achieved ISO 9001:2000 & ISO 14001 for Nano Technology Manufacturing Pte Ltd, Singapore
– Achieved ISO 14001 certification for our plant at Dongguan, China
– Achieved TS 16949 certification for our plant at Tianjin, China
– Achieved ISO 9001:2000 certification for our plant at Qingdao, China
– Wind up of USA plant

CORPORATE MILESTONE

2004

- Change of Company's name from Fu Yu Manufacturing Limited to Fu Yu Corporation Limited
- Placement of 23 million new Ordinary Shares of S$0.10 each in the capital of the Company
- Listing of LCTH corporation Berhad on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) in Malaysia
- Purchase of land and construction of buildings in Johor Technology Park to increase manufacturing capacity in Johor, Malaysia
- Joint venture with EDB Ventures Pte. Ltd. on the set up of a new company, NanoTechnology Manufacturing Pte. Ltd. in Singapore
- Wind up of Mexico plant
- Set up plant in Wujiang, China
- Set up plant in Qingdao, China
- Set up another plant in Shanghai, China
- Conversion of ISO 9002 to ISO 9001:2000 for our plant in Suzhou, China
- Achieved ISO 9001:2000 certification for our plant at Wujiang, China
- Achieved ISO 9001:2000 certification for our plant at Zhuhai, China

2003

- Submitted the application to the relevant authorities for the listing of its proposed Malaysia subsidiary company on the main board of the Malaysia Securities Exchange Berhad
- Set up plant in Zhuhai, China
- Set up a management company, Fu Yu International Enterprise Limited in Hong Kong
- Implemented SAP Enterprise Resource Planning System for our plants in Johor, Malaysia
- Conversion of ISO 9002 to ISO 9001:2000 for our plant in Singapore
- Extension of ISO 14001 to our Tuas plant in Singapore
- Conversion of ISO 9002 to ISO 9001:2000 and achieved QS 9000 certification for our plant in Penang, Senai and Kluang, Malaysia
- Conversion of ISO 9002 to ISO 9001:2000 and achieved QS 9000 certification for our plant in Dongguan.

2002

- Commenced implementation of SAP Enterprise Resource Planning System for our plants in Johor, Malaysia
- Achieved ISO 9002:1994 for our plant Mexico
- Additional factory built for our plant in Suzhou, China

2001

- Implemented SAP Enterprise Resource Planning System in Singapore
- Achieved ISO 14001 certification for our plant in Singapore
- Achieved ISO 9001:2000 certification for our plant in Senai, Malaysia
- Additional warehouse built for our plant in Tianjin, China

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.

This report describes Fu Yu's main corporate governance practices and activities with reference to the Singapore Code of Corporate Governance 2005 (the "Code") and any deviations from the Code are explained. Unless otherwise stated, the corporate governance processes were in place during the financial year under review.

BOARD MATTERS

Principle 1: The Board's Conduct of Its Affairs

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 management of the Group;
2. approve corporate and strategic direction and policies;
3. approve annual budgets, financial reporting, major funding and investment proposals;
4. monitor management performance;
5. ensure the Company's compliance with prescribed legislations and regulations that are relevant to the business; and
6. assume responsibility for corporate governance.

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 Articles of Association 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.

To assist in the discharge of its responsibilities, the Board has established a number of Board Committees comprising the Audit Committee, Remuneration Committee and Nominating Committee. Terms of reference has been put in place for each of the respective committees.

CORPORATE GOVERNANCE REPORT

Details of the directors' attendance at Board and Committee 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
Ching Heng Yang	4	4	–	–	–	–	–	–
Tam Wai	4	4	–	–	–	–	–	–
Ho Nee Kit	4	4	–	–	–	–	–	–
Ho Kang Peng	4	4	–	–	–	–	–	–
Hew Lien Lee	4	4	–	–	–	–	–	–
Ng Hock Ching	4	4	–	–	–	–	–	–
Dr John Chen Seow Phun	4	4	5	5	4	4	1	1
Foo Say Tun	4	4	5	5	4	4	1	1
Tan Yew Beng	4	4	5	5	4	4	1	1

Newly appointed directors would be briefed by Management on the business operations of the Group and where necessary plant visits would be organised as deemed necessary. 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.

Principle 2: Board Composition and Guidance

The Board comprises nine directors of whom six are executive and three are independent and non-executive. 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 is appropriate in facilitating effective decision-making. Board members comprise of professionals with financial, accounting, legal and industry backgrounds.

The profile of each Director and other relevant information are set out under 'Board of Directors' on pages 8 to 10.

Principle 3: Chairman and Chief Executive Officer

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

Dr John Chen Seow Phun was appointed the Non-executive Chairman of the Company on 27 November 2007 subsequent to his appointment as an Independent and Non-executive Director.

The Company has appointed Mr Ho Kang Peng as Director and CEO of the Company on 31 March 2008.

The Non-executive Chairman schedules board meetings when necessary and set the board meeting agenda in consultation with the CEO and Group Financial Controller. 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.

Principle 4: Board Membership

The Nominating Committee (NC) currently comprises Mr Foo Say Tun, Mr Tan Yew Beng and Dr John Chen Seow Phun. The NC is chaired by Mr Foo who is not associated with any substantial shareholders of the Company.

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 making 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 propose 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. Makes recommendations to the Board for continuation (or termination) of services of any Director who has reached the age of seventy.

The NC considers the non-executive directors to be independent as defined in the Code.

Despite some of the directors having other Board representations, the NC is satisfied that these directors are able to and adequately carry out their duties as directors of the Company.

In accordance with the Company's Articles of Association, all Directors submit themselves for re-election once every three 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.

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 Ho Nee Kit, Mr Hew Lien Lee and Mr Tan Yew Beng as Directors of the Company at the forthcoming AGM. The Board accepted the NC's recommendation and accordingly, the three directors will stand for re-election at the forthcoming AGM.

Principle 5: Board Performance

For the year under review, a formal assessment of the effectiveness of the Board as a whole was undertaken by the NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

The NC is of the view that the financial indicators set out in the Code as performance criteria for the evaluation of directors' performance are more of a measure of Management's performance. Hence they are less appropriate for the evaluation of performance of the Board. The NC views that the Board's performance would be better reflected and evidenced through proper guidance to the Management and able leadership of the Board and the support that it lends to Management in steering the Group in the appropriate direction.

Principle 6: Access to Information
Principle 10: Accountability

The Board receives monthly Group's financial reports and quarterly management report of the Group's activities and results. Management provides complete, adequate and timely information to the Board members prior to Board meetings. 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, the Management and the Company Secretary at all times, and vice versa. 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 Board also has access to independent professional advice, where necessary, at the Company's expenses to enable them to discharge their duties. The Group Financial Controller also assists the Board in obtaining such advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee (RC) currently comprises Mr Tan Yew Beng, Dr John Chen Seow Phun and Mr Foo Say Tun who are non-executive independent directors. Mr Tan chaired the RC and no RC member or director is involved in deliberations of his own remuneration and re-appointment.

The RC has written Terms of Reference that describe the responsibilities of its members.

The primary functions of RC are to review and recommend a framework of remuneration for the Board and key executives; to determine specific remuneration package for each executive director; to ensure that a formal and transparent procedure is in place for fixing the remuneration packages of the executive directors as well as key executives of the Group. The RC 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

In setting the remuneration package, the RC takes into consideration the pay and employment conditions within the industry and comparable 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. The remuneration for the three 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 directors comprises a base fee, a base salary, allowances, annual and performance bonuses.

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 Company submits the quantum of directors' fees to shareholders for approval at the AGM.

All the six 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 six executive directors for a further term of one year, from 1 January 2012 to 31 December 2012, under the same terms and conditions as in 2011. The Board had approved the renewal.

In May 2010, an incentive scheme was given to Mr Ho Kang Peng and Mr Ng Hock Ching. Under this scheme, the Company will pay Mr Ho and Mr Ng an incentive bonus provided that the following milestones are achieved:

First Milestone – when the Group is removed from the watchlist of DBS Bank and that the founders of the Company, Mr Ching Heng Yang, Mr Ho Nee Kit and Mr Tam Wai have recovered back their loan of S$1 million each to the Company.

CORPORATE GOVERNANCE REPORT

Second Milestone – when the Group achieves a breakeven position, which is defined as when the Group's net profit before tax excluding foreign exchange gain/loss, extraordinary and exceptional items achieves breakeven.

Third Milestone – when the Group achieves profitability, which is defined as when the Group's net profit before tax excluding foreign exchange gain/loss, extraordinary and exceptional items and incentive is profitable.

As of 31 December 2011, no incentive bonus is payable under this incentive scheme.

The Fu Yu Employee Share Option Scheme (the "Scheme") was approved and adopted by the shareholders at the Extraordinary General Meeting held on 29 April 2008. The Scheme is administered by a committee that comprises all the executive directors from time to time. Further details of the Scheme can be found in pages 28 to 29 of the Directors' Report.

Principle 9: Disclosure on Remuneration

Remuneration of Board of Directors

The aggregate remuneration percentage paid to or accrued for the directors for services in all capacities for the year under review is tabulated below:

Name of Director	Fees %	Salary %	Bonus %	Other Benefits %	Total %
Executive Directors					
S$500,000 to S$750,000					
Ching Heng Yang	4.1	86.7	7.0	2.2	100.0
Tam Wai	4.1	86.7	7.0	2.2	100.0
Ho Nee Kit	4.6	86.0	6.9	2.5	100.0
S$250,000 to S$499,999					
Ho Kang Peng	5.1	73.6	19.7	1.6	100.0
Hew Lien Lee	5.9	75.0	5.4	13.7	100.0
Ng Hock Ching	5.1	73.2	19.6	2.1	100.0
Non-Executive Directors					
Below S$250,000					
Tan Yew Beng	100.0	–	–	–	100.0
Dr John Chen Seow Phun	100.0	–	–	–	100.0
Foo Say Tun	100.0	–	–	–	100.0

Remuneration of Key Executives

Details of total remuneration percentage paid or payable to key executives of the Group for the year under review is tabulated as below:

Name of Key Executive	Salary %	Bonus %	Other Benefits %	Total %
S$250,000 to S$499,999 **Chow Weng Fook** *Advisor*	77.3	20.7	2.0	100.0
Below S$250,000 **Yeo See Joo** *Group Business Development Director*	64.9	18.6	16.5	100.0
Tan Lay Kheng *Group Human Resource Director*	85.7	10.5	3.8	100.0
Tan Chee Kian *Acting CFO,* Financial Controller, Southern China	78.1	7.9	14.0	100.0
Cheah Ngook Wah *Group Financial Controller*	74.4	15.2	10.4	100.0

No employee of the Group was an immediate family member (as defined in the Listing Manual of SGX-ST) of a director or Chief Executive Officer and whose remuneration exceeded S$150,000 during the financial year ended 31 December 2011.

ACCOUNTABILITY AND AUDIT & COMMUNICATION WITH SHAREHOLDERS

Principle 11: Audit Committee

The Audit Committee (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.

Two of the members of AC 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 of the Company's internal control in respect of management, business and service systems and practices;

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, the independence and objectivity of the external auditors;

7. Reviews the nature and extent of non-audit services provided by the external auditors;

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

9. Nominates the external auditors; and

10. Reviews interested person transactions and improper activities of the Company, if any.

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

The AC meets at least four times a year with Management and the external auditors.

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 auditors, KPMG LLP, as part of their annual statutory audit, carries out test of operating effectiveness over certain internal controls relating to the financial reporting process based on the scope of audit as laid out in their audit plan. Internal control weakness, if any, are discussed, with Management and reported to the AC.

The audit fees paid/payable to the external auditors of the Company and other auditors for the audit of FY2011 amounted to S$150,000 and S$331,446 respectively. Non-audit fees paid to other auditors amounted to S$59,210. There were no non-audit services provided by the external auditors of the Company, KPMG LLP, and there were no non-audit fees paid to them for the year ended 31 December 2011. The AC is satisfied with the independence of KPMG LLP.

Please refer to pages 8 to 10 of `Board of Directors' for the qualifications of the AC members.

Principle 12: Internal Controls

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 auditors conduct annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls. On a quarterly basis, the internal auditors prepare an internal audit plan which is approved by the AC. The Group's external auditors, KPMG LLP, contribute an independent perspective on certain aspects of the internal controls over financial reporting through their audit and report their 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 auditors will monitor if the required corrective measures are properly implemented by the Management.

Based on the framework established and reports submitted by the external and internal auditors, the Board opines, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational and compliance risks.

The Board notes, however, that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities. The Board has recently resolved to appoint KPMG Services Pte Ltd to conduct a review to further enhance its risk management framework over financial, operational and compliance risks.

CORPORATE GOVERNANCE REPORT

Principle 13: Internal Audit

The Company set up its internal audit department since January 2009 after outsourcing the internal audit work for three years. During the year, the Company outsourced part of its internal audit function to a professional firm, Nexia TS Risk Advisory Pte Ltd, to further strengthen and enhance the internal audit function of the Group. The outsourced and in-house internal audit department carried out the internal audit of all the subsidiaries in China and the Company. Internal audit reports were prepared to update 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.

Principle 10: Accountability
Principle 14: Communication with Shareholders

The Company engages in regular, effective and fair communication with shareholders through announcements released to SGX via SGXNET. Such announcements 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 public can access information on the Group.

Shareholders are informed of general meetings through notices published in the newspapers and annual reports or circulars sent to them.

Principle 15: Greater Participation by Shareholders

The Company encourages shareholders' participation at general meetings, and welcomes shareholders to give their constructive views on various matters concerning the Group. The Chairman of the Audit Committee, the Nominating Committee and the Remuneration Committee, as well as the external auditors, are present to address questions at the Annual General Meeting. The Company's Articles of Association allow a shareholder to appoint one or two proxies to attend and vote at general meetings in his/her stead.

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2011.

Directors

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

Ching Heng Yang
Tam Wai
Ho Nee Kit
Hew Lien Lee
Ho Kang Peng
Ng Hock Ching
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	14,400,000	14,400,000

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	14,400,000	14,400,000
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	14,400,000	14,400,000
Tan Yew Beng		
Fu Yu Corporation Limited		
– ordinary shares		
– deemed interests	1,562,500	1,562,500
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	1,000,000	1,000,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	300,000	300,000

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	100,000	100,000
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	8,000,000	8,000,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	3,031,524	3,031,524
Ng Hock Ching		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	16,829,000	829,000
– deemed interest	20,000,000	50,332,000
– options to subscribe for ordinary shares at S$0.09 between 6 October 2009 and 5 October 2014	10,000,000	8,000,000
Ho Kang Peng		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	1,130,000	3,630,000
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	11,000,000	11,000,000
John Chen Seow Phun		
Fu Yu Corporation Limited		
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	1,000,000	1,000,000
Foo Say Tun		
Fu Yu Corporation Limited		
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	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 report, 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 of the financial year 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 2012.

Except as disclosed under the "Share Options" section of this report, 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 corporation.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 24 and 31 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

The Fu Yu Employee Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 29 April 2008. The Scheme is administered by the Company's executive directors.

Other information regarding the Scheme is set out below:

- The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on Singapore Exchange for five consecutive market days immediately preceding the date of the grant.
- The options can be exercised 1 year after the date of grant.
- The options granted expire after 5 October 2014.
- All options are settled by delivery of shares.
- No options are granted at a discount to the prevailing market price of share.

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2011	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2011	Exercise period
5 October 2008	$0.09	61,040,000	5,950,000	900,000	54,190,000	6 October 2009 to 5 October 2014

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors of the Company under the Scheme are as follows:

	Options granted for financial year ended 31 December 2011	Aggregate options granted since commencement of Scheme to 31 December 2011	Aggregate options exercised since commencement of Scheme to 31 December 2011	Aggregate options outstanding as at 31 December 2011
Tan Yew Beng	–	1,000,000	–	1,000,000
Hew Lien Lee	–	8,000,000	–	8,000,000
Ng Hock Ching	–	11,000,000	3,000,000	8,000,000
John Chen Seow Phun	–	1,000,000	–	1,000,000
Foo Say Tun	–	1,000,000	–	1,000,000
Ho Kang Peng	–	11,000,000	–	11,000,000

The controlling shareholders of the Company and their associates are not eligible to participate in the Scheme.

Except as disclosed below, there were no participant under the Scheme who has received 5% or more of the total options available under the Scheme.

	Aggregate options granted since commencement of Scheme to 31 December 2011	Aggregate options exercised since commencement of Scheme to 31 December 2011	Aggregate options outstanding as at 31 December 2011
Directors			
Hew Lien Lee	8,000,000	–	8,000,000
Ho Kang Peng	11,000,000	–	11,000,000
Ng Hock Ching	11,000,000	3,000,000	8,000,000
Employees			
Chow Weng Fook	11,000,000	2,000,000	9,000,000
Chang Cheng Ann	5,000,000	5,000,000	–
Tang Bee Yian	5,000,000	–	5,000,000

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit Committee

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

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

DIRECTORS' REPORT

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

The Audit Committee has held five meetings since the date of the last directors' report. 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 associated company, 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

Ho Nee Kit
Director

Ching Heng Yang
Director

2 April 2012

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 34 to 88 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and 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.

On behalf of the Board of Directors

Ho Nee Kit
Director

Ching Heng Yang
Director

2 April 2012

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
FU YU CORPORATION LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statement of financial position of the Group and of the Company as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 88.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
2 April 2012

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Non-current assets					
Property, plant and equipment	4	**86,199,068**	94,675,207	**14,382,236**	15,724,854
Investment property	5	**10,020,807**	10,426,633	**–**	–
Subsidiaries	6	**–**	–	**52,575,428**	55,055,174
Associate	7	**3,776,848**	3,550,430	**–**	–
Deferred tax assets	8	**1,769,540**	1,591,125	**–**	–
		101,766,263	110,243,395	**66,957,664**	70,780,028
Current assets					
Assets classified as held for sale	14	**–**	6,430,689	**–**	–
Inventories	9	**28,136,996**	19,675,598	**2,630,033**	2,698,456
Trade and other receivables	10	**90,336,594**	75,662,647	**54,637,573**	60,932,056
Tax recoverable		**346,986**	2,180,352	**–**	–
Cash and cash equivalents	13	**52,527,902**	69,425,739	**2,716,800**	9,286,789
		171,348,478	173,375,025	**59,984,406**	72,917,301
Total assets		**273,114,741**	283,618,420	**126,942,070**	143,697,329
Equity attributable to equity holders of the Company					
Share capital	15	**119,272,343**	118,736,843	**119,272,343**	118,736,843
Reserves	16	**44,663,761**	45,045,810	**(5,451,499)**	2,925,971
		163,936,104	163,782,653	**113,820,844**	121,662,814
Non-controlling interests		**21,103,064**	24,235,392	**–**	–
Total equity		**185,039,168**	188,018,045	**113,820,844**	121,662,814
Non-current liabilities					
Financial liabilities	18	**88,329**	138,972	**66,095**	105,858
Deferred tax liabilities	8	**1,898,400**	3,556,512	**1,134,984**	1,418,778
		1,986,729	3,695,484	**1,201,079**	1,524,636
Current liabilities					
Trade and other payables	19	**82,187,487**	71,402,028	**11,880,383**	13,801,134
Financial liabilities	18	**2,396,871**	18,724,935	**39,764**	6,477,845
Tax payable		**1,504,486**	1,777,928	**–**	230,900
		86,088,844	91,904,891	**11,920,147**	20,509,879
Total liabilities		**88,075,573**	95,600,375	**13,121,226**	22,034,515
Total equity and liabilities		**273,114,741**	283,618,420	**126,942,070**	143,697,329

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011	2010
		$	$
Revenue	20	**261,126,365**	258,924,994
Cost of sales		**(242,713,384)**	(233,948,405)
Gross profit		**18,412,981**	24,976,589
Other income	21	**6,635,780**	16,812,962
Selling and administrative expenses		**(29,313,715)**	(34,369,145)
Other operating expenses	22	**(814,947)**	(8,178,936)
Results from operating activities		**(5,079,901)**	(758,530)
Finance costs	23	**(691,853)**	(995,754)
Share of profit of associate (net of tax)		**1,506,008**	885,589
Loss before income tax	24	**(4,265,746)**	(868,695)
Tax credit	25	**349,672**	2,184,430
(Loss)/profit for the year		**(3,916,074)**	1,315,735
Other comprehensive income			
Foreign currency translation differences for foreign operations		**401,697**	1,504,185
Other comprehensive income for the year (net of tax)		**401,697**	1,504,185
Total comprehensive income for the year		**(3,514,377)**	2,819,920
(Loss)/profit for the year attributable to:			
Owners of the Company		**(1,229,036)**	4,164,434
Non-controlling interests		**(2,687,038)**	(2,848,699)
(Loss)/profit for the year		**(3,916,074)**	1,315,735
Total comprehensive income attributable to:			
Owners of the Company		**(382,049)**	5,090,614
Non-controlling interests		**(3,132,328)**	(2,270,694)
Total comprehensive income for the year		**(3,514,377)**	2,819,920
(Loss)/earnings per share			
Basic (loss)/earnings per share	26	**(0.17) cents**	0.58 cents
Diluted (loss)/earnings per share	26	**(0.17) cents**	0.57 cents

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital $	Capital reserve $	Statutory reserve $	Revaluation reserve $	Share option reserve $	Foreign currency translation reserve $	Retained earnings $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2010	117,352,643	140,256	8,877,025	788,607	1,627,055	(5,126,927)	35,358,783	159,017,442	24,956,765	183,974,207
Total comprehensive income for the year										
Net profit/(loss) for the year	–	–	–	–	–	–	4,164,434	4,164,434	(2,848,699)	1,315,735
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	–	926,180	–	926,180	578,005	1,504,185
Total comprehensive income for the year	–	–	–	–	–	926,180	4,164,434	5,090,614	(2,270,694)	2,819,920
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Share options exercised	1,384,200	–	–	–	–	–	–	1,384,200	–	1,384,200
Transfer to non-controlling interests	–	–	–	–	–	–	(1,709,603)	(1,709,603)	1,709,603	–
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(160,282)	(160,282)
Total transactions with owners	1,384,200	–	–	–	–	–	(1,709,603)	(325,403)	1,549,321	1,223,918
Transfers between reserves										
Transfer to statutory reserve	–	–	114,203	–	–	–	(114,203)	–	–	–
At 31 December 2010	118,736,843	140,256	8,991,228	788,607	1,627,055	(4,200,747)	37,699,411	163,782,653	24,235,392	188,018,045

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital $	Capital reserve $	Statutory reserve $	Revaluation reserve $	Share option reserve $	Foreign currency translation reserve $	Retained earnings $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2011	118,736,843	140,256	8,991,228	788,607	1,627,055	(4,200,747)	37,699,411	163,782,653	24,235,392	188,018,045
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(1,229,036)	(1,229,036)	(2,687,038)	(3,916,074)
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	–	846,987	–	846,987	(445,290)	401,697
Total comprehensive income for the year	–	–	–	–	–	846,987	(1,229,036)	(382,049)	(3,132,328)	(3,514,377)
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Share options exercised	535,500	–	–	–	–	–	–	535,500	–	535,500
Total transactions with owners	535,500	–	–	–	–	–	–	535,500	–	535,500
Transfers between reserves										
Transfer to statutory reserve	–	–	252,623	–	–	–	(252,623)	–	–	–
At 31 December 2011	119,272,343	140,256	9,243,851	788,607	1,627,055	(3,353,760)	36,217,752	163,936,104	21,103,064	185,039,168

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Loss before income tax		**(4,265,746)**	(868,695)
Adjustments for:			
Depreciation of property, plant and equipment	4	**15,743,454**	15,710,101
Depreciation of investment property	5	**213,682**	219,274
Loss on disposal of property, plant and equipment	22	**15,329**	–
Gain on disposal of property plant and equipment	21	**–**	(1,792,670)
Property, plant and equipment written off	22	**356,892**	99,529
Loss on disposal of assets classified as held for sale	22	**84,807**	–
Gain on disposal of a subsidiary	21	**–**	(1,435,795)
Interest income	21	**(905,669)**	(654,214)
Finance costs	23	**691,853**	995,754
Net reversal of impairment on property, plant and machinery	21	**(69,521)**	(6,074,965)
Share of profit of associate (net of tax)		**(1,506,008)**	(885,589)
Unrealised foreign exchange (gain)/loss		**(2,743,994)**	3,788,766
		7,615,079	9,101,496
Changes in working capital:			
Inventories		**(8,004,146)**	(2,791,567)
Trade and other receivables		**(11,714,692)**	7,202,613
Trade and other payables		**9,599,319**	1,666,367
Cash (used in)/generated from operating activities		**(2,504,440)**	15,178,909
Tax refund/(paid)		**82,064**	(729,182)
Net cash (used in)/from operating activities		**(2,422,376)**	14,449,727
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,607,303)**	(7,866,034)
Proceeds from disposal of property, plant and equipment		**80,512**	11,430,788
Proceeds from disposal of a subsidiary	13	**–**	1,781,719
Proceeds from disposal of assets classified as held for sale		**6,179,444**	–
Interest income received		**905,669**	654,214
Dividend from associate		**1,216,560**	1,094,992
Net cash from investing activities		**1,774,882**	7,095,679
Balance carried forward		**(647,494)**	21,545,406

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 $	2010 $
Balance brought forward		**(647,494)**	21,545,406
Cash flows from financing activities			
Proceeds from short term borrowings		**13,979,029**	9,878,400
Repayment of short term borrowings and finance lease liabilities		**(30,448,312)**	(9,773,661)
Dividends paid to non-controlling interests		**–**	(160,282)
Proceeds from issue of share capital	15	**535,500**	1,384,200
Finance costs paid		**(691,853)**	(995,754)
Deposits pledged		**–**	(141,950)
Net cash (used in)/from financing activities		**(16,625,636)**	190,953
Net (decrease)/increase in cash and cash equivalents		**(17,273,130)**	21,736,359
Cash and cash equivalents at 1 January		**66,277,789**	44,913,968
Effect of exchange rate fluctuations on cash held		**433,351**	(372,538)
Cash and cash equivalents at 31 December	13	**49,438,010**	66,277,789

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 2 April 2012.

1 Domicile and activities

Fu Yu Corporation Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at No. 8 Tuas Drive 1, Singapore 638675. The Company is listed on Singapore Exchange Limited.

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 (together referred to as the Group) and the Group's interests in an associate.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with 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

The financial statements are presented in Singapore dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS 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 estimate is revised and in any future periods affected.

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and/or material adjustment within the next financial year are included in the following notes:

- Note 3.7 and 28 – allowance for impairment of doubtful receivables
- Note 4 – measurement of recoverable amounts of property, plant and equipment
- Notes 6 and 11 – recoverability of investments in and amounts due from subsidiaries
- Note 8 – recoverability of deferred tax assets
- Note 25 – determining the provision for income tax payable

2.5 Changes in accounting policies

(i) Measurement of non-controlling interests in business combinations

From 1 January 2011, the Group has applied the amendments to FRS 103 Business Combinations resulting from the Improvements to FRSs 2010 in measuring at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value (see note 3.2(i)).

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non-controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date.

This change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2011 and has no material impact on earnings per share.

(ii) Identification of related party relationship and related party disclosures

From 1 January 2011, the Group has applied the revised FRS 24 Related Party Disclosures (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related party. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has resulted in additional parties being identified as related to the Group. The adoption of FRS 24 (2010) affects only the disclosure made in the financial statements. There is no financial effect on the results and statement of financial position of the Group for the current and previous years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

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, except as explained in note 2.5, which addresses changes in accounting policies.

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 end of the reporting period are retranslated 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 on which 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, are translated to Singapore dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at 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 translated at the closing rate. 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 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 or significant influence is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to gain or loss as part of 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 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 (Continued)

3.1 Foreign currency (Continued)

(ii) Foreign operations (Continued)

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 are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the foreign currency translation reserve.

3.2 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For 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, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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.

3 Significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. 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) Associate

Associate is the entity in which the Group has significant influence, but not control, over the financial and operating policies of the entity. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investment in associate is accounted for using the equity method and is recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3 Significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

(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 an associate 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) Accounting for subsidiaries and associate

Investments in subsidiaries and associate 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.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other operating expenses 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 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. 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. Freehold land is not depreciated.

3 Significant accounting policies (Continued)

3.3 Property, plant and equipment (Continued)

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	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 57 years. The depreciation method, the useful life and the residual value of investment property are reassessed at the balance sheet date.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.5 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits 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.

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.

3 Significant accounting policies (Continued)

3.5 Financial instruments (Continued)

(i) Non-derivative financial assets (Continued)

The Group has the following non-derivative financial assets: loans and receivables.

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 recognised initially 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and short term investments with maturities of three months or less. 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.

(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 or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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 has the following non-derivative financial liabilities: financial liabilities and trade and other payables.

Such 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.

3 Significant accounting policies (Continued)

3.5 Financial instruments (Continued)

(iii) Financial guarantees

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 and share options are recognised as a deduction from equity, net of any tax effects.

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. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3 Significant accounting policies (Continued)

3.7 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss 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 a negative effect 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 in the Group, 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. All receivables are assessed for specific impairment.

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 a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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.

3 Significant accounting policies (Continued)

3.7 Impairment (Continued)

Non-financial assets (Continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated 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.

3.9 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 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 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 Significant accounting policies (Continued)

3.9 Employee benefits (Continued)

Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

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 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.

Transfers 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.

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.

3 Significant accounting policies (Continued)

3.11 Revenue recognition (Continued)

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 income and expenses

Finance income comprises interest income on fixed deposits placed with banks. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.13 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.

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 the following:

- 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 to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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.

3 Significant accounting policies (Continued)

3.13 Tax (Continued)

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 Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company 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 multifaceted judgments about future events. New information may become available that causes the Company to change its judgment 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.

3.14 Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets or disposal group are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associate ceases once classified as held for sale or distribution.

3 Significant accounting policies (Continued)

3.15 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 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.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues 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 corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

3.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company. The amendments to FRS 107 Financial Instruments: Disclosures – Transfers of Financial Assets will become mandatory for the Group's and the Company's financial statements for 2012. The adoption of these amendments may result in additional disclosures in the financial statements with respect to transferred financial assets that are not derecognised in their entirety, and transferred financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The adoption of these amendments would only affect the disclosures made in the financial statements. There will be no effect on the results and financial position of the Group and the Company. The Group does not plan to adopt these amendments early.

4 Property, plant and equipment

Group	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, and furniture and fittings $	Other assets $	Buildings under construction $	Total $
Cost							
At 1 January 2010	96,719,029	311,745,346	4,385,410	19,215,701	13,026,370	1,652,384	446,744,240
Currency realignment	(2,219,877)	(5,794,604)	(42,401)	(305,588)	(69,278)	18,545	(8,413,203)
Additions	82,695	5,174,782	650,184	473,515	1,453,069	–	7,834,245
Disposals/Write-off	(11,301,128)	(22,063,290)	(1,412,110)	(2,869,746)	(3,978,658)	–	(41,624,932)
Reclassification	–	(53,238)	–	–	551,489	(498,251)	–
Reclassification to investment properties	–	–	–	–	–	(917,718)	(917,718)
Reclassified as assets held for sale	(10,827,911)	(7,654,574)	–	–	–	–	(18,482,485)
At 31 December 2010	72,452,808	281,354,422	3,581,083	16,513,882	10,982,992	254,960	385,140,147
At 1 January 2011	72,452,808	281,354,422	3,581,083	16,513,882	10,982,992	254,960	385,140,147
Currency realignment	1,923,103	5,112,646	39,468	193,584	78,892	(4,702)	7,342,991
Additions	26,627	2,334,545	416,759	571,346	1,984,014	–	5,333,291
Disposals/Write-off	(166,792)	(3,148,283)	(496,070)	(1,730,492)	(659,890)	–	(6,201,527)
At 31 December 2011	**74,235,746**	**285,653,330**	**3,541,240**	**15,548,320**	**12,386,008**	**250,258**	**391,614,902**
Accumulated depreciation and accumulated impairment losses							
At 1 January 2010	35,531,738	262,553,976	3,731,966	17,426,377	9,972,643	–	329,216,700
Currency realignment	(764,339)	(4,942,931)	(42,132)	(267,344)	(31,418)	–	(6,048,164)
Depreciation for the year	3,336,625	10,172,365	307,827	891,564	1,001,720	–	15,710,101
Reversal of impairment	–	(6,074,529)	–	(436)	–	–	(6,074,965)
Disposals/Write-off	(3,940,764)	(18,285,565)	(1,411,469)	(2,868,145)	(3,978,658)	–	(30,484,601)
Reclassified as assets held for sale	(4,647,123)	(7,207,008)	–	–	–	–	(11,854,131)
At 31 December 2010	29,516,137	236,216,308	2,586,192	15,182,016	6,964,287	–	290,464,940
At 1 January 2011	29,516,137	236,216,308	2,586,192	15,182,016	6,964,287	–	290,464,940
Currency realignment	774,420	4,060,071	25,907	152,650	12,707	–	5,025,755
Depreciation for the year	2,832,974	10,893,655	346,863	556,907	1,113,055	–	15,743,454
(Reversal of impairment)/Impairment loss for the year	–	(607,063)	–	3,866	533,676	–	(69,521)
Disposals/Write-off	(99,788)	(2,928,221)	(415,043)	(1,727,658)	(578,084)	–	(5,748,794)
At 31 December 2011	**33,023,743**	**247,634,750**	**2,543,919**	**14,167,781**	**8,045,641**	**–**	**305,415,834**
Carrying amount							
At 1 January 2010	61,187,291	49,191,370	653,444	1,789,324	3,053,727	1,652,384	117,527,540
At 31 December 2010	42,936,671	45,138,114	994,891	1,331,866	4,018,705	254,960	94,675,207
At 31 December 2011	**41,212,003**	**38,018,580**	**997,321**	**1,380,539**	**4,340,367**	**250,258**	**86,199,068**

4 Property, plant and equipment (Continued)

Company	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, and furniture and fittings $	Other assets $	Total $
Cost						
At 1 January 2010	29,526,150	38,068,354	1,536,408	6,519,762	4,213,029	79,863,703
Additions	–	136,350	524,898	20,277	33,091	714,616
Disposals/Write-off	–	(785,616)	(877,266)	(204,269)	(7,599)	(1,874,750)
Transferred to subsidiaries	–	(93,063)	–	–	–	(93,063)
At 31 December 2010	29,526,150	37,326,025	1,184,040	6,335,770	4,238,521	78,610,506
Additions	–	4,973	215,845	46,781	67,000	334,599
Disposals/Write-off	–	(534,064)	(319,811)	(910,544)	(637,472)	(2,401,891)
Transferred to subsidiaries	–	(5,473,472)	–	(5,060)	(5,358)	(5,483,890)
At 31 December 2011	**29,526,150**	**31,323,462**	**1,080,074**	**5,466,947**	**3,662,691**	**71,059,324**
Accumulated depreciation and accumulated impairment losses						
At 1 January 2010	15,544,694	36,042,967	1,370,330	6,322,744	3,787,154	63,067,889
Depreciation for the year	713,186	628,859	99,211	139,183	197,412	1,777,851
Disposals/Write-off	–	(791,583)	(877,266)	(204,269)	(7,599)	(1,880,717)
Transferred to subsidiaries	–	(79,371)	–	–	–	(79,371)
At 31 December 2010	16,257,880	35,800,872	592,275	6,257,658	3,976,967	62,885,652
Depreciation for the year	713,185	455,987	168,590	55,423	99,074	1,492,259
Reversal of impairment	–	(353,694)	–	–	–	(353,694)
Disposals/Write-off	–	(511,133)	(253,521)	(910,531)	(574,566)	(2,249,751)
Transferred to subsidiaries	–	(5,087,601)	–	(4,419)	(5,358)	(5,097,378)
At 31 December 2011	**16,971,065**	**30,304,431**	**507,344**	**5,398,131**	**3,496,117**	**56,677,088**
Carrying amount						
At 1 January 2010	13,981,456	2,025,387	166,078	197,018	425,875	16,795,814
At 31 December 2010	13,268,270	1,525,153	591,765	78,112	261,554	15,724,854
At 31 December 2011	**12,555,085**	**1,019,031**	**572,730**	**68,816**	**166,574**	**14,382,236**

4 Property, plant and equipment (Continued)

Leasehold properties of the Group and the Company, with carrying amounts of $19,192,832 (2010: $32,028,117) and $12,555,085 (2010: $13,268,270) respectively, were pledged as security for bank loans.

Assets held under finance leases

The carrying amount of motor vehicles, factory equipment and plant and machinery held under finance leases as at 31 December 2011 for the Group and the Company was $131,123 (2010: $657,015) and $114,168 (2010: $165,902) respectively.

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of $5,333,291 (2010: $7,834,245) and $334,599 (2010: $714,616) respectively, of which $Nil (2010: $95,000) and $Nil (2010: $95,000) was acquired under finance leases.

Assets held under finance lease are pledged as security for the related finance lease liabilities.

Impairment loss

In 2010, certain cash-generating units ("CGU") in China, Singapore and Malaysia either continued to incur operating losses or there were indicators of potential impairment of property, plant and equipment identified by Group management. This had resulted in the Group assessing the recoverable amount of the property, plant and equipment for these operations. In the current financial year, certain CGUs in China, Singapore and Malaysia 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 for the current financial year.

The recoverable amounts of the CGUs were estimated based on the higher of fair value less cost to sell and their value-in-use. Based on the assessment, the carrying amounts of the property, plant and equipment were determined to be $69,521 (2010: $6,074,965) lower than their recoverable amounts, and reversal of impairment loss of $69,521 (2010: $6,074,965) was recognised. The operations of the CGUs that are located within the same country are similar in nature and therefore, the assumptions used on projecting the value-in-use are disclosed below by such geographical locations.

The approach to determine the recoverable amounts of the cash-generating units 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 amount of such CGUs has been determined to be the higher of the fair value of its monetary asset or the carrying amount of the CGUs which is estimated to be nil.

- A CGU that is loss-making but is expected to be able to generate economic benefits through liquidation of its leasehold properties. The recoverable amounts of the CGU has been determined based on the fair value less cost to sell of the leasehold properties. The fair value less cost to sell approach was determined based on market valuation obtained during the current year.

- CGUs that are loss-making but is expected to bring economic benefits through transfer of their production assets to other CGUs within the Group. The recoverable amounts of such CGUs have been determined based on the calculations of value-in-use of the recipient CGUs. These calculations are based on the management's cash flows projections which in particular include the cash flows expected to be generated from the transferred production assets. Key assumptions used in the calculation of the value-in-use are the same as for other CGUs and are presented below.

4 Property, plant and equipment (Continued)

Impairment loss (Continued)

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

	2011			**2010**		
Value-in-use assumptions:	**Singapore**	**Malaysia**	**China**	**Singapore**	**Malaysia**	**China**
Average growth rate in revenue	**1% to 5%**	**45.8%**	**Nil to 12.5%**	1% to 5%	11%	Nil to 12%
Number of years projected in the discounted cash flow	**5 to 8 years**	**4 years**	**5 years**	5 to 9 years	5 years	4 to 8 years
Gross profit margin	**10.0% to 30.0%**	**4.6% to 4.7%**	**6.0% to 25.0%**	14.5% to 27.9%	–4.2% to 3.5%	7.7% to 39.5%
Terminal value of property, plant and equipment	**5%**	**–**	**2%**	Nil to 5%	–	2%
Terminal value of leasehold property	**–**	**–**	**25,616,000**	28,000,000	–	24,898,000
Pre-tax discount rate	**11.5%**	**14.0%**	**12.7% to 18%**	11.7% to 17.7%	17.1%	12.7% to 22.8%

Fair value less cost to sell assumptions:

The fair value less cost to sell of leasehold properties of a certain CGU is approximately S$24,540,000. 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 being valued. In 2010, the fair value less cost to sell approach was not used as the basis for recoverable amount of this CGU.

The net reversal of impairment loss in relation to the plant and machinery, office equipment, furniture and fittings and other assets was recognised and presented as "Other income" in the consolidated profit or loss for the year.

5 Investment property

Group	**2011 $**	**2010 $**
Cost		
At 1 January	**11,201,050**	10,098,829
Reclassification from property, plant and equipment	**–**	917,718
Currency realignment	**(206,583)**	184,503
At 31 December	**10,994,467**	11,201,050
Accumulated depreciation		
At 1 January	**774,417**	547,502
Depreciation for the year	**213,682**	219,274
Currency realignment	**(14,439)**	7,641
At 31 December	**973,660**	774,417
Carrying amount	**10,020,807**	10,426,633

5 Investment property (Continued)

The buildings are leased to Berry Plastics Malaysia Sdn Bhd (formerly known as Rexam Malaysia Sdn Bhd), an associate of the Group.

The fair value of investment properties as at 31 December 2011 is approximately $12,704,000 (2010: $12,943,000) which has been determined based on valuations performed by accredited independent valuers with recent experience in the location and category of investment properties being valued. The valuations are based on the depreciated replacement cost method that makes reference to the cost of replacing the buildings as new and allowing for depreciation for physical, functional and economic obsolescence.

6 Subsidiaries

	Company	
	2011	**2010**
	$	**$**
Equity investments, at cost	**126,210,714**	122,350,014
Impairment losses	**(90,825,677)**	(84,295,677)
	35,385,037	38,054,337
Amounts due from subsidiary	**17,190,391**	17,000,837
	52,575,428	55,055,174

As at the balance sheet date, management reassessed the nature of the amounts due from its subsidiaries. Based on the assessment, management believes that the amounts due from a subsidiary were in substance part of the shareholders' net investments in the entity as the settlement of these amounts are neither planned nor likely to occur in the foreseeable future. Accordingly, the balance is reclassified as quasi-equity investment in the subsidiary.

During the current year, certain subsidiaries in China and Singapore continued to incur operating losses. Accordingly, the Company performed an assessment of the recoverable amount of investments in subsidiaries together with the recoverable amount of 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.

Based on management's assessment, the carrying amounts of investments and receivables from subsidiaries were determined to be $102,683,771 (2010: $94,065,421) higher than their recoverable amounts, and an impairment loss of $8,618,350 (2010: $14,324,071) was recognised in profit or loss in the year. The assumptions used for projecting the value-in-use are disclosed below.

6 Subsidiaries (Continued)

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 higher of the fair value of its monetary asset or the carrying amount of the CGU which is estimated to be nil.

- 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 the management's cash flows projections. Key assumptions used in the calculation of the value-in-use are presented below. These assumptions are grouped by countries for presentation purposes as similar trends in cash flows projections are expected for subsidiaries located in the same country.

	2011 Singapore	2011 China	2010 Singapore	2010 China
Average growth rate in revenue	**10.7% to 15.7%**	**Nil to 12.5%**	1.0% to 15%	Nil to 12%
Number of years projected in the discounted cash flow	**5 years**	**5 years**	5 years	4 to 5 years
Gross profit margin	**7.4% to 30.0%**	**6.0% to 25.0%**	14.5% to 27.9%	7.7% to 39.5%
Pre-tax discount rate	**11.5%**	**15.0% to 19.4%**	12.5% to 12.9%	17.7% to 19.7%

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

	Company 2011 $	Company 2010 $
At 1 January	**84,295,677**	70,014,306
Impairment loss during the year	**6,530,000**	23,098,100
Impairment written off	**–**	(8,816,729)
At 31 December	**90,825,677**	84,295,677

6 Subsidiaries (Continued)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest held by the Group 2011 %	2010 %
Chang Fu Resources Pte Ltd	Singapore	**100**	100
Fu Yu Investment Pte Ltd	Singapore	**100**	100
NanoTechnology Manufacturing Pte Ltd	Singapore	**80**	80
SolidMicron Technologies Pte Ltd	Singapore	**100**	100
Fu Yu Electronics (Dongguan) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Tianjin) Co., Ltd. (1)	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Wuxi) Co., Ltd. (1)	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	**100**	100
Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd.	People's Republic of China	**100**	100
Classic Advantage Sdn. Bhd.	Malaysia	**70.64**	70.64
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	**70.64**	70.64
LCTH Corporation Berhad	Malaysia	**70.64**	70.64
Fu Yu International Enterprise Limited	Hong Kong	**100**	100
Fu Yu Trading Limited	Hong Kong	**100**	100

(1) Fu Yu Moulding & Tooling (Tianjin) and Fu Yu Moulding & Tooling (Wuxi) were undergoing voluntary liquidation in 2011. As at 31 December 2011, the voluntary liquidation were still on-going.

KPMG Singapore is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries 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.

7 Associate

	Group 2011 $	Group 2010 $
Unquoted investment, at cost	**2,692,880**	2,692,880
Share of post-acquisition reserves	**3,456,500**	1,950,492
Dividends from associate	**(2,311,552)**	(1,094,992)
Currency realignment	**(60,980)**	2,050
At 31 December	**3,776,848**	3,550,430

Details of the associate are as follows:

Name of company	Country of incorporation	Effective equity interest held by the Group 2011 %	Effective equity interest held by the Group 2010 %
Berry Plastics Malaysia Sdn Bhd * (formerly known as Rexam Malaysia Sdn Bhd)	Malaysia	**28.26**	28.26

* Audited by PricewaterhouseCoopers, Malaysia.

Financial information of the associate, not adjusted for the percentage of ownership held by the Group, are as follows:

	2011 $	2010 $
Assets and liabilities		
Non-current assets	**6,177,385**	3,953,965
Current assets	**6,138,373**	7,969,667
Total assets	**12,315,758**	11,923,632
Total liabilities	**1,995,281**	2,152,693
Results		
Revenue	**14,608,404**	15,100,963
Profit after income tax	**3,765,019**	3,130,950

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 1/1/2010 $	Recognised in profit or loss (Note 25) $	Exchange differences $	At 31/12/2010 $	Recognised in profit or loss (Note 25) $	Exchange differences $	At 31/12/2011 $
Group							
Deferred tax assets							
Property, plant and equipment	–	(775,954)	23,140	(752,814)	665,254	1,234	**(86,326)**
Employee benefits	(30,159)	(23,698)	–	(53,857)	7,683	–	**(46,174)**
Provision	(24,531)	(16)	–	(24,547)	(1,257)	–	**(25,804)**
Others	(393,116)	(281,644)	(4,452)	(679,212)	627,542	12,062	**(39,608)**
Tax loss carry-forward	–	(864,079)	25,768	(838,311)	(2,477,097)	(68,278)	**(3,383,686)**
	(447,806)	(1,945,391)	44,456	(2,348,741)	(1,177,875)	(54,982)	**(3,581,598)**
Deferred tax liabilities							
Property, plant and equipment	5,894,087	(1,690,942)	110,950	4,314,095	(551,876)	(51,761)	**3,710,458**
Others	64,939	(67,109)	2,203	33	(33)	–	**–**
	5,959,026	(1,758,051)	113,153	4,314,128	(551,909)	(51,761)	**3,710,458**

	Company 2011 $	Company 2010 $
Deferred tax assets		
Employee benefits	**(46,174)**	(53,857)
Provision	**(25,804)**	(24,547)
	(71,978)	(78,404)
Deferred tax liabilities		
Property, plant and equipment	**1,206,962**	1,497,149
Others	**–**	33
	1,206,962	1,497,182

8 Deferred tax assets and liabilities (Continued)

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	
	2011	2010	2011	2010
	$	$	$	$
Deferred tax assets	**1,769,540**	1,591,125	**–**	–
Deferred tax liabilities	**1,898,400**	3,556,512	**1,134,984**	1,418,778

Based on the cash flows forecast prepared as described in Note 4, deferred tax assets were recognised by certain subsidiaries as 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.

As at 31 December, deferred tax assets have not been recognised in respect of the following items because it is not probable for that future taxable profits would be available against which the Group can utilise the benefits therefrom:

	Group		
	2011	2010, as restated	2010, as previously reported
	$	$	$
Unutilised capital allowances	**2,220,905**	7,432,219	7,501,743
Unutilised tax losses	**78,867,828**	70,418,083	50,580,733
Unutilised export and reinvestment allowances	**1,911,520**	1,163,770	–
Temporary differences	**1,594,225**	281,658	331,936
	84,594,478	79,295,730	58,414,412

The tax losses, capital allowances, export and reinvestment allowances and temporary differences do not expire under current tax legislation.

In 2011, the Group clarified the amounts of temporary differences not recognised as at the end of previous financial years with relevant tax authorities. In addition, export and reinvestment allowances of $1,163,770 that a subsidiary is entitled to were not previously disclosed. As a result, comparative amounts of temporary differences not recognised have been restated. The change has no impact on the Group's profit or loss or balance sheet.

9 Inventories

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Raw materials	**17,109,008**	9,354,184	**1,344,079**	887,894
Work-in-progress	**1,362,583**	875,511	**93,354**	155,118
Finished goods	**9,665,405**	9,445,903	**1,192,600**	1,655,444
	28,136,996	19,675,598	**2,630,033**	2,698,456

In 2011, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $148,895,248 (2010: $141,387,515) and $18,031,092 (2010: $21,217,973) for the Group and the Company respectively. The reversal of write-down of inventories to net realisable value amounted to $256,380 (2010: $994,476) and $Nil (2010: $Nil) for the Group and the Company respectively.

10 Trade and other receivables

		Group		Company	
	Note	2011	2010	2011	2010
		$	$	$	$
Trade receivables	28	**88,524,472**	74,937,909	**5,434,195**	6,236,236
Allowance for impairment of doubtful receivables	28	**(9,837,955)**	(10,430,242)	**(64,685)**	(85,556)
Net trade receivables		**78,686,517**	64,507,667	**5,369,510**	6,150,680
Other receivables		**3,060,552**	3,373,825	**233,910**	749,020
Allowance for impairment of doubtful receivables		**(310,929)**	(234,456)	**(70,791)**	–
Net other receivables		**2,749,623**	3,139,369	**163,119**	749,020
Amounts due from					
– subsidiaries	11	**–**	–	**47,725,026**	50,363,896
– customers for contract work	12	**2,255,014**	3,105,480	**527,487**	1,654,159
Deposits		**1,707,329**	2,350,510	**766,824**	1,898,940
Loans and receivables		**85,398,483**	73,103,026	**54,551,966**	60,816,695
Prepayments		**823,559**	1,059,893	**85,607**	115,361
Advances to suppliers		**4,114,552**	1,499,728	**–**	–
		90,336,594	75,662,647	**54,637,573**	60,932,056

Trade receivables of a subsidiary, with carrying amount of $3,352,624 (2010: $Nil), were pledged as security for bank loans.

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 28.

11 Amounts due from subsidiaries

	Note	Company 2011 $	Company 2010 $
Amounts due from subsidiaries			
– trade		**158,107**	1,200,233
– non-trade		**59,425,013**	58,933,407
		59,583,120	60,133,640
Allowance for impairment of doubtful receivables		**(11,858,094)**	(9,769,744)
	10	**47,725,026**	50,363,896

The trade and non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. Management assesses recoverability of amounts due from individual subsidiaries together with investments in those subsidiaries based on cash flows forecasts prepared for these subsidiaries, as described in Note 6. Should individual subsidiaries not be able to achieve forecasted results, the Company would be required to record additional impairment loss.

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

	Company 2011 $	Company 2010 $
At 1 January	**9,769,744**	9,727,044
Allowance made during the year	**3,383,571**	2,088,700
Allowance written off	**(1,295,221)**	(2,046,000)
At 31 December	**11,858,094**	9,769,744

12 Amount due from customers for contract work

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Contract costs incurred to date		**5,327,869**	10,149,185	**2,192,527**	6,726,504
Recognised profits less recognised losses to date		**944,476**	1,019,449	**12,534**	165,363
		6,272,345	11,168,634	**2,205,061**	6,891,867
Progress billings		**(5,533,940)**	(8,887,863)	**(1,731,598)**	(5,666,631)
Amount due from customers, net		**738,405**	2,280,771	**473,463**	1,225,236
Gross amount due from customers for contract work	10	**2,255,014**	3,105,480	**527,487**	1,654,159
Gross amount due to customers for contract work	19	**(1,516,609)**	(824,709)	**(54,024)**	(428,923)
		738,405	2,280,771	**473,463**	1,225,236

13 Cash and cash equivalents

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Cash at bank and in hand	**28,105,230**	35,164,051	**2,716,800**	3,753,119
Deposits with banks	**12,723,379**	22,654,246	**–**	5,533,670
Short-term investments	**11,699,293**	11,607,442	**–**	–
Cash and cash equivalents	**52,527,902**	69,425,739	**2,716,800**	9,286,789
Deposits pledged	**(3,089,892)**	(3,147,950)		
Cash and cash equivalents in the cash flow statement	**49,438,010**	66,277,789		

Fixed deposits of $3,089,892 (2010: $3,147,950) is pledged as security deposit for the lease of factory buildings by a subsidiary.

Fixed deposits with financial institutions mature on varying periods within 12 months (2010: 12 months) from the financial year end. Effective interest rates range from 2% to 3.15% (2010: 0.07% to 3.10%) per annum.

The short-term investments refer to funds deposited with trust funds and money market funds. Short-term investments earn a interest rate of 2.45% to 3.63% (2010: 1.4% to 3.46%) per annum during the year.

Cash and bank balances totalling the equivalent of $46,409,954 (2010: $56,746,980) are held in two countries which operate foreign exchange controls.

13 Cash and cash equivalents (Continued)

Disposal of a subsidiary

In November 2010, the Company disposed its entire interest in QingDao Fu Qiang Electronics Co., Ltd for a cash consideration of $1,909,110. The effect of the disposal on the cash flow of the Group was:

Carrying amount of assets and liabilities disposed

	Group 2010 $
Plant and machinery	64,170
Inventories	99,849
Trade and other receivables	753,519
Trade and other payables	(505,983)
Cash and bank balances	127,391
	538,946
Foreign currency translation reserve	(65,631)
Net assets disposed	473,315
Gain on disposal of a subsidiary	1,435,795
Cash proceeds from disposal	1,909,110
Less: Cash and cash equivalents in subsidiary disposed	(127,391)
Net cash inflow on disposal	1,781,719

14 Assets classified as held for sale

The assets classified as held for sale was in respect of the sale and purchase agreement entered into by a subsidiary in China to dispose its land use rights and buildings together with the plant and equipment therein.

	Group	
	2011 $	2010 $
Property, plant and equipment	–	6,430,689

The sale of these assets were completed in 2011. A loss on disposal of $84,807 was recognised in profit or loss.

15 Share capital

	2011	2010
	No. of shares	
Fully paid ordinary shares, with no par value:		
On issue at 1 January	**725,884,775**	710,504,775
Exercise of share options	**5,950,000**	15,380,000
On issue at 31 December	**731,834,775**	725,884,775

In 2011, ordinary shares of 5,950,000 (2010: 15,380,000) were issued as a result of the exercise of vested share options arising from the Fu Yu Corporation Share Option Scheme granted on 5 October 2008. Options were exercised at an exercise price of $0.09 per option. All issued shares are fully paid.

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.

The Board monitors capital and externally imposed capital requirements based on the following bases (for the Group and the Company):

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

– Gearing ratio

Net equity is calculated as the sum of share capital, capital reserve, statutory reserve, share option reserve and retained earnings.

Gearing ratio is calculated as total liabilities (including contingent liabilities) divided by Net equity.

15 Share capital (Continued)

Capital management (Continued)

	Group 2011	Group 2010	Company 2011	Company 2010
Net equity ($)	**166,501,257**	167,194,793	**113,032,237**	120,874,207
Gearing ratio	**52.9%**	57.2%	**11.6%**	18.2%

The Group and the Company have complied with the externally imposed capital requirements for the financial years ended 31 December 2011 and 2010.

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 2011 and 2010.

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 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Capital reserve	**140,256**	140,256	**–**	–
Statutory reserve	**9,243,851**	8,991,228	**–**	–
Revaluation reserve	**788,607**	788,607	**788,607**	788,607
Share option reserve	**1,627,055**	1,627,055	**1,153,055**	1,153,055
Foreign currency translation reserve	**(3,353,760)**	(4,200,747)	**–**	–
Retained earnings/(accumulated losses)	**36,217,752**	37,699,411	**(7,393,161)**	984,309
	44,663,761	45,045,810	**(5,451,499)**	2,925,971

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

The statutory reserve is computed based on 10% of the after tax profits of subsidiaries established in the PRC. It is maintained to comply with the law and regulations in the PRC.

16 Reserves (Continued)

The revaluation reserve represents increase in the fair value of certain properties that were subject to one-off revaluation exercise conducted in 1994, net of decrease in the revaluation reserve to the extent that such decrease relates to impairment loss or disposal of these properties.

The share option reserve comprises the cumulative value of services received from directors and employees for the issue of the share options.

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 Share-based payment arrangement

The Fu Yu Corporation Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting on 29 April 2008. The Scheme is administered by a committee comprising all executive directors.

Information regarding the Scheme is as follows:

- The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on Singapore Exchange for five consecutive market days immediately preceding the date of the grant.
- The options can be exercised 1 year after the date of grant.
- The options granted expire after 5 October 2014.
- All options are settled by delivery of shares.
- No options are granted at a discount to the prevailing market price of share.

Movements in the number of share options and their related weighted average exercise prices are as follows:

	2011		2010	
	Weighted average exercise price $	No. of options	Weighted average exercise price $	No. of options
At 1 January	**0.09**	**61,040,000**	0.09	80,620,000
Forfeited during the year	**0.09**	**(900,000)**	0.09	(4,200,000)
Exercised during the year	**0.09**	**(5,950,000)**	0.09	(15,380,000)
At 31 December	**0.09**	**54,190,000**	0.09	61,040,000

The weighted average share price at the date of exercise for share options exercised in 2011 was $0.09 (2010: $0.11).

17 Share-based payment arrangement (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise price:

Date of grant of options	Expiry date	Exercise price	Options outstanding	
		$	2011	2010
5 October 2008	5 October 2014	0.09	**54,190,000**	61,040,000

The fair value of services received in return for share options granted are measured by reference to the fair value of share options. The estimate of the fair value of the services received is measured based on the Black-Scholes-Merton model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions are set out below:

Date of grant of options	5 October 2008
Fair value at measurement date	$0.09
Share price	$0.09
Exercise price	$0.09
Expected volatility	19%
Expected option life	5 years
Expected dividend rate	Nil
Risk-free interest rate	2.25%

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market and non-market performance conditions associated with the share option granted. Service condition is not taken into account in the measurement of the fair value of the services to be received at the grant date.

18 Financial liabilities

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Non-current liabilities				
Finance lease liabilities	**88,329**	138,972	**66,095**	105,858
Current liabilities				
Secured bank loans	**2,346,837**	18,542,400	**–**	6,440,000
Finance lease liabilities	**50,034**	182,535	**39,764**	37,845
	2,396,871	18,724,935	**39,764**	6,477,845
	2,485,200	18,863,907	**105,859**	6,583,703

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

18 Financial liabilities (Continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	2011 Face value	2011 Carrying amount	2010 Face value	2010 Carrying amount
Group							
Secured bank loans	SGD	3.13%	2011	–	–	6,440,000	6,440,000
Secured bank loans	RMB	7.02%	2012	**2,346,837**	**2,346,837**	–	–
Secured bank loans	RMB	5.58% to 6.39%	2011	–	–	12,102,400	12,102,400
Finance lease liabilities	SGD	2.80%	2014	**105,859**	**105,859**	143,703	143,703
Finance lease liabilities	MYR	2.3% to 2.53%	2011 to 2015	**32,504**	**32,504**	177,804	177,804
				2,485,200	**2,485,200**	18,863,907	18,863,907
Company							
Secured bank loans	SGD	3.13%	2011	–	–	6,440,000	6,440,000
Finance lease liabilities	SGD	2.80%	2014	**105,859**	**105,859**	143,703	143,703
				105,859	**105,859**	6,583,703	6,583,703

Secured bank loans

The Group's and the Company's secured revolving bank loans bear interest rate of 7.02% (2010: ranging from 3.13% to 6.39%) and Nil% (2010: 3.13%) respectively per annum.

The secured bank loans are secured by:

(i) Mortgages over the Company's Singapore properties;

(ii) Mortgages over the Company's subsidiary, Fu Yu Moulding & Tooling (Dongguan) Co., Ltd's properties; and

(iii) Pledge over the Company's subsidiary, Fu Yu Moulding & Tooling (Wujiang) Co., Ltd's trade receivables.

As at 31 December 2011, the fixed and floating charges over various assets (excluding properties) of the Company, and the ordinary shares of the subsidiary, LCTH Corporation Berhad, amounting 254,295,643 were in the process of being discharged as collaterals. The pledges were formally discharged on 1 February 2012.

Loans and borrowings are denominated in the functional currencies of the respective Group entities.

18 Financial liabilities (Continued)

Finance lease liabilities

At 31 December, the Group and the Company have obligations under finance leases as follows:

	2011 Principal $	2011 Interest $	2011 Payments $	2010 Principal $	2010 Interest $	2010 Payments $
Group						
Payable:						
Within 1 year	**50,034**	**5,161**	**55,195**	182,535	9,227	191,762
After 1 year but within 5 years	**88,329**	**3,545**	**91,874**	138,972	8,749	147,721
	138,363	**8,706**	**147,069**	321,507	17,976	339,483
Company						
Payable:						
Within 1 year	**39,764**	**3,988**	**43,752**	37,845	5,907	43,752
After 1 year but within 5 years	**66,095**	**2,563**	**68,658**	105,858	6,552	112,410
	105,859	**6,551**	**112,410**	143,703	12,459	156,162

The effective interest rates implicit in the leases range from 2.30% to 2.80% (2010: 2.30% to 2.80%) per annum.

The finance lease liabilities are secured by the leased assets.

19 Trade and other payables

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Trade payables		**48,344,009**	38,075,231	**3,298,241**	4,003,091
Accrued expenses		**9,301,963**	8,396,675	**1,842,820**	2,498,296
Amounts payable for purchase of property, plant and equipment		**710,289**	1,973,615	**80,764**	5,885
Amounts due to customers for contract work	12	**1,516,609**	824,709	**54,024**	428,923
Other payables		**14,940,742**	12,716,036	**651,509**	627,415
Amounts due to subsidiaries					
– trade		**–**	–	**1,351,172**	982,175
– non-trade		**–**	–	**552,394**	529,106
Deposits and advances		**1,452,292**	3,236,148	**808,295**	1,473,840
Advances from directors		**3,000,000**	3,000,000	**3,000,000**	3,000,000
Sales/withholding taxes		**1,557,508**	1,890,655	**–**	–
Financial liabilities measured at amortised cost		**80,823,412**	70,113,069	**11,639,219**	13,548,731
Advance billings		**1,364,075**	1,288,959	**241,164**	252,403
		82,187,487	71,402,028	**11,880,383**	13,801,134

The trade and non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand. Advances from Company's directors are unsecured, interest-free and repayable on demand.

20 Revenue

	Group 2011 $	Group 2010 $
Sale of goods	**236,380,572**	225,123,318
Revenue from tooling contracts	**24,745,793**	33,801,676
	261,126,365	258,924,994

21 Other income

	Group 2011 $	Group 2010 $
Interest income	**905,669**	654,214
Rental income	**2,098,888**	5,279,937
Gain on disposal of a subsidiary	**–**	1,435,795
Gain on disposal of property, plant and equipment	**–**	1,792,670
Sale of scrap and raw materials	**1,015,797**	1,235,535
Foreign exchange gain (net)	**2,155,233**	–
Net reversal of impairment loss of property, plant and machinery	**69,521**	6,074,965
Others	**390,672**	339,846
	6,635,780	16,812,962

22 Other operating expenses

	Group 2011 $	Group 2010 $
Property, plant and equipment written off	**356,892**	99,529
Allowances made for doubtful trade receivables	**328,947**	223,259
Bad debts written off	**28,972**	–
Loss on liquidation of a subsidiary	**–**	146,857
Loss on disposal of property, plant and equipment	**15,329**	–
Foreign exchange loss (net)	**–**	7,709,291
Loss on disposal of assets classified as held for sale	**84,807**	–
	814,947	8,178,936

23 Finance costs

	Group	
	2011	2010
	$	$
Interest expense		
– bank loans	**609,147**	963,539
– finance leases	**82,706**	32,215
	691,853	995,754

24 Loss before income tax

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

	Group	
	2011	**2010**
	$	**$**
Directors of the Company		
– fees	**331,969**	316,569
– salaries, bonuses and other costs	**2,968,171**	3,084,473
– contributions to defined contribution plans	**65,162**	63,685
Directors of subsidiaries		
– fees	**80,380**	82,986
– salaries, bonuses and other costs	**9,227**	9,527
Audit fees paid or payable to		
– auditors of the Company	**150,000**	132,000
– other auditors	**331,446**	338,586
Non-audit fees paid or payable to		
– other auditors	**59,210**	40,777
Staff costs, excluding directors of the Company and subsidiaries		
– salaries, bonuses and other costs	**50,387,085**	47,418,026
– contributions to defined contribution plans	**4,167,231**	3,820,781
Operating lease expenses	**5,729,269**	9,297,405
Write-back/(reversal) of allowance for inventory obsolescence	**289,937**	(928,283)
Operating expenses incurred in relation to investment property	**258,941**	273,136

25 Tax credit

	Group 2011 $	Group 2010 $
Tax recognised in profit or loss		
Current tax expense		
Current year	**1,739,758**	1,184,715
(Over)/under provision of prior years	**(359,646)**	334,297
	1,380,112	1,519,012
Deferred tax credit		
Movements in temporary differences	**(1,399,152)**	(3,780,935)
(Over)/under provision in prior years	**(330,632)**	77,493
	(1,729,784)	(3,703,442)
Tax credit	**(349,672)**	(2,184,430)

Reconciliation of effective tax rate

	Group 2011 $	Group 2010 $
Loss before income tax	**(4,265,746)**	(868,695)
Tax calculated using Singapore tax rate of 17% (2010: 17%)	**(725,177)**	(147,678)
Effect of different tax rates in foreign jurisdictions	**(145,821)**	294,370
Income not subject to tax	**(1,454,239)**	(2,215,016)
Expenses not deductible for tax purposes	**1,055,421**	2,748,198
Utilisation of capital allowances, reinvestment allowances and tax losses previously not recognised	**(124,871)**	(74,081)
Recognition of previously unrecognised deferred tax assets	**(1,908,562)**	(4,803,215)
(Over)/under provision in prior years	**(690,278)**	411,790
Deferred tax assets not recognised	**3,793,427**	1,255,293
Others	**(149,572)**	345,909
	(349,672)	(2,184,430)

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.

26 (Loss)/earnings per share

	Group 2011 $	Group 2010 $
Basic and diluted (loss)/earnings per share is based on:		
Net (loss)/profit attributable to ordinary shareholders	**(1,229,036)**	4,164,434

	Group 2011 Number of shares	Group 2010 Number of shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**725,884,775**	710,504,775
Effect of shares issued during the year	**4,813,288**	3,321,315
Weighted average number of ordinary shares (basic)	**730,698,063**	713,826,090
Effect of share options on issue	**–**	10,971,747
Weighted average number of ordinary shares (diluted)	**730,698,063**	724,797,837
Basic (loss)/earnings per share (cents)	**(0.17)**	0.58
Diluted (loss)/earnings per share (cents)	**(0.17)**	0.57

There is no difference between the basic and diluted earnings per share for 2011 as the Company has no potential dilutive securities as at 31 December 2011.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares is adjusted to take into account the dilutive effect arising from the dilutive share options to ordinary shares, with the potential ordinary shares weighted for the period outstanding.

27 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. Other items comprise mainly interest income, finance costs, other income/(expenses) and tax expense and credit.

Performance is measured based on profit before tax, interest income, finance costs and other income/(expenses), as included in internal management reports that are reviewed by the Group's chief operating decision maker. Profit before tax, interest income, finance costs and other income/(expenses) is used to measure performance as management believes that 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 the terms agreed by the counterparties.

Concentration of revenue

Revenues of approximately $131,683,146 (2010: $113,662,062) relate to 4 (2010: 3) external customers with revenue in excess of 10% of Group revenue. This revenue relates to Singapore, Malaysia and China segments.

27 Operating segments (Continued)

Geographical segments

	Singapore		China		Malaysia		Total operations	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue and expenses								
Total external revenue	**42,005,658**	47,723,854	**171,881,136**	157,189,406	**47,239,571**	54,011,734	**261,126,365**	258,924,994
Inter-segment revenue	**2,017,462**	1,868,425	**17,340,465**	21,170,253	**482,902**	1,214,195	**19,840,829**	24,252,873
(Loss)/profit before tax*	**(349,298)**	(2,356,307)	**4,377,023**	1,706,457	**(10,082,816)**	(6,837,859)	**(6,055,091)**	(7,487,709)
Net reversal of impairment loss on property, plant and equipment							**69,521**	6,074,965
Share of profit of associate (net of tax)							**1,506,008**	885,589
Interest income							**905,669**	654,214
Finance costs							**(691,853)**	(995,754)
Loss before tax							**(4,265,746)**	(868,695)
Tax credit							**349,672**	2,184,430
Net (loss)/profit for the year							**(3,916,074)**	1,315,735
Other segment information								
Segment non-current assets	**15,817,058**	25,493,650	**51,073,183**	56,579,615	**33,106,482**	26,579,005	**99,996,723**	108,652,270
Unallocated assets							**1,769,540**	1,591,125
Total non-current assets							**101,766,263**	110,243,395
Depreciation of property, plant and equipment and investment property	**2,051,986**	2,260,125	**9,896,653**	7,684,315	**4,008,497**	5,984,935	**15,957,136**	15,929,375

* After excluding the effect of interest income, finance costs, share of profit of associate and net reversal of impairment on property, plant and equipment.

28 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.

At the balance sheet date, there is a concentration of credit risk to customers located in the following geographical areas:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Singapore	**6,643,001**	5,727,553	**4,359,581**	4,131,012
China	**52,064,518**	45,671,739	**77,123**	681,124
Malaysia	**13,870,098**	6,783,451	**264,265**	826,249
United States	**1,593,419**	1,443,031	**207,463**	402,872
Hong Kong	**1,041,566**	795,708	**–**	11,048
Others	**3,473,915**	4,086,185	**461,078**	98,375
	78,686,517	64,507,667	**5,369,510**	6,150,680

At the balance sheet date, there is a concentration of credit risk relating to four major customers with outstanding receivable balance of approximately $40,335,837 (2010: three major customers with outstanding receivable balance of approximately $29,141,913). These customers relate to Singapore, Malaysia and China segments.

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

The ageing analysis of the trade receivables is as follows:

	2011		2010	
	Gross	**Impairment loss**	**Gross**	**Impairment loss**
	$	**$**	**$**	**$**
Group				
Not past due	**62,659,783**	**–**	48,809,400	–
Past due 1 to 30 days	**10,032,256**	**–**	8,341,489	–
Past due 31 to 90 days	**4,527,293**	**–**	5,351,004	6,676
Past due more than 90 days	**11,305,140**	**9,837,955**	12,436,016	10,423,566
	88,524,472	**9,837,955**	74,937,909	10,430,242

28 Financial risk management (Continued)

Credit risk (Continued)

	2011		2010	
	Gross	Impairment loss	Gross	Impairment loss
	$	$	$	$
Company				
Not past due	**3,379,331**	**–**	4,427,895	–
Past due 1 to 30 days	**1,531,091**	**–**	1,158,895	–
Past due 31 to 90 days	**332,001**	**–**	228,582	–
Past due more than 90 days	**191,772**	**64,685**	420,864	85,556
	5,434,195	**64,685**	6,236,236	85,556

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
At 1 January	**10,430,242**	11,837,181	**85,556**	183,024
Allowance made/(written back)	**328,947**	223,259	**(1,734)**	(97,468)
Allowance utilised	**(1,504,697)**	(1,036,963)	**(19,137)**	–
Currency realignment	**583,463**	(593,235)	**–**	–
At 31 December	**9,837,955**	10,430,242	**64,685**	85,556

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
At 1 January	**234,456**	248,918	**–**	–
Allowance made	**64,220**	–	**70,791**	–
Allowance utilised	**–**	(2,280)	**–**	–
Currency realignment	**12,253**	(12,182)	**–**	–
At 31 December	**310,929**	234,456	**70,791**	–

Based on historical default rates, 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 record with the Group.

28 Financial risk management (Continued)

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 $	Contractual cash flows $	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $
Group					
2011					
Non-derivative financial liabilities					
Trade and other payables[1]	**80,823,412**	**80,823,412**	**80,823,412**	**–**	**–**
Financial liabilities					
– Finance lease liabilities	**138,363**	**147,069**	**55,195**	**80,101**	**11,773**
– Secured bank loans	**2,346,837**	**2,365,557**	**2,365,557**	**–**	**–**
	83,308,612	**83,336,038**	**83,244,164**	**80,101**	**11,773**
2010					
Non-derivative financial liabilities					
Trade and other payables[1]	70,113,069	70,113,069	70,113,069	–	–
Financial liabilities					
– Finance lease liabilities	321,507	339,483	191,762	128,053	19,668
– Secured bank loans	18,542,400	18,820,497	18,820,497	–	–
	88,976,976	89,273,049	89,125,328	128,053	19,668
Company					
2011					
Non-derivative financial liabilities					
Trade and other payables[1]	**11,639,219**	**11,639,219**	**11,639,219**	**–**	**–**
Financial liabilities					
– Finance lease liabilities	**105,859**	**112,410**	**43,752**	**68,658**	**–**
	11,745,078	**11,751,629**	**11,682,971**	**68,658**	**–**
2010					
Non-derivative financial liabilities					
Trade and other payables[1]	13,548,731	13,548,731	13,548,731	–	–
Financial liabilities					
– Finance lease liabilities	143,703	156,162	43,752	112,410	–
– Secured bank loans	6,440,000	6,447,179	6,447,179	–	–
	20,132,434	20,152,072	20,039,662	112,410	–

[1] Excludes advance billings

28 Financial risk management (Continued)

Liquidity risk (Continued)

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Current receivables and payables are not exposed to interest rate risk.

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Variable rate instrument				
Financial liabilities	**2,346,837**	18,542,400	**–**	6,440,000

Sensitivity analysis

	Profit or loss			
	Group		Company	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	$	$	$	$
2011				
Variable rate instruments	**(23,468)**	**23,468**	**–**	**–**
2010				
Variable rate instruments	(185,424)	185,424	(64,400)	64,400

28 Financial risk management (Continued)

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 dollar.

The Group's and Company's exposures to foreign currency risk are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	US dollar	**US dollar**	**US dollar**	**US dollar**
	$	**$**	**$**	**$**
Trade and other receivables	**47,055,495**	35,216,685	**5,180,440**	6,016,375
Cash and cash equivalents	**6,466,598**	27,047,255	**442,451**	9,064,476
Trade and other payables	**(22,373,614)**	(17,870,402)	**(2,339,244)**	(3,131,931)
	31,148,479	44,393,538	**3,283,647**	11,948,920

Sensitivity analysis

A one percentage point strengthening/weakening of the Singapore dollar against the US dollar at the balance sheet date would increase/decrease the Group's loss before income tax by approximately $311,480 (2010: $444,390) and increase/decrease the Company's loss before income tax by approximately $33,000 (2010: $119,000). This analysis assumes that all other variables in particular interest rates, remain constant.

Fair values

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents, secured bank loans and trade and other payables) carried at cost or amortised cost are assumed to approximate their fair values as at 31 December 2011 and 31 December 2010 given the short period to maturity or re-pricing.

29 Commitments

Capital expenditure commitments

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Capital expenditure contracted for as at balance sheet date but not recognised in the financial statements	**802,826**	4,656,989	**666,319**	4,519,456

Included in the Company's commitments is $666,319 (2010: $4,519,456) relating to the injection of capital in subsidiaries.

Operating lease commitments

Leases as lessee

As at 31 December 2011, 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 the properties. At 31 December, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Payable:				
Within 1 year	**4,646,434**	4,474,744	**670,653**	1,188,194
After 1 year but within 5 years	**15,706,125**	15,335,539	**1,859,992**	1,891,357
After 5 years	**17,979,744**	21,874,569	**6,056,789**	6,141,334
	38,332,303	41,684,852	**8,587,434**	9,220,885

Leases as lessor

At 31 December 2011, the Company 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 Company and vice versa. The non-cancellable leases have remaining non-cancellable lease terms of between 2 to 3 years as follows:

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Receivable:				
Within 1 year	**1,828,689**	2,061,581	**931,350**	1,021,136
After 1 year but within 5 years	**1,216,178**	2,394,775	**1,216,178**	1,480,575
	3,044,867	4,456,356	**2,147,528**	2,501,711

30 Contingent liabilities

The Company has an outstanding corporate guarantee given to a subsidiary's supplier in connection with the supply of raw materials to the subsidiary amounting to $Nil (2010: $2,472,863).

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the bank would have charged had these guarantees not been available. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results and the accumulated profits of the Company.

31 Related parties

Transactions with key management personnel

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	
	2011	**2010**
	$	**$**
Directors' fees	**331,969**	316,569
Short-term employee benefits	**4,105,142**	4,134,740
Contributions to defined contribution plans	**101,778**	104,458
	4,538,889	4,555,767
Comprise amounts paid/payable to:		
– directors of the Company	**3,365,302**	3,464,727
– key executives	**1,173,587**	1,091,040
	4,538,889	4,555,767

Other related party transactions

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

	Group	
	2011	**2010**
	$	**$**
Rental income from an associate	**525,953**	828,043

32 Subsequent event

In February 2012 and March 2012, legal claims have been made against a subsidiary in China by a customer amounting to approximately $2,218,000 (RMB11,169,000) for not returning tooling moulds to the customer at the cessation of the production agreement. Based on legal advice, the Group believes that there are no strong basis to the claims made and is in the process of defending the claims .

ADDITIONAL INFORMATION

REQUIRED BY THE LISTING MANUAL

Risk Management (Listing Rule 1207(4) (b)(iv))

The Group faces internal and external risks that are categorized as environmental and operational risks.

Operational risk is the risk of loss arising from external events, or from inadequate or failed internal processes, people or systems.

The main risks arising from the Group's financial assets and liabilities are credit risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. The Board reviews and agrees on policies to manage its exposure to financial risks. Details of the various financial risk factors are outlined in Note 28 to the Financial Statements on pages 81 to 85.

Material Contracts (Listing Rule 1207(8))

Except as disclosed below, there were no material contracts entered into by the Company and/or its subsidiaries with the directors or chief executive officer 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.

The Company was partially financed by loans from substantial shareholders cum executive directors since the financial year ended 31 December 2007. Mr Ching Heng Yang, Mr Tam Wai, Mr Ho Nee Kit, who are substantial shareholders and Executive Directors of the Company, had each loaned S$1,000,000 to the Company in October 2007. The loans are unsecured, interest free and repayable on demand.

Interested Person Transactions (Listing Rule 1207(17))

The Singapore Stock Exchange requires listed company to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions.

There were no interested person transactions for the year ended 31 December 2011.

Dealings with Company's Securities (Listing Rule 1207(19))

The Company has adopted an internal code to provide guidance to its officers with regard to dealings in the Company's securities by directors and employees. The code states officers of the Company should not deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements 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. The Company also provides guidance to its officers with regards to no dealing in the Company's securities on short-term considerations.

ADDITIONAL INFORMATION

REQUIRED BY THE LISTING MANUAL

Land and Buildings (Listing Rule 1207 (11))

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
		43 Senoko Drive Singapore 758227	Warehouse, factory and office	1982	Land: 6,445 sq m Building: 6,961 sq m	100%	Leasehold for 38 years expiring on 15 Sep 2020
2	Classic Advantage Sdn Bhd	21, Jalan Tecknologi 2 Taman Teknologi Johor, 81400 Senai, Johor Darul Ta'zim Malaysia	Warehouse, factory and office	2004	Land: 54,054 sq m Building: 11,427 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

ADDITIONAL INFORMATION

REQUIRED BY THE LISTING MANUAL

No	Company Name	Location of the properties	Existing Use	Year of acquisition	Land Area/ Built-up Area	Percentage interest in property	Tenure
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

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2012

Class of equity securities	:	Ordinary Shares
Number of equity securites	:	731,834,775 ordinary shares
Voting rights	:	one vote per share

The Company does not hold any treasury shares.

STATISTICS OF SHAREHOLDERS

Size of Holdings	Shareholders	%	No. of Shares	%
1 – 999	278	4.02	115,128	0.02
1,000 – 10,000	3,615	52.22	17,940,555	2.45
10,001 – 1,000,000	3,002	43.37	157,269,185	21.49
1,000,001 and above	27	0.39	556,509,907	76.04
Total	6,922	100.00	731,834,775	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2012
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Ching Heng Yang	88,965,475	12.16	–	0.00
Tam Wai	96,715,475	13.22	300,000	0.04
Ho Nee Kit	96,999,225	13.25	–	0.00
Lui Choon Hay	87,952,475	12.02	–	0.00
Ng Hock Ching	829,000	0.11	50,443,000	6.89

Note:

1 Mr Tam Wai is deemed to be interested in the 300,000 shares held in the name of his spouse.

2 Mr Ng Hock Ching is deemed to be interested in the 50,443,000 shares held in the name of (a) Citibank Nominees Singapore Pte Ltd: 20,000,000; (b) DBS Nominees Pte Ltd: 28,000,000; and (c) Philip Securities Pte Ltd: 2,443,000

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2012

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Ho Nee Kit	96,999,225	13.25
2	Tam Wai	96,715,475	13.22
3	Ching Heng Yang	88,965,475	12.16
4	Lui Choon Hay	87,952,475	12.02
5	DBS Nominees Pte Ltd	47,917,724	6.55
6	Citibank Nominees Singapore Pte Ltd	30,699,000	4.19
7	Raffles Nominees (Pte) Ltd	26,939,500	3.68
8	Phillip Securities Pte Ltd	10,666,500	1.46
9	UOB Kay Hian Pte Ltd	10,095,000	1.38
10	United Overseas Bank Nominees Pte Ltd	7,851,529	1.07
11	Lim & Tan Securities Pte Ltd	6,656,500	0.91
12	DBSN Services Pte Ltd	5,681,250	0.78
13	OCBC Securities Private Ltd	5,242,989	0.72
14	OCBC Nominees Singapore Pte Ltd	4,011,010	0.55
15	Maybank Kim Eng Securities Pte Ltd	3,928,255	0.54
16	Citibank Consumer Nominees Pte Ltd	3,665,500	0.50
17	Ho Kang Peng	3,630,000	0.50
18	UOB Nominees (2006) Pte Ltd	2,942,500	0.40
19	Low Ee Hwee	2,500,000	0.34
20	Ng Chung Ming	2,500,000	0.34
	Total	545,559,907	74.56

As at 22 March 2012, 41.6% 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 of Fu Yu Corporation Limited ("the Company") will be held at Compass Ballroom 1, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Thursday, 26 April 2012 at 3.00 p.m. for the purposes of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 91 of the Articles of Association of the Company:

   Mr Hew Lien Lee **(Resolution 2)**
   Mr Ho Nee Kit **(Resolution 3)**
   Mr Tan Yew Beng **(Resolution 4)**

   (Mr Tan Yew Beng will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)

3. To approve the payment of Directors' fees of S$252,000 for the financial year ending 31 December 2012, payable quarterly in arrears (2011: S$252,000). **(Resolution 5)**

4. 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 6)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. Authority to 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) 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 Articles of Association 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 Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
(see explanatory note (i)) **(Resolution 7)**

7. Authority to issue shares under the Fu Yu Employees Share Option Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Fu Yu Employees Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
(see explanatory note (ii)). **(Resolution 8)**

By Order of the Board

Low Siew Tian
Liaw Chun Huan
Joint Company Secretaries
Singapore
Dated: 11 April 2012

Explanatory Notes:

(i) **Ordinary Resolution 7** proposed under Agenda 6 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting 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 Annual General Meeting of the Company.

(ii) **Ordinary Resolution 8** proposed under Agenda 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

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

2. The instrument appointing a proxy 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 Meeting.

This page has been intentionally left blank.

FU YU CORPORATION LIMITED
Company Registration No. 198004601C
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy Fu Yu Corporation Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ...

of ....

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 Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Compass Ballroom 1, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Thursday, 26 April 2012 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2011		
2	Re-election of Mr Hew Lien Lee as a Director		
3	Re-election of Mr Ho Nee Kit as a Director		
4	Re-election of Mr Tan Yew Beng as a Director		
5	Approval of Directors' fees of S$252,000 for the financial year ending 31 December 2012, payable quarterly in arrears		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the Fu Yu Employees Share Option Scheme		

Dated this__________day of__________2012

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 130A of the Companies Act, Chapter 50 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 entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting 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 Meeting.

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 the Meeting.

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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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 forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

富裕
FuYu

FU YU CORPORATION LIMITED
Co.Reg.No. 198004601C

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