Fu Yu
Corporation Limited

on solid footing

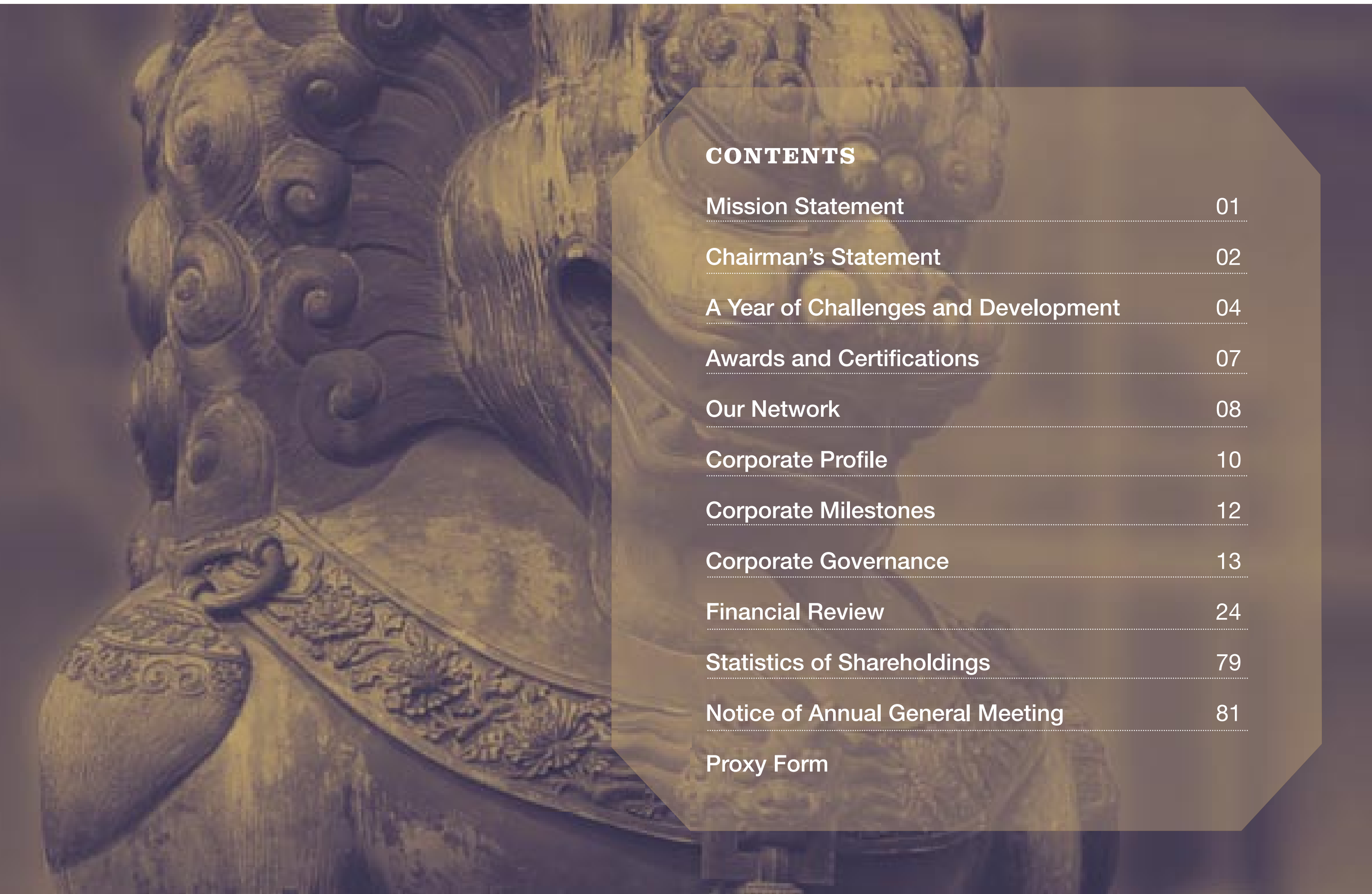
ANNUAL REPORT 2005

about Fu Yu

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 a growing 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 12 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 finishing activities such as silk screening, pad printing, ultrasonic welding, heatstaking and spray painting. The markets we serve include the information technology, telecommunications, automotive, medical, electronics and electrical appliance sectors.



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Mission Statement

Fu Yu aims to be the preferred global partner in engineering plastic products, from design to full assembly.

We will deliver our vision through:
Embracing technology and creativity;
Providing satisfaction to our customers;
Continuous learning for our people; and
Maximising returns to our shareholders.

Chairman's Statement

Financial Year 2005 proved to be a challenging year for Fu Yu. **LUI CHOON HAY,** CHAIRMAN

Financial Year (FY) 2005 proved to be a challenging year for Fu Yu.

I am pleased to present Fu Yu's annual report for the FY ended 31 December 2005.

The Group's sales increased by S$27.8 million, or 7.0%, from S$397.8 million in FY 2004 to S$425.6 million in FY 2005. Of this, the Group's profit after tax stood at S$12.1 million, a decrease of 83.3% compared to FY 2004.

The Board of Directors is pleased to recommend a second and final dividend of S$0.01 per ordinary share less Singapore corporate tax of 20% for FY 2005. The dividend payment would amount to S$4.7 million and is subject to shareholders' approval at the Annual General Meeting (AGM), to be held on 31 March 2006.

Despite trying times, FY 2005 still turned out to be a year of development for Fu Yu. We have continued to expand our capabilities and capacities both locally and overseas. This was in line with our priority to consolidate our resources in preparation for the expected upswing in 2006.

The Year In Review

The challenges experienced in FY 2005 can be attributed to several factors. First, the rising prices of crude oil contributed to the increase in both direct material costs and other indirect production costs, including transport and packaging materials. Together, these increases in materials, labour costs and some overheads have outdone the increase in sales during FY 2005.

In addition, other unfavourable external conditions like higher routine price pressures from customers also inevitably affected our overall performance for the year. Earnings were further reduced by the full provision for obsolete stocks and doubtful debts for over one year.

Finally, due to our extensive expansion in Singapore, Malaysia and China, there was a one-time increase in set-up costs that brought down bottom line results. Relocation costs were also incurred as a result of the consolidation of our plants at various locations. Our expansion and consolidation plans were necessary to cater to the rising demands of our existing as well as potential international customers.

In Singapore, NanoTechnology Manufacturing Pte. Ltd. ("NanoTechnology") continues to provide Ultra Precision Manufacturing services to all of our international customers. A joint venture with EDB Ventures Pte. Ltd., NanoTechnology had added a number of technologies and products to its existing capabilities in FY 2005. This way, we ensured the continual deliverance of cost-effective and quality high-precision solutions to our customers.

In Malaysia, our subsidiary LCTH Corporation Berhad reported that the new factory in Johor Technology Park has already begun operations through Classic Advantage

"... the ability to align our competencies with our customers' requirements is a core value here at Fu Yu."

Sdn Bhd., performing precision injection moulding, secondary finishing and sub-assembly processes. With the new addition of mould and die fabrication capabilities in 2005, Classic Advantage is now strategically positioned as a one-stop service provider in the region.

In China, the expansion of our subsidiary, Fu Yu Moulding & Tooling (Suzhou) Co. Ltd., has seen the completion of its new building and production area. We have also added a host of new facilities over and above the original plans to further enhance our capability and capacity to satisfy the additional needs of our esteemed customers.

Over at Fu Yu Moulding & Tooling (Dongguan) Co. Ltd., we have introduced metal stamping and surface treatment capabilities such as electroplating and Non-conductive Vacuum Metallisation as value-added services to customers.

Indeed, the ability to align our competencies with our customers' requirements is a core value here at Fu Yu. That is why we have also recently established two sales support centres in Korea and Germany, adding to our existing sales and technical support centre in USA.

Paving the way for 2006

After a year of strategising and expansion, we are now ready to capture the fruits of our growth. Indeed, 2006 will be about increasing our top and bottom line with our expanded capabilities and capacities. We will leverage on our increased capabilities and capacities to capture new customer bases around the globe, as well as to serve existing ones.

With new facilities and technologies, we are solidly placed for a promising year ahead. Coupled with a customer-centric dedication to quality and enterprise, 2006 certainly looks brighter and more prosperous for Fu Yu and its stakeholders.

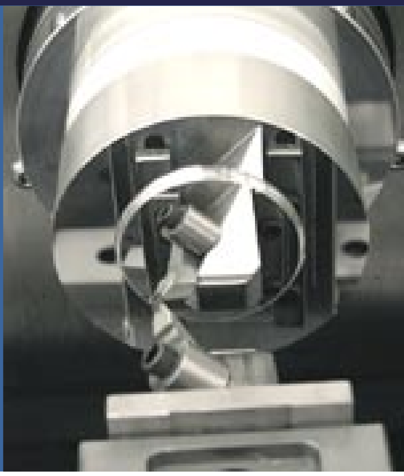
With Appreciation

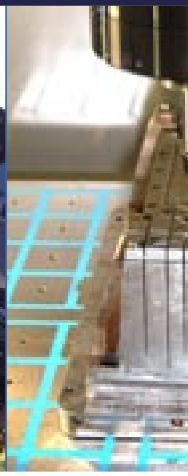
Together with the Board of Directors, I wish to convey my sincere gratitude and appreciation to our customers, suppliers, and business associates for your unwavering support and contribution.

Last but not least, I would like to thank our management and staff for your enduring dedication and diligence during the challenging year that transpired. I look forward to yet another exciting and fruitful year ahead.

LUI CHOON HAY, CHAIRMAN

A Year of Challenges and Development



Financial year 2005 proved to be a year of development amidst challenges for Fu Yu Group.

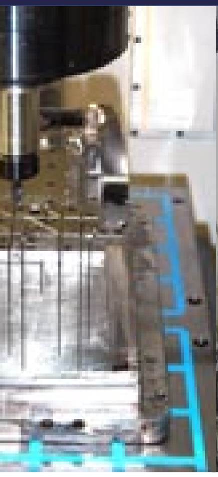
Our Singapore operations registered a revenue of S$76.0 million. In Malaysia, our revenue has increased by 24.4% to S$145.1 million, while in China, revenue is at S$204.5 million, an increase of 8.4%. In all, the Group's sales for the year stood at S$425.6 million, an increase of 7% over FY 2004. Despite the increase in sales, the Group's profit after tax attributable to the shareholders of the company, including exceptional item, decreased by S$60.5 million or 83.3% from S$72.6 million in FY 2004 to S$12.1 million in FY 2005.

Evidently, our financial position in FY 2005 has been unfavourable due to a variety of reasons. Adverse external factors saw crude oil prices fluctuating within the high levels throughout the year. While the price rise began in mid 2004, its effects were felt only in late 2004 and continued throughout FY 2005, leading to an increase in prices of materials like resin and other indirect costs that involved transport and packaging materials.

Furthermore, there were higher routine price pressures from our customers, which inevitably affected our overall performance and diluted our profit margins. The full provisions made for obsolete stocks and doubtful debts of over one year also reduced our bottom line results.

FY 2005 also saw an extensive expansion of our subsidiaries in Singapore, Malaysia and China. This invariably contributed to a one-time increase in set-up costs that affected our bottom line results. Relocation costs were also incurred as a result of the consolidation of our plants. Yet, our expansion was largely due to the rising demands of our existing as well as potential international customers. Thus, both the set-up and relocation costs incurred were considered necessary, and are essential investments for the Group's long-term profitability.

By constantly adapting and re-aligning ourselves to surmount the challenges presented to us, we have continued to be profitable for FY 2005. Having adequately managed the external pressures of the year, we are now solidly grounded to expand our operations regionally. All this, in line with Fu Yu's mission to be the preferred global partner in plastic engineering services.



Singapore

A joint venture with EDB Ventures Pte. Ltd., NanoTechnology Manufacturing Pte. Ltd. ("NanoTechnology") now comprises a comprehensive suite of competencies to meet the ultra precision needs of various markets. These include optical industries, defence industries, medical industries and automotive industries, as well as niche precision electronics industries.

NanoTechnology's areas of competencies now include Research & Development (R&D), Ultra Precision Tooling Manufacturing, and upcoming developments such as Single Point Diamond Turning, Micro Machining, Precision and Clean Room Moulding, and Precision Stamping.

Together, NanoTechnology's Ultra Precision Manufacturing facilities have empowered us to offer quality solutions at lower costs to our customers, and at a closer proximity to their operations. This augments our position and presence as a niche provider within Asia. Also, NanoTechnology aims to attain the ISO 13485 certification by 2006, continuing our lifelong commitment to quality services and organisational excellence.

As our operations in Singapore are more focused on high-precision parts and processes, less physical space for storage and production is required. As such, the Group decided in 2005 on a sale and leaseback for our HQ building at Serangoon. The arrangement was completed on 7 February 2006. We will lease back the building for 5 years with an option to renew for another 5 years.

Malaysia

FY 2005 proved to be a significant year for our Malaysian counterpart.

Classic Advantage, a wholly owned subsidiary of LCTH Corporation Berhad, has relocated its operations to our new plant and office premises in Johor Technology Park. The sprawling 32-acre industrial land now houses the factories formerly located in Senai and Kluang, Johor. Operations have since begun, providing various plastic engineering services such as precision injection moulding, decorative finishing and sub-assembly processes. With the new addition of mould and die fabrication capabilities, Classic Advantage is now poised strategically as a one-stop centre.

A Year of Challenges and Development

We have also invested substantially in more advanced machineries and equipment, further increasing our start-to-finish efficiency, and enabling the delivery of quality products in the shortest lead time. These add to an impressive technology base that currently includes precision measuring instruments, computer-aided simulations, design and manufacturing systems. Together, the new procurements will enhance Classic Advantage's potential for future growth and expansion.

China

FY 2005 also saw Fu Yu's customer-driven expansion plans gain momentum in China.

In Suzhou, we have completed the last phase of our new plant in Q4 of 2005. Originally slated for Q3, the one-quarter delay was due to the decision to add more facilities and machineries to the plant, which further boosted our operational capabilities and capacities. This will yield more benefits for our customers and their businesses, reinforcing our repute as a trusted service and solutions provider.

In Dongguan, new value-added services such as electroplating, Non-conductive Vacuum Metallisation (NCVM), and metal stamping have been introduced to serve customers more efficiently.

The plant also implements the SAP system to enhance its competencies in customer service, financial planning, resource planning and decision making processes. A new subsidiary, Fu Yu Electronics (Dongguan) Co. Ltd., has also been set up in the same city to cope with the additional demand.

Our plants are located in strategic industrial cities in China – Dongguan, Zhuhai, Shanghai, Suzhou, Wujiang, Qingdao and Tianjing. At these locations, our plants are capable of enhancing business networks and improving customer relations. Together, these plants have greatly expanded our capabilities and capacities for both existing as well as potential customers internationally.

Facilitating Communication and Support

To facilitate communication and better relationships with customers, and also to explore more business opportunities, we have established two support locations in Korea and Germany. This is in addition to our existing sales and technical support centre in USA.

Awards and certifications

Awards received by Fu Yu Group in year 2005

Company	Awards
> Fu Yu Corporation Limited	1) Singapore International 100 Ranking by International Enterprise Singapore, Fu Yu ranked 52th 2) 'May Day Awards 2005- Plaque of Commendation' from NTUC 3) 'Friend of CIEU Award 2005' from Chemical Industries Employees' Union 4) Top 500 International Chinese-owned Enterprises 2005 by the Chinese Business Magazine, Yazhou Zhoukan, Fu Yu ranked 416th
> Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	"A-Grade Supplier Award" by Calcomp Electronics (Suzhou) Co.Ltd
> Fu Yu Moulding & Tooling (Tianjin) Co.,Ltd	"The Best Partner Award" by Tianjin Lishen Battery Joint-Stock Co.,Ltd

Corporate ISO and QS Certification for Fu Yu Group at end of year 2005

Company	Location	ISO 9001:2000	QS 9000	ISO 14001	TS 16949
> Fu Yu Corporation Ltd	Singapore	✓	✓	✓	
> NanoTechnology Manufacturing Pte. Ltd.	Singapore	✓		✓	
> Classic Advantage Sdn. Bhd.	Malaysia	✓	✓		
> Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	✓	✓		
> Fu Yu Moulding & Tooling (Tianjin) Co.,Ltd	China	✓	✓		✓
> Fu Yu Moulding & Tooling (Shanghai) Co.,Ltd	China	✓	✓		
> Fu Yu Moulding & Tooling (Dongguan) Co.,Ltd	China	✓	✓	✓	
> Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	China	✓	✓		
> Fu Yu Moulding & Tooling (Wujiang) Co., Ltd	China	✓			
> Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd	China	✓			
> Qingdao Fu Qiang Electronics Co., Ltd	China	✓			

2006 Corporate ISO and QS Certification Plan

Company	Location	Plan
> Fu Yu Corporation Ltd	Singapore	To obtain ISO 13485 & Upgrade QS 9000 to TS 16949
> NanoTechnology Manufacturing Pte. Ltd.	Singapore	To obtain ISO 13485
> Classic Advantage Sdn. Bhd.	Malaysia	Upgrade from QS 9000 to TS 16949
> Fu Yu Moulding & Tooling (Tianjin) Co.,Ltd	China	To obtain ISO 14001
> Fu Yu Moulding & Tooling (Shanghai) Co.,Ltd	China	To obtain ISO 14001
> Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	China	To obtain ISO 14001 & upgrade QS 9000 to TS 16949
> Qingdao Fu Qiang Electronics Co., Ltd	China	To obtain ISO 14001

Our network

Fu Yu
Corporation Limited

1)

Headquarters: Fu Yu Corporation Ltd

NanoTechnology Manufacturing Pte. Ltd., Singapore

2)

LCTH Corporation Bhd, Johor, Malaysia

Classic Advantage Sdn Bhd, Johor, Malaysia

3)

Fu Hao Manufacturing (M) Sdn Bhd, Penang, Malaysia

4)

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

5)

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

Fu Yu Electronics (Dongguan) Co., Ltd, China

6)

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

7)

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

8)

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

Fu Ying Moulding & Tooling (Shanghai) Co., Ltd, China

9)

Qingdao Fu Qiang Electronics Co., Ltd, China

10)

Fu Yu Moulding & Tooling (Tianjin) Co., Ltd, China

Singapore

Fu Yu Corporation Ltd
HEADQUARTERS
2 Serangoon North Avenue 5
Singapore 554911
Tel : (65) 6484 8833
Fax : (65) 6482 0622

NanoTechnology Manufacturing Pte. Ltd.
43 Senoko Drive
Singapore 758227
Tel : (65) 6755 2280
Fax : (65) 6755 7326

Malaysia

LCTH Corporation Bhd
11 Jalan Persiaran Teknologi,
Taman Teknologi Johor, 81400
Senai, Johor, Malaysia
Tel : (607) 5999 980
Fax : (607) 5999 982

Classic Advantage Sdn Bhd
11 Jalan Persiaran Teknologi,
Taman Teknologi Johor, 81400
Senai, Johor, Malaysia
Tel : (607) 5999 980
Fax : (607) 5999 982

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) 3980 499
Fax : (604) 3980 496

China

Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd
Jinhai Dadao, Baishan Industrial
Area, Sanzao, Zhuhai, Guangdong,
China 519040
Tel : (86756) 7761 862
Fax : (86756) 7761 851

Fu Yu Moulding & Tooling (Dongguan) Co., Ltd
Jing Fu Rd, Xin Cheng Ind. Area,
Heng Li Dongguan, Guangdong,
Sheng Zheng, China 523477
Tel : (86769) 8337 8570
Fax : (86769) 8337 8572

Fu Yu Electronics (Dongguan) Co., Ltd
Jing Fu Rd, Xin Cheng Ind. Area,
Heng Li Dongguan, Guangdong,
Sheng Zheng, China 523477
Tel : (86769) 8337 8570
Fax : (86769) 8337 8572

Fu Yu Moulding & Tooling (Wujiang) Co., Ltd
8 JiangXing East Road,
YunDong Development Area,
Wujiang, Jiangsu, China 215200
Tel : (86512) 6300 5939
Fax : (86512) 6300 5993

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 (Shanghai) Co., Ltd
888 Xinling Road,
Waigaoqiao Free Trade Zone,
Shanghai, China 200137
Tel : (8621) 5046 1225
Fax : (8621) 5046 0229

Fu Ying Moulding & Tooling (Shanghai) Co., Ltd
888 Xinling Road,
Waigaoqiao Free Trade Zone,
Shanghai, China 200137
Tel : (8621) 5046 1225
Fax : (8621) 5046 0229

Qingdao Fu Qiang Electronics Co., Ltd
No 1 Haier Road, Haier Information
Industry Park T Building,
Hi-tech Industry Zone,
Qingdao, China 266101
Tel : (86532) 8860 9988
Fax : (86532) 8860 9968

Fu Yu Moulding & Tooling (Tianjin) Co., Ltd
71 Bai He Road, TEDA
Tianjin, China 300457
Tel : (8622) 2529 0888
Fax : (8622) 6200 1103

Corporate profile

Board of Directors

EXECUTIVE:
> MR LUI CHOON HAY, Chairman
> MR CHING HENG YANG, Vice-Chairman
> MR TAM WAI
> MR HO NEE KIT
> MR YUEN CHUNG SANG, SAMUEL

NON-EXECUTIVE:
> MR TAN YEW BENG, Independent
> MR LIM SHOOK KONG, Non-Independent
> MR JEN SHEK VOON, Independent (appointed on 01.07.2005)
> MR WONG HOO TUNG, Independent (resigned on 30.06.2005)

AUDIT COMMITTEE
> MR JEN SHEK VOON, Chairman (appointed on 01.07.2005)
> MR WONG HOO TUNG, Chairman (resigned on 30.06.2005)
> MR TAN YEW BENG, Vice-Chairman
> MR LIM SHOOK KONG

NOMINATING COMMITTEE
> MR TAN YEW BENG, Chairman
> MR LUI CHOON HAY
> MR LIM SHOOK KONG
> MR JEN SHEK VOON (appointed on 01.07.2005)
> MR WONG HOO TUNG (resigned on 30.06.2005)

CAPTIONS

Sitting down (from the left):
- Mr Tam Wai
- Mr Ching Heng Yang
- Mr Lui Choon Hay (Chairman)
- Mr Ho Nee Kit

Standing up (from the left):
- Mr Lim Shook Kong
- Mr Tan Yew Beng
- Mr Jen Shek Voon
- Mr Yuen Chung Sang, Samuel

REMUNERATION COMMITTEE
> MR TAN YEW BENG, Chairman
> MR LUI CHOON HAY
> MR LIM SHOOK KONG
> MR JEN SHEK VOON
(appointed on 01.07.2005)
> MR WONG HOO TUNG
(resigned on 30.06.2005)

COMPANY SECRETARY
> MS LOW GEOK ENG SUSIE

REGISTERED AND BUSINESS OFFICE
No. 2 Serangoon North Avenue 5
Singapore 554911
Tel: (65) 6484 8833 Fax: (65) 6482 0622

SHARE REGISTRAR
Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building, Singapore 049315

AUDITORS
Ernst & Young
#21-01 Ocean Building
Singapore 049315
Audit Partner: Winston Ngan Wan-Sing
Since the financial year beginning 1 January 2002

BANKERS
Citibank, N.A.
DBS Bank Ltd
Maybank Berhad
RHB Bank Berhad
Standard Chartered Bank

SOLICITOR
Tan Kok Quan Partnership

Corporate Milestones

2005

- Entered into a Put and Call Option Agreement for sale & 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 NanoTechnology 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
- Winding up of USA plant

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
- Winding 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 Malaysian 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, China

2002

- Commenced implementation of SAP Enterprise Resource Planning System for our plants in Johor, Malaysia
- Achieved ISO 9002:1994 for our plant in 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

2000

- Established a marketing arm in the United States
- Set up plants in Suzhou, China and Guadalajara, Mexico
- Started precision tooling activity in Singapore
- Achieved ISO 9001 and QS 9000 certification for our Singapore operations
- Achieved QS 9000 certification for our plant in Shanghai, China
- Achieved ISO 9002 certification for our plant in Dongguan, China

1999

- Set up plant in Senai, Malaysia
- Obtained Technology Achievement Award (TAA) and On-Job-Training (OJT) certification for our Singapore operations
- Achieved QS 9002 certification for our Tianjin subsidiary in China
- Achieved ISO 9002 certification for our plant in Penang, Malaysia

1998

- Established thin wall moulding capability
- Achieved ISO 9002 certification for our plant in Kluang, Malaysia

1997

- Established our own R&D division to handle product/part design, 3D, IMold and CAD/CAM
- Attained ISO 9002 certification for our plant in Shanghai, China

1996

- Added gas-assisted moulding to our range of services
- Achieved ISO 9002 certification for our Tianjin subsidiary in China

1995

- Listed on the Stock Exchange of Singapore

1994

- Started multi-component moulding
- Achieved ISO 9002 certification for our Singapore operations

1993-96

- Overseas expansion - set up plants in Penang, Malaysia (1993), Kluang, Malaysia (1994), Tianjin, China (1994), Dongguan, China (1995) and Shanghai, China (1996)

1978

- Established

Corporate Governance

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance (the "Code") are set out in the following segments, 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 OF DIRECTORS

Code of Corporate Governance Principle 1 : The Board's Conduct of its Affairs

The Board conducts regularly scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. To facilitate Board's decision-making, 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 each other simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meeting. In between Board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolutions in writing for the Directors' approval. The Board's principal functions are:

1. Supervises the management of the business and affairs of the Group;
2. Approves the Group's overall corporate and strategic direction and policies;
3. Approves annual budgets, financial reporting and compliance, major funding and investment proposals and financial performance of the Group;
4. Approves the appointments of directors and key managerial personnel;
5. Reviews and endorses the recommended framework of remuneration for the Board and key executives; and
6. Assumes responsibility for corporate governance.

The attendance of the Directors at meetings of the Board and Board Committees, as well as frequency of such meetings for the financial year ended 31 December 2005 are disclosed as below:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended
Lui Choon Hay	6	6	–	–	2	2	2	2
Ching Heng Yang	6	6	–	–	–	–	–	–
Tam Wai	6	6	–	–	–	–	–	–
Ho Nee Kit	6	6	–	–	–	–	–	–
Yuen Chung Sang Samuel	6	6	–	–	–	–	–	–
Lim Shook Kong	6	6	7	7	2	2	2	2
Tan Yew Beng	6	6	7	7	2	2	2	2
*Wong Hoo Tung	6	4	7	4	2	1	2	2
^Jen Shek Voon	6	2	7	3	2	1	2	–

* *Resigned as a Director on 30 June 2005.*

^ *Appointed as a Director on 1 July 2005, and attended 2/2 of the Board of Directors' meetings, 3/3 of the Audit Committee meetings and 1/1 of the Remuneration Committee meetings that were scheduled from the date of his appointment.*

The Company organises orientation programmes for new directors to ensure that incoming directors are familiar with the Group's operations, disclosure of interest in securities and restrictions on disclosure of price sensitive information. 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 directors.

In the discharge of its functions, the Board is supported by sub-Board committees that provide independent oversight of management. These key committees comprise Audit Committee, Remuneration Committee and Nomination Committee.

Code of Corporate Governance Principle 2 : Board Composition and Balance

The Board comprises eight directors, two of whom are independent and non-executive and whose objective judgement on corporate affairs and collective experience are valuable to the Company. The Board of Directors is as follows:

Executive Directors

Mr Lui Choon Hay	(Chairman)
Mr Ching Heng Yang	(Vice-Chairman)
Mr Tam Wai	
Mr Ho Nee Kit	
Mr Yuen Chung Sang Samuel	

Non-Executive and Independent Directors
Mr Tan Yew Beng
Mr Wong Hoo Tung (resigned on 30 June 2005)
Mr Jen Shek Voon (appointed on 1 July 2005)

Non-Executive Director
Mr Lim Shook Kong

The independence of each Director is reviewed annually by the Nominating Committee ("NC"). The NC adopts the Code of Corporate Governance's definition of what constitutes an independent director in its review of the independence of each director. As a result of the NC's review of the independence of each Director for FY2005, the NC considers the non-executive directors to be independent except for Mr Lim Shook Kong who is the Group General Manager of the Company's Malaysian subsidiary, LCTH Corporation Berhad. While Mr Lim is not regarded independent within the definition of 'independence' under the Code, he is a non-executive director independent of Management with a clear separation of his role from Management in the deliberations of the Board and sub-Board committees.

The NC is satisfied that the current composition of the Board is appropriate and effective, taking into account the nature and scope of the Company's operations, and that no individual or a small group of individuals dominates the Board's decision-making process.

Directors' information

Mr Lui Choon Hay, aged 67, the Executive Chairman of the Fu Yu Group, is the founder of Fu Yu in 1978. He left China for Hong Kong in 1962 and was involved in tool making and designing for ten years before he came to Singapore in 1973. With his extensive experience in the field, Mr Lui, together with 3 other partners, founded Fu Yu in 1978. Fu Yu was one of the few local companies formed at that time to serve the MNCs in Singapore for supplies of high precision injection moulding tools and precision engineering plastics parts. Mr Lui was appointed as Executive Director of Fu Yu since 10 December 1980 and he is heavily involved in all facets of the business operations of the Group and plays a key role in the Group's overseas business and strategic planning. Mr Lui was last re-elected on 29 March 2004. He will stand for re-election as a Director at the forthcoming Annual General

Meeting("AGM"). In compliance with the Code of Corporate Governance 2005 (the "2005 Code") Mr Lui stepped down as a member of the Remuneration Committee on 16 February 2006. He continues as a Member of the Nominating Committee. Mr Lui is also a Member of the Singapore Institute of Directors.

Mr Lui holds 2.12% direct and 57.26% deemed interests in the Company as at 31 December 2005.

Mr Ching Heng Yang, aged 55, one of the co-founders of Fu Yu, is the Vice-Chairman and Executive Director of the Group. Mr Ching was appointed as Executive Director on 10 December 1980 and was last re-elected on 28 March 2005. 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. He has over 32 years of experience in the mould-fabrication and plastic injection moulding industry. Mr Ching is a Member of the Singapore Institute of Directors.

Mr Ching holds 0.21% direct and 57.61% deemed interests in the Company as at 31 December 2005.

Mr Tam Wai, aged 55, is another co-founder of Fu Yu in 1978. Mr Tam was appointed as Executive Director on 10 December 1980 and he was last re-elected as a Director on 13 May 2003. Mr Tam will stand for re-election as a Director at the forthcoming AGM. He oversees the mould design and fabrication operations of the Group. Prior to founding Fu Yu, he was involved in mould design and fabrication for 10 years in Hong Kong specialising in high precision moulds for the electronic and electrical industries. He has over 36 years of experience in the mould-fabrication and plastic injection moulding industry. Mr Tam is a Member of the Singapore Institute of Directors.

Mr Tam holds 2.03% direct and 57.14% deemed interests in the Company as at 31 December 2005.

Mr Ho Nee Kit, aged 52, is one of the co-founders of Fu Yu in 1978. Immediately after his national service, he worked for a plastics injection company as tools maker. Realising the potential of the precision mould making industry in the 1970s, together with the other three partners who also shared the same vision of the industry, they founded Fu Yu in 1978. Mr Ho was appointed as Executive Director of Fu Yu on 10 December 1980 and he was last re-elected as a Director on 29 March 2004. Mr Ho jointly oversees the mould fabrication, plastic injection moulding, finishing and sub assembly operations of the Group. Mr Ho is a Member of the Singapore Institute of Directors.

Mr Ho holds 2.08% direct and 57.09% deemed interests in the Company as at 31 December 2005.

Mr Yuen Chung Sang Samuel, aged 46, joined the Group in 1997 as the Group Financial Controller and was promoted to Chief Financial Officer on 1 July 2003 and Executive Director on 3 June 2004. He was last re-elected on 28 March 2005. Mr Yuen is also one of the senior vice-presidents of Fu Yu International Enterprise Limited ("FYIE"). He is responsible for all aspects of financial management and accounting functions of the Group. He holds a Master of Business Administration Degree and has a total of 20 years of working experience in the financial management and accounting in China, Hong Kong and Singapore. Mr Yuen is a Member of the Singapore Institute of Directors.

Mr Yuen holds 0.02% direct interest in the Company as at 31 December 2005.

Mr Tan Yew Beng, aged 49, was appointed as Non-Executive and Independent Director since 22 May 1995. He was last re-elected as a Director on 29 March 2004. Mr Tan is the Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee. He is the director of several Singapore and Malaysia companies. Mr Tan graduated in 1980 with a Bachelor of Commerce degree from the Nanyang University. He also holds a Graduate Diploma in Marketing Management from the Singapore Institute of Management and Diploma in Marketing from the Institute of Marketing, U.K. Mr Tan is a Member of the Singapore Institute of Directors.

Mr Tan holds 0.26% indirect interest in the Company as at 31 December 2005.

Mr Lim Shook Kong, FCA, CA(M), MSID, aged 54, was appointed as Non-Executive and Independent Director since 22 May 1995. He was last re-elected as a Director on 28 March 2005.

On 3 June 2004, Mr Lim was appointed as the Group General Manager of LCTH Corporation Berhad, the Company's subsidiary, a public listed company whose shares are quoted on the Main Board of Bursa Malaysia Securities Berhad on 8 November 2004. Arising from his appointment, Mr Lim relinquished his role as Chairman of the Audit Committee and Nominating Committee. Mr Lim remains as a Member of the Audit Committee, Remuneration Committee and Nominating Committee.

Mr Lim is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of Faculty of Finance and Management, Institute of Chartered Accountants England and Wales, a Member of the Malaysian Institute of Accountants and a Member of the Singapore Institute of Directors.

Mr Lim is a Non-Executive and Independent Director of Permasteelisa Pacific Holdings Ltd, a public listed company whose shares are quoted on the Main Board of the Singapore Exchange.

Mr Jen Shek Voon, aged 59, was appointed as our Non-Executive and Independent Director on 1 July 2005. He will stand for re-appointment as a Director at the forthcoming AGM. Mr Jen is currently a Senior Adviser to Ernst & Young, but no longer performs any professional work for the firm. He runs his own accounting practice as a Sole Proprietor, and is an Independent, and Non-Executive Director on the Board of Directors of a number of publicly listed companies in Singapore and Malaysia. Until his retirement in 2002, Mr Jen had been a partner of Ernst & Young since 1980, serving major clients in Singapore, Brunei and served in the region as its Executive Partner-Far East and Country Managing Partner of its Brunei firm.

Mr Jen is a Public Accountant Singapore, licensed by the Singapore Accounting and Corporate Regulatory Authority (ACRA), and a Fellow of the Singapore Institute of Directors. In addition, he is a practicing member of the Institute of Certified Public Accountants, Singapore (ICPAS) and a member of the Information System Audit and Control Association (ISACA), British Computer Society (BCS), Institute of Internal Auditors (IAA) and the Malaysian Institute of Accountants (MIA). Mr Jen is an accounting graduate from the University of Singapore (B Acc, Hons, 1970) and has a post-graduate commerce degree with honours from the University of New South Wales, Sydney, Australia (M Comm. Hons, 1975). He is also a Fellow of the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia.

Code of Corporate Governance Principle 3 : Role of Chairman and Chief Executive Officer

Mr Lui Choon Hay continued as the Executive Chairman and Chief Executive Officer of the Company during the year. The Company believes that it has effective independent non-executive directors to provide balance within the workings of the Board and oversight for minority shareholders' interests. At operational level, close working relationship of the senior management, which includes the Executive Chairman, Vice Chairman (Executive) together with the rest of the Executive Directors, contributes to decisiveness and clarity in implementation of corporate policies and objectives.

Nevertheless, the Company will continue to seek for candidates of sufficient calibre and experience to assume the role as the Chief Executive Officer as recommended by the Code.

As part of his administrative duties, the Executive Chairman schedules board meetings when necessary and sets the board meeting agenda in consultation with the Chief Financial Officer. He ensures that the Board members are provided with complete, adequate and timely information. The Chairman also assists in ensuring compliance with Company's guidelines on corporate governance.

Code of Corporate Governance Principle 6 : Access to Information

Code of Corporate Governance Principle 10 : Accountability and Audit

In order to ensure that the Board is able to fulfill its responsibilities, Management provides the Directors with monthly Group's results within 15 working days after each month-end, and provides the Board members with management report of the Group's activities and results on quarterly basis within 45 days after each quarter-end. 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 actual performance is compared against budgets periodically to monitor the Group's performance.

The Directors have separate and independent access to the senior management and the Company Secretary at all times, and vice versa. The Company Secretary 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 Chief Financial Officer also assists the Board in obtaining such advice.

BOARD COMMITTEES

Code of Corporate Governance Principle 4 : Board Membership

Code of Corporate Governance Principle 5 : Board Performance

Nominating Committee

The Nominating Committee ("NC") comprises the following members:

Mr Tan Yew Beng	(Chairman, Non-Executive/Independent Director)
Mr Lui Choon Hay	(Member, Executive Director)
Mr Lim Shook Kong	(Member, Non-Executive/Non-Independent Director)
Mr Wong Hoo Tung (resigned on 30 June 2005)	(Member, Non-Executive/Independent Director)
Mr Jen Shek Voon (appointed on 1 July 2005)	(Member, Non-Executive/Independent Director)

In its written terms of reference, the NC's functions are as follows:

1. Reviews the Board structure, size and composition and making recommendations to the Board with regards in any adjustments to the structure and size that are deemed necessary;
2. Reviews all nominations for all appointments and re-elections of directors for the purpose of proposing such nominations to the Board for its 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 Company, 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.

For financial year ended 31 December 2005, the NC has completed an evaluation exercise of the Board as a whole.

The Board 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 performance and hence less appropriate for non-executive directors and the Board's performance as a whole. The Company is of the view that the Board's performance would be better reflected and evidenced by proper guidance and able leadership of the Board and the support that it lends to Management in steering the Group in the appropriate direction.

The Board of Directors, excluding the independent and non-executive directors with multiple directorships, are of the opinion, that the independent directors have committed sufficient time and attention to the affairs of the Company in carrying 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 and newly appointed Director will also submit himself for re-election at the AGM immediately following the appointment. In recommending a candidate for appointment/re-appointment to the Board, the NC considers, amongst other things, his contributions to the Board and his independent status. The NC has recommended the re-election of Mr Lui Choon Hay, Mr Tam Wai and Mr Jen Shek Voon at the forthcoming AGM. The Board accepted the NC's recommendation and accordingly, the three Directors will be offering themselves for re-election at the forthcoming AGM.

Code of Corporate Governance Principle 7 : Procedures for Developing Remuneration Policies

Code of Corporate Governance Principle 8 : Level and Mix of Remuneration

Code of Corporate Governance Principle 9 : Disclosure on Remuneration

Remuneration Committee

The Remuneration Committee ("RC") comprises the following members:

Mr Tan Yew Beng	(Chairman, Non-Executive/Independent Director)
Mr Lui Choon Hay	(Member, Executive Director)
Mr Lim Shook Kong	(Member, Non-Executive/Non-Independent Director)
Mr Wong Hoo Tung (resigned on 30 June 2005)	(Member, Non-Executive/Independent Director)
Mr Jen Shek Voon (appointed on 1 July 2005)	(Member, Non-Executive/Independent Director)

Subsequent to year-end, Mr Lui Choon Hay stepped down as a member of the Remuneration Committee.

Under its terms of reference, the RC is responsible for reviewing and recommending a framework of remuneration for the Board and key executives and determine specific remuneration package for each executive director. The RC's principal function is to ensure that a formal and transparent procedure is in place for fixing the remuneration packages of the executive directors as well as key senior executives of the Group. The RC's recommendations are made in consultation with the Executive Chairman of the Board (who is also a member of the RC), and submitted for endorsement by the entire Board. The Executive Chairman who was also a member of the RC has stepped down as a member for the purposes of complying with the 2005 Code. The RC reviews all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits in kind. In setting the remuneration package, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC shall ensure that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC has unrestricted access to expert advice within and/or outside of the Company, when required.

The RC will also review all matters concerning the remuneration of non-executive directors to ensure that the remuneration commensurate with the contributions and responsibilities of the Directors. In accordance with the Companies Act, the Company submits the quantum of directors' fees to shareholders for approval at the AGM.

All the four founder directors have service contracts for a fixed period and are subjected to renewal. The RC had reviewed and renewed the contracts of the four founder directors for a further term of one year, from 1 July 2005 till 30 June 2006, under the same terms and conditions.

Currently, there are no long-term incentive schemes for the Directors.

The remuneration of Directors for Financial Year 2005 are set out as below:

	Fees %	Salary %	Bonus %	Other benefits %	Total %
Executive Directors					
S$750,000 to S$1,000,000					
Lui Choon Hay	4.6	69.2	26.0	0.2	100.0
Ching Heng Yang	2.7	66.5	29.3	1.5	100.0
Tam Wai	2.7	67.8	29.9	(0.4)	100.0
Ho Nee Kit	2.7	67.4	29.8	0.1	100.0
Below S$250,000					
Yuen Chung Sang Samuel	6.1	77.1	10.9	5.9	100.0
Non-Executive Directors					
Below S$250,000					
Tan Yew Beng	95.2	–	–	4.8	100.0
Lim Shook Kong	13.0	69.5*	6.8*	10.7*	100.0
Jen Shek Voon (appointed on 1 July 2005)	94.6	–	–	5.4	100.0
Wong Hoo Tung (resigned on 30 June 2005)	94.6	–	–	5.4	100.0

* By virtue of Mr Lim Shook Kong's executive appointment in the Company's subsidiaries.

Corporate Governance

The remuneration of the top 6 Key Executives (who are not directors of the Company) for Financial Year 2005 are set out as below:

	Designation	Fees %	Salary %	Bonus %	Other benefits %	Total %
S$250,000 to S$499,999						
Hew Lien Lee Elson	Managing Director of LCTH Corporation Berhad	3.1	65.2	15.8	15.9	100.0
Yee Keng Yip	General Manager of NanoTechnology Manufacturing Pte. Ltd.	–	82.5	13.8	3.7	100.0
Below S$250,000						
Lee Tee Young Bobby	Group Senior General Manager (China), Vice-president of Fu Yu International Enterprise Limited	–	90.2	9.8	–	100.0
Tan Lay Kheng	Group Human Resource Manager, Senior vice-president of Fu Yu International Enterprise Limited	–	82.1	13.0	4.9	100.0
Ren Zhi Gang	Assistant Group General Manager (China)	–	85.7	9.7	4.6	100.0
Goh Guey Shen Vincent	Assistant General Manager of Classic Advantage Sdn Bhd	–	69.5	19.8	10.7	100.0

No employee of the Group was an immediate family member (as defined in the Listing Manual of the SGX-ST) of a director or Chief Executive Officer and whose remuneration exceeded S$150,000 during the financial year ended 31 December 2005.

There is currently no share option scheme for the employees of the Group.

Key Executives' Information

Mr Hew Lien Lee Elson, aged 50, is the Managing Director of LCTH Corporation Berhad ("LCTH"), the Malaysian subsidiary, listed on the Main Board 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 27 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 LCTH Group. Mr Hew is a Member of the Singapore Institute of Directors.

Mr Lee Tee Young Bobby, aged 34, holds Bachelor Degree in Engineering (Mechanical & Production). He joined Fu Yu as a Sales Manager for the Dongguan plant and has risen rapidly to senior level positions. His contribution to Fu Yu Dongguan earned the company a place among the top foreign investments in Dongguan. In November 2005 , Mr Lee was further promoted to Group Senior General Manager (China), and is responsible for the overall performance of all plants in China. Mr Lee is also the Vice-President of FYIE.

Mr Yee Keng Yip, aged 52, is the General Manager of NanoTechnology Manufacturing Pte. Ltd., a joint venture between the Company and EDB Venture Pte. Ltd.. Reporting to the Board of the said company, Mr Yee oversees the strategic, business and technology development as well as operational matters of the company. Prior to the setting up of this venture, Mr Yee has 27 years of experience in the Ultra Precision Manufacturing. Mr Yee holds a Master of Business Administration Degree.

Madam Tan Lay Kheng, aged 52, has 22 years of experience in Industrial Relations Management. She is the Group Human Resource Manager and is appointed as Senior Vice-President of FYIE. Madam Tan oversees the management and development of Human Resources of the Group. She is also responsible for the administrative function of the Group. Madam Tan holds a Bachelor of Art Degree.

Mr Ren Zhi Gang, aged 38, holds a Diploma in Information Technology. He joined the Mould Making department of Fu Yu, Singapore in 1993 and was involved in mould design and fabrication. He was promoted to Tooling Manager, before posted to Fu Yu Dongguan in 2003 as Assistant General Manager (Tooling operations), overall responsible for the tooling operations in China. Due to his consistent outstanding performance and contribution towards the China operations, he was promoted to Assistant Group General Manager (China) in 2005.

Mr Goh Guey Shen Vincent, aged 45, is the Assistant General Manager of Classic Advantage Sdn Bhd ("CA"), a subsidiary of LCTH Corporation Bhd. Mr Goh holds a Degree in Electrical Engineering and Masters Degree in Business Administration. He is a fellow member for both Institution of Plant Engineers as well as FIBA in United Kingdom. He posseses more than 20 years of experience in managing Manufacturing Operation and Business Unit. He joined CA in 2002 and his responsibilities include overseeing the daily operations of CA.

Code of Corporate Governance Principle 11 : Audit Committee

Audit Committee

The Audit Committee ("AC") comprises the following members, majority of whom are independent and non-executive directors:

Mr Jen Shek Voon (appointed on 1 July 2005)	(Chairman, Non-Executive/Independent Director)
Mr Wong Hoo Tung (resigned on 30 June 2005)	(Chairman, Non-Executive/Independent Director)
Mr Tan Yew Beng	(Member, Non-Executive/Independent Director)
Mr Lim Shook Kong	(Member, Non-Executive/Non-Independent Director)

During the financial year, the AC met 7 times. The AC had full access to and co-operation from Management, including internal auditors, to enable it to discharge its functions properly.

The AC, which has written terms of reference, performs the following delegated functions:

(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 of Directors;
(3) Reviews with the management and the chief internal auditor 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 the cost effectiveness and the independence and objectivity of the external auditors;
(6) Reviews the nature and extent of non-audit services provided by the external auditors;
(7) Reviews the assistance given by the Company's officers to the auditors;
(8) Nominates the external auditors; and
(9) Reviews interested person transactions in accordance with the requirements of the listing rules of the Singapore Exchange.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The AC has adopted the practice of inviting the other directors (who are not members of the AC) to attend the AC meetings. In performing its function, the AC also 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 Company's external auditors carry out, in their course of their annual statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management to the scope of audit as laid out in their audit plan. Material non-compliance and internal control weakness noted during the audit, and auditor's recommendations to address such non-compliance and weakness are reported to the AC.

The Company has, to the best of its knowledge, complied with the Best Practices Guide in relation to the roles and responsibilities of the Audit Committee issued by the SGX-ST.

Please refer to page 15 and 16 of this report for qualifications of AC members.

Code of Corporate Governance Principle 12 : Internal Controls

The Board maintains a sound system of internal control and effective risk management policies to safeguard the shareholders' investment and the Company's assets. The effectiveness of these controls and systems is subject to periodic review by the Group Internal Audit Department and is monitored by the AC.

The Company's internal auditors carried out major internal control checks and compliance tests in accordance with the internal audit programmes approved by the AC. It then reports to the AC on internal control weakness and monitors the implementation of recommendations for improvements.

The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Management was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

Code of Corporate Governance Principle 13 : Internal Audit

The Internal Audit Department oversees the Group's internal audit, risk management and compliance functions. The Internal Audit Department reports directly to the AC. The Internal Auditors meet the standards set by nationally and internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC also reviews and approves the annual internal audit plan.

COMMUNICATION WITH SHAREHOLDERS

Code of Corporate Governance Principle 10 : Accountability

Code of Corporate Governance Principle 14 : Communication with Shareholders

Code of Corporate Governance Principle 15 : Greater Participation by Shareholders

The Company engages in regular, effective and fair communication with shareholders through announcements released to SGX-ST via SGXNET. Such announcements include the quarterly and full year results, material transactions and other developments relating to the Group which require disclosure under the corporate disclosure policy of SGX-ST. The Company also maintains a website at www.fuyucorp.com where 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.

The Company encourages shareholders' participation at general meetings, and welcomes shareholders to give their constructive views on various matters concerning the Company. 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.

Dealings in Securities [SGX-ST Listing Rule 710 (2)]

The Company has issued a policy in respect to dealings in securities by key employees of the Company, setting out the implications of insider trading and the recommendations of the Best Practice Guide. To improve further guidance to employees on dealing in the Company's share, the Company has adopted a code of conduct on transactions in the Company's shares modelled after the Best Practice Guide with some modifications. The Company has also introduced procedures to monitor its compliance.

Interested Person Transactions [SGX-ST Listing Rule 1207(16)]

In compliance with the rules of the SGX-ST, the Group confirms that there were no interested person transactions during the year under review.

Financial Review

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Report of the Directors

The Directors are pleased to present their report to the members together with the audited financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group) for the financial year ended 31 December 2005.

Directors

The Directors of the Company in office at the date of this report are :-

Lui Choon Hay	(Chairman)
Ching Heng Yang	(Vice-Chairman)
Tam Wai	
Ho Nee Kit	
Yuen Chung Sang Samuel	
Tan Yew Beng	
Lim Shook Kong	
Jen Shek Voon	

In accordance with Article 91 of the Company's Articles of Association, Mr Lui Choon Hay and Mr Tam Wai retire and, being eligible, offer themselves for re-election. In accordance with Article 97 of the Company's Articles of Association, Mr Jen Shek Voon, retires and, being eligible, offers himself for re-election.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company, the Company's holding company and related corporations as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of the financial year**	**At the end of the financial year**	**At the beginning of the financial year**	**At the end of the financial year**
Fu Yu Corporation Limited				
Lui Choon Hay	10,050,380	12,562,975	271,768,000	339,710,000
Ching Heng Yang	1,000,000	1,250,000	273,398,380	341,747,975
Tam Wai	9,630,380	12,037,975	270,968,000	339,010,000
Ho Nee Kit	9,409,380	12,321,725	270,968,000	338,710,000
Yuen Chung Sang Samuel	100,000	125,000	–	–
Tan Yew Beng	–	–	1,250,000	1,562,500

Name of Director	Direct interest At the beginning of the financial year	Direct interest At the end of the financial year	Deemed interest At the beginning of the financial year	Deemed interest At the end of the financial year
Fu Yu Holding Pte Ltd				
Lui Choon Hay	1	1	–	–
Ching Heng Yang	1	1	–	–
Tam Wai	1	1	–	–
Ho Nee Kit	1	1	–	–
LCTH Corporation Berhad (Ordinary shares of RM0.20 each)				
Lui Choon Hay	600,000	610,000	466,626,069	466,626,069
Ching Heng Yang	500,000	500,000	466,626,069	466,626,069
Tam Wai	600,000	610,000	466,626,069	466,626,069
Ho Nee Kit	600,000	615,200	466,626,069	466,626,069
Yuen Chung Sang Samuel	500,000	500,000	–	–
Tan Yew Beng	500,000	500,000	–	–
Lim Shook Kong	450,000	457,700	–	–

Except as disclosed below, there was no change in any of the above mentioned direct and deemed interests of the Directors between the end of the financial year and 21 January 2006.

Name of Director	Deemed interest At 1.1.2006	Deemed interest At 21.1.2006
LCTH Corporation Berhad (Ordinary shares of RM0.20 each)		
Lui Choon Hay	466,626,069	394,133,763
Ching Heng Yang	466,626,069	394,133,763
Tam Wai	466,626,069	394,133,763
Ho Nee Kit	466,626,069	394,133,763

By virtue of Section 7 of the Companies Act, Messrs Lui Choon Hay, Ching Heng Yang, Tam Wai and Ho Nee Kit are deemed to have interest in shares of the other subsidiaries of the Company in proportion to its interest in the subsidiary companies by virtue of their interests in more than 20% of the issued share capital of the Company.

Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

Report of the Directors

Utilisation of proceeds from placement of shares

Pursuant to the share placement of the Company in October 2004, the Company had fully utilised the net proceeds as at 31 December 2005.

Audit Committee

To assist the Board in fulfilling its responsibilities for corporate management and financial reporting, an Audit Committee was established on 29 May 1995 by the Board of Directors in accordance with Section 201B of the Companies Act, Cap. 50. It comprises three members, two of whom are independent of management. The members of the Audit Committee during the financial year and at the date of this report are :

Jen Shek Voon	(Chairman, appointed on 01.07.2005)
Tan Yew Beng	(Vice-Chairman)
Lim Shook Kong	
Wong Hoo Tung	(resigned on 30.06.2005)

The Audit Committee recommends to the Board the re-appointment of Ernst & Young as auditors of the Company for the ensuing year.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

Lui Choon Hay
Director

Ching Heng Yang
Director

Singapore
28 February 2006

Statement by Directors Pursuant to Section 201(15)

We, Lui Choon Hay and Ching Heng Yang, being two of the Directors of Fu Yu Corporation Limited, do hereby state that, in the opinion of the Directors :-

(i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated statement of cash flows together with the notes thereto, 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 2005 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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.

On behalf of the Board,

Lui Choon Hay
Director

Ching Heng Yang
Director

Singapore
28 February 2006

Auditors' Report to the Members of Fu Yu Corporation Limited

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 78, for the financial year ended 31 December 2005. These financial statements are the responsibility of the Company's Directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards 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 2005 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) 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.

ERNST & YOUNG
Certified Public Accountants

Singapore
28 February 2006

Consolidated Profit and Loss Account

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(In Singapore dollars)

	Note	Group 2005 $	Group 2004 $
Sales	4	425,607,952	397,839,169
Cost of sales		(356,883,752)	(292,624,495)
Gross profit		68,724,200	105,214,674
Other revenue	5	9,758,515	5,240,484
Selling and administrative expenses		(54,673,625)	(50,339,352)
Other operating expenses		–	(3,496,075)
Finance costs	6	(2,197,228)	(1,123,490)
Exceptional item	7	–	22,927,018
Share of results of an associated company		1,314,084	413,521
Profit before income tax	8	22,925,946	78,836,780
Income tax	9	(7,555,166)	(4,414,666)
Profit after income tax		15,370,780	74,422,114
Attributable to:			
Equity holders of the Company		12,122,409	72,650,882
Minority interests		3,248,371	1,771,232
Profit after income tax		15,370,780	74,422,114
Earnings per share		Cents	Cents
- Basic and diluted	10	2.16	15.91

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

Balance Sheets

AS AT 31 DECEMBER 2005

(In Singapore dollars)

		Group		Company	
	Note	2005 $	2004 $	2005 $	2004 $
Non-current assets					
Property, plant and equipment	12	263,775,062	232,413,903	36,944,038	69,857,235
Investment in					
- subsidiary companies	13	–	–	100,344,761	76,293,760
- associated company	14	2,697,219	1,308,813	–	–
Deferred tax assets	9	4,890,184	4,030,756	–	–
Fixed deposits	24	123,368	177,135	–	–
		271,485,833	237,930,607	137,288,799	146,150,995
Current assets					
Stocks	15	70,959,236	54,198,708	4,332,378	14,440,694
Gross amount due from customers for contract work	16	3,005,175	–	2,456,365	–
Trade and other receivables, net	17	147,606,645	133,285,706	13,174,486	18,094,923
Amounts due from subsidiary companies	18	–	–	46,655,648	63,241,804
Amount due from an associated company	19	476,523	472,215	–	–
Cash and cash equivalents		60,288,427	97,568,360	1,162,341	2,649,884
		282,336,006	285,524,989	67,781,218	98,427,305
Assets classified as held for sale	11	29,369,619	–	25,963,498	–
		311,705,625	285,524,989	93,744,716	98,427,305
Deduct : Current liabilities					
Loans and borrowings	20	72,269,732	55,064,163	46,955,566	32,325,862
Trade and other payables	21	154,467,961	126,858,152	14,528,335	44,878,858
Gross amount due to customers for contract work	16	927,583	–	907,741	–
Amounts due to subsidiary company	18	–	–	2,092,570	2,591,873
Provision for income tax		3,391,025	5,235,881	598,871	1,589,949
		231,056,301	187,158,196	65,083,083	81,386,542
Net current assets		80,649,324	98,366,793	28,661,633	17,040,763
Non-current liabilities					
Deferred tax liabilities	9	(11,190,652)	(8,966,540)	(5,716,010)	(5,967,568)
Loans and borrowings	20	(148,701)	(74,703)	(32,209)	(42,925)
		340,795,804	327,256,157	160,202,213	157,181,265
Share capital	22	59,325,478	47,460,382	59,325,478	47,460,382
Reserves	23	251,331,082	249,899,654	100,876,735	109,720,883
		310,656,560	297,360,036	160,202,213	157,181,265
Minority interests		30,139,244	29,896,121	–	–
		340,795,804	327,256,157	160,202,213	157,181,265

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

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(In Singapore dollars)

	Share capital	Share premium	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency translation reserve	Revenue reserve	Total	Minority interests	Total equity
	$	$	$	$	$	$	$	$	$	$
Group										
Balance at 31.12.2003	45,160,382	26,812,956	140,256	6,054,236	2,518,471	2,055,975	129,980,139	212,722,415	2,098,220	214,820,635
Foreign currency translation adjustment	–	–	–	(232,516)	–	(5,468,463)	–	(5,700,979)	(975,660)	(6,676,639)
Deferred tax movement from change in tax rate relating to revaluation of properties	–	–	–	–	137,829	–	–	137,829	–	137,829
Transfer to statutory reserve	–	–	–	1,669,884	–	–	(1,669,884)	–	–	–
Total gains and losses recognised directly in equity	–	–	–	1,437,368	137,829	(5,468,463)	(1,669,884)	(5,563,150)	(975,660)	(6,538,810)
Profit for the year	–	–	–	–	–	–	72,650,882	72,650,882	1,771,232	74,422,114
Total recognised gains and losses for the year	–	–	–	1,437,368	137,829	(5,468,463)	70,980,998	67,087,732	795,572	67,883,304
Dividends on ordinary shares less tax	–	–	–	–	–	–	(7,225,661)	(7,225,661)	(1,059,302)	(8,284,963)
Issuance of new ordinary shares	2,300,000	23,000,000	–	–	–	–	–	25,300,000	–	25,300,000
Share issue expenses	–	(524,450)	–	–	–	–	–	(524,450)	–	(524,450)
Issuance of subsidiaries' shares	–	–	–	–	–	–	–	–	28,061,631	28,061,631
Balance at 31.12.2004	47,460,382	49,288,506	140,256	7,491,604	2,656,300	(3,412,488)	193,735,476	297,360,036	29,896,121	327,256,157

	Share capital	Share premium	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency translation reserve	Revenue reserve	Total	Minority interests	Total equity
	$	$	$	$	$	$	$	$	$	$
Group										
Balance at 31.12.2004	47,460,382	49,288,506	140,256	7,491,604	2,656,300	(3,412,488)	193,735,476	297,360,036	29,896,121	327,256,157
Foreign currency translation adjustment	–	–	–	321,936	–	7,022,029	–	7,343,965	625,992	7,969,957
Transfer to statutory reserve	–	–	–	459,936	–	–	(459,936)	–	–	–
Net gains and loses recognised directly in equity	–	–	–	781,872	–	7,022,029	(459,936)	7,343,965	625,992	7,969,957
Profit for the year	–	–	–	–	–	–	12,122,409	12,122,409	3,248,371	15,370,780
Total recognised gains for the year	–	–	–	781,872	–	7,022,029	11,662,473	19,466,374	3,874,363	23,340,737
Dividends on ordinary shares less tax	–	–	–	–	–	–	(6,169,850)	(6,169,850)	(4,231,240)	(10,401,090)
Issuance of bonus shares	11,865,096	(11,865,096)	–	–	–	–	–	–	–	–
Issuance of a subsidiary's shares	–	–	–	–	–	–	–	–	600,000	600,000
Balance at 31.12.2005	59,325,478	37,423,410	140,256	8,273,476	2,656,300	3,609,541	199,228,099	310,656,560	30,139,244	340,795,804

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(In Singapore dollars)

	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Revenue reserve	Total share-holders' equity
	$	$	$	$	$	$
Company						
Balance at 31.12.2003	45,160,382	26,812,956	2,518,471	(72,300)	57,870,692	132,290,201
Foreign currency adjustments	–	–	–	70,300	–	70,300
Deferred tax movement from change in tax rate relating to revaluation of properties	–	–	137,829	–	–	137,829
Total gains recognised directly in equity	–	–	137,829	70,300	–	208,129
Profit for the year	–	–	–	–	7,133,046	7,133,046
Total recognised gains for the year	–	–	137,829	70,300	7,133,046	7,341,175
Dividends on ordinary shares less tax	–	–	–	–	(7,225,661)	(7,225,661)
Issuance of ordinary shares	2,300,000	23,000,000	–	–	–	25,300,000
Share issue expenses	–	(524,450)	–	–	–	(524,450)
Balance at 31.12.2004	47,460,382	49,288,506	2,656,300	(2,000)	57,778,077	157,181,265
Foreign currency adjustments	–	–	–	2,000	–	2,000
Total gains recognised directly in equity	–	–	–	2,000	–	2,000
Profit for the year	–	–	–	–	9,188,798	9,188,798
Total recognised gains for the year	–	–	–	2,000	9,188,798	9,190,798
Issuance of bonus shares	11,865,096	(11,865,096)	–	–	–	–
Dividends on ordinary shares less tax	–	–	–	–	(6,169,850)	(6,169,850)
Balance at 31.12.2005	59,325,478	37,423,410	2,656,300	–	60,797,025	160,202,213

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(In Singapore dollars)

	Notes	2005 $	2004 $
Cash flows from operating activities :			
Profit before income tax, interest and associated company's profit		22,403,956	78,807,023
Adjustments for :			
Depreciation of property, plant and equipment	12	29,993,336	24,611,902
Gain on disposal of property, plant and equipment	5	(83,007)	(2,168,201)
Property, plant and equipment written-off	8	1,244,274	1,139,124
Goodwill on consolidation written-off	8	–	114,082
Gain on liquidation of a subsidiary company	5	(29,027)	–
Gain on dilution of shareholding in subsidiaries	7	–	(22,927,018)
Currency realignment		2,458,148	(3,469,295)
Operating profit before reinvestment in capital		55,987,680	76,107,617
Increase in trade and other receivables		(14,160,520)	(26,601,069)
Increase in stocks		(16,760,528)	(13,627,738)
Increase in amount due from customers for contract work		(3,005,175)	–
Increase in trade and other payables		16,652,175	9,362,379
Increase in amount due to customers for contract work		927,583	–
Cash generated from operations		39,641,215	45,241,189
Interest income received	5	1,405,134	739,726
Interest paid	6	(2,197,228)	(1,123,490)
Income tax paid		(8,192,793)	(12,021,862)
Net cash provided by operating activities		30,656,328	32,835,563
Cash flows from investing activities :			
Purchase of property, plant and equipment		(75,708,624)	(74,119,189)
Proceeds from disposal of property, plant and equipment		244,427	7,088,248
Increase in amount due from an associated company		(4,308)	(16,888)
Purchase of minority shareholders' shares		–	(16,417,030)
Net cash outflow for acquisition of a subsidiary company	24(a)	–	(581,355)
Net cash used in investing activities		(75,468,505)	(84,046,214)
Cash flows from financing activities :			
Dividends paid to minority shareholders		(4,231,240)	(1,059,302)
Proceeds from loans and borrowings		17,279,567	22,750,799
Dividends paid on ordinary shares by the Company		(6,169,850)	(7,225,661)
Net proceeds from issuance of subsidiaries' shares		600,000	67,405,675
Net proceeds from issuance of the Company's shares		–	24,775,550
Net cash provided by financing activities		7,478,477	106,647,061
Net (decrease)/increase in cash and cash equivalents		(37,333,700)	55,436,410
Cash and cash equivalents at beginning of financial year		97,745,495	42,309,085
Cash and cash equivalents at end of financial year	24(b)	60,411,795	97,745,495

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

(In Singapore dollars)

1. Corporate information

Fu Yu Corporation Limited is a limited liability company which is incorporated in Singapore, and its ultimate and immediate parent company is Fu Yu Holding Pte Ltd, incorporated in Singapore.

The registered office of the Company is located at No. 2, Serangoon North Avenue 5, Singapore 554911.

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 Group consist of manufacturing and sub-assembly of precision plastic parts and components, fabrication of precision moulds and dies, trading and investment holding.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, Cap. 50.

The financial statements have been prepared on a historical cost basis except that certain leasehold properties are carried at revalued amounts.

The financial statements are presented in Singapore Dollars (SGD or $).

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) *Adoption of new FRS*

On 1 January 2005, the Group and the Company adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2005.

FRS 39	–	Financial Instruments: Recognition and Measurement
FRS 102	–	Share-based Payment
FRS 103	–	Business Combinations
FRS 105	–	Non-Current Assets Held for Sale and Discontinued Operations

(In Singapore dollars)

2.2 ***Changes in accounting policies (Cont'd)***

The changes in the above accounting policies do not have significant financial impact on the financial statements of the Group and Company except for the following:

(i) FRS 39 – Financial Instruments: Recognition and Measurement

The Group adopted FRS 39 on 1 January 2005 and classified and measured its financial assets and liabilities in accordance with the standard as described under Note 2.11.

The adoption of FRS 39 did not result in any transitional adjustments for the Group as at 1 January 2005.

(ii) FRS 105 – Non-Current Assets Held for Sale and Discontinued Operations

FRS 105 requires an entity to state its non-current assets as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group and Company had reclassified the properties it intended to sell from property, plant and equipment to assets classified as held for sale under the current assets category, net book value of which were $29,369,619 and $25,963,498 respectively.

The Group had applied FRS 105 prospectively in accordance with the transitional provisions of FRS 105.

(b) Adoption of revised FRS

The Group adopted the following revised standards which did not result in any significant change in accounting policies :

FRS 2 (revised), Inventories
FRS 8 (revised), Accounting Policies, Changes in Accounting Estimate and Errors
FRS 10 (revised), Events after the Balance Sheet Date
FRS 16 (revised), Property, Plant and Equipment
FRS 17 (revised), Leases
FRS 24 (revised), Related Party Disclosures
FRS 27 (revised), Consolidated and Separate Financial Statements
FRS 28 (revised), Investments in Associates
FRS 32 (revised), Financial Instruments : Disclosure and Presentation
FRS 33 (revised), Earnings Per Share
FRS 36 (revised), Impairment of Assets
FRS 38 (revised), Intangible Assets

(c) Change in accounting policy

The Company and subsidiaries engaged in tooling production had changed from completed method to percentage of completion basis for recognition of tooling sales, in line with FRS 11 Construction Contracts. The net impact of the change of $1,200,000 profit in 2004 if the change in accounting policy were to be effected retrospectively, was considered not material to the Group's financial statements, therefore the comparatives were not restated. Had the completed method been applied for the recognition of tooling sales in 2005, the profit of the Group would have been reduced by $2,200,000.

(In Singapore dollars)

2.2 ***Changes in accounting policies (Cont'd)***

(d) FRS and INT FRS not yet effective

The Group has not applied the following INT FRS deemed applicable to the activities of the Group that have been issued but effective for annual financial periods beginning on or after 1 January 2006 :

(i) INT FRS 104 – Determining Whether an Arrangement Contains a Lease

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group expects that the adoption of the above pronouncement listed above will have no material impact on the financial statements in the period of initial application.

2.3 ***Significant accounting estimates and judgements***

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Income taxes*

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. The carrying amount of the group's tax payables at 31 December 2005 was $3,391,000 (2004: $5,236,000).

(In Singapore dollars)

2.3 ***Significant accounting estimates and judgements (Cont'd)***

(ii) *Impairment of properties*

The Group assessed whether certain of its properties were impaired during the year. The assessment required an estimation of the value in use of the properties. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the properties and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the properties subject to impairment review of the Group at 31 December 2005 was $15,876,000 (2004 : $16,681,000).

2.4 ***Principles of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.7 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.5 ***Subsidiary company***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(In Singapore dollars)

2.6 *Associated company*

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investment in associated company is recorded at cost and adjusted to recognise the Group's share of the net assets of the associated company at the date of acquisition.

The Group's share of the results of associated company is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves of associated company is included in the investments in the consolidated balance sheet.

Goodwill relating to an associated company is included in the carrying amount of the investment.

Investment cost in associated company is stated in the Company's balance sheet at cost less impairment losses.

2.7 *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(In Singapore dollars)

2.8 *Property, plant and equipment*

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. All items of property, plant and equipment are initially recorded at cost. Certain properties are subsequently revalued, on an asset-by-asset basis, to their fair values. The Group does not have a policy on the frequency of property, plant and equipment revaluation.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised as an expense. In such circumstance, the increase is recognised as income to the extent of the previous write-down in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense to the profit and loss account unless it reverses a previous increment relating to that asset, in which case it is charged against the related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to revenue reserve on retirement or disposal of the asset.

The carrying amounts, for those revalued and those measured at cost, are reviewed at each balance sheet date for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2.9 *Depreciation*

Depreciation is calculated on the straight line method to write-off the cost or valuation of property, plant and equipment over their estimated useful lives :-

Leasehold properties	-	over the period of the respective leases ranging from 16 to 60 years
Renovations	-	5 years
Factory equipment, plant and machinery	-	10 years
Motor vehicles	-	5 years
Office equipment, computers electrical installations and furniture and fittings	-	3 to 5 years
Erectable stores	-	2 to 10 years
Leasehold improvement	-	3 years

(In Singapore dollars)

2.9 *Depreciation (Cont'd)*

Building under construction is not depreciated until it is ready for its intended use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

(In Singapore dollars)

2.11 ***Financial assets and financial liabilities***

(i) *Classification and measurement*

Financial assets and liabilities within the scope of FRS 39 are classified and accordingly measured as follows :

Financial assets/liabilities at fair value through profit and loss

- Held for trading

  Financial assets and financial liabilities are classified as held for trading if they are acquired for short-term profit taking. Financial derivatives are classified as held for trading unless they are designated as hedging instruments in accordance with FRS 39. Gains or losses on held for trading financial assets and financial liabilities are recognised in the profit and loss account.

- Designated as fair value through profit and loss

  These are financial assets and financial liabilities designated at inception to be measured at fair value through profit and loss account. Such designation, once made, is irrevocable.

Financial assets and financial liabilities at fair value through profit and loss are recognised initially at fair value with transaction costs taken directly to the profit and loss account, and are subsequently remeasured at fair value.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value plus directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Non-trading liabilities

Non-derivative financial liabilities not held for active trading or designated as fair value through profit and loss are initially recognised at fair value plus directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised, as well as through the amortisation process.

(ii) *Recognition and derecognition*

Financial assets and financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All regular way purchases and sales of financial assets that require delivery of the assets within the period generally established by regulation or market convention, are recognised on the settlement date.

(In Singapore dollars)

2.11 ***Financial assets and financial liabilities (Cont'd)***

(ii) *Recognition and derecognition (Cont'd)*

A financial asset, or, where applicable, a part of a financial asset or group of similar financial assets is derecognised where :

- the contractual rights to the cash flows from the asset have expired;
- the Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

On the derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised in equity is recognised in the profit and loss account.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and the recognition of a new liability, and the difference in the carrying amounts of the new and original liabilities is recognised in the profit and loss account.

(iii) *Impairment*

Financial assets, other than those measured at fair value through profit and loss account are subject to impairment review at each balance sheet date. In general, an impairment loss is recognised when there is objective evidence that the carrying amount of an asset is below its recoverable amount.

Assets carried at amortised costs

In determining the impairment loss on loans and receivables which are carried at amortised costs, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the profit and loss account.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped based on similar credit risks and assessed on a portfolio basis. The resulting impairment losses are referred to as individual impairment in the financial statements.

(In Singapore dollars)

2.12 ***Stocks***

Stocks are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	-	purchase cost on weighted average basis; and
Finished goods and work-in-progress	-	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

2.13 ***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 balance sheet date, when outcome of a tooling contract can be estimated reliably. The percentage of completion is measured by reference to the stages and progress of work performed records maintained by the division. An expected loss on the construction contract is recognised as an expense when it is probable that total contact costs will exceed total contract revenue.

2.14 ***Trade and other receivables***

Trade receivables which are classified as loans and receivables, generally have 30-120 days credit terms. Bad debts are written-off to the profit and loss account as incurred.

Amounts due from related parties are classified as loans and receivables.

2.15 ***Trade and other payables***

Liabilities for trade and other amounts payable which are normally settled on 30-90 day terms, are classified as non-trading liabilities.

Amounts due to related parties are classified as non-trading liabilities.

2.16 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.17 ***Loans and borrowings***

All loans and borrowings are designated as non-trading liabilities.

2.18 ***Borrowing costs***

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(In Singapore dollars)

2.19 ***Segments***

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

For management purposes, the Group is organised into four geographical segments. The divisions are on the basis which the Group reports its primary segment information.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include item directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of interest-earning assets and revenue, interest-bearing loans, borrowing and expenses, and corporate assets and expenses. Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year.

2.20 ***Leases***

Where the Group is the Lessor

Assets subject to operating leases are included in property, plant and equipment in the balance sheet. Lease income is recognised in the profit and loss accounts on a straight-line basis over the lease term.

Where the Group is the Lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

2.21 ***Government grants***

Assets related grants from the Economic Development Board ("EDB") and the Agency for Science, Technology and Research ("A*STAR") are credited to a deferred assets grants account and are released to the profit and loss accounts on a straight line basis over the estimated useful life of the underlying assets.

2.22 ***Taxation***

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(In Singapore dollars)

2.22 ***Taxation (Cont'd)***

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(In Singapore dollars)

2.22 ***Taxation (Cont'd)***

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 ***Cash and cash equivalents***

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and bank balances, fixed deposits and short-term securities with financial institutions.

2.24 ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer.

Tooling contracts

Accounting policy for recognising tooling contracts is stated in Note 2.13.

Commission income

Revenue is recognised when the right to receive the payment is established.

Interest

Interest income is recognised on a time proportion basis.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental income

Refer to the policy on leases stated in Note 2.20.

(In Singapore dollars)

2.24 ***Revenue recognition (Cont'd)***

Government grants

Refer to the policy on government grants in Note 2.21.

2.25 ***Functional and foreign currency***

(i) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(ii) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(iii) *Foreign currency translation*

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

(In Singapore dollars)

2.26 *Employee benefits*

Defined contribution plan

As required by law, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF") and the Group's companies in Malaysia make contributions to the Employee Provident Fund ("EPF"). CPF and EPF are defined contribution schemes. Contributions to these schemes are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

Employee entitlements

Liabilities for paid leave are recognised and are measured as the amount unpaid at the balance sheet date at current pay rates in respect of employees' services up to that date.

2.27 *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from operational, financing and investment activities that do not qualify for hedge accounting. Any gains or losses arising from changes in fair value on the Group's and Company's derivative financial instruments are taken to profit and loss account for the year.

2.28 *Non-current assets held for sale*

Assets are classified as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment held for sale are not subject to depreciation.

(In Singapore dollars)

3. Group companies

The subsidiary companies and associated company at 31 December 2005 are :-

	Name of company	Place of incorporation/ establishment and business	Principal activities	Cost of investment		Percentage of equity held by the Group	
				2005 $	2004 $	2005 %	2004 %
	Held by Fu Yu Corporation Limited *Subsidiary companies*						
#	Fu Yu Investment Pte Ltd	SIngapore	Investment holding	1,171,187	1,171,187	100	100
**	Chang Fu Resources Pte Ltd	Singapore	Dormant	2,417,062	2,417,062	100	100
**	IFN Pte Ltd	Singapore	Investment holding	1,481,871	1,481,871	100	100
#	NanoTechnology Manufacturing Pte. Ltd.	Singapore	Manufacturing of ultra precision tools and dies, precision moulding and stamping	12,000,000	9,600,000	80	80
*	Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	26,026,400	26,026,400	100	100
*	Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	7,785,984	7,785,984	100	100
*	Fu Yu Trading Limited	Hong Kong	Trading	+	+	100	100
*	Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	31,985,646	21,674,955	100	100

(In Singapore dollars)

3. Group companies (cont'd)

	Name of company	Place of incorporation/ establishment and business	Principal activities	Cost of investment		Percentage of equity held by the Group	
				2005 $	2004 $	2005 %	2004 %
@	Fu Yu (U.S.A) Limited	United States of America	Liquidated	–	170,800	–	100
*	Fu Yu Mexico, S.A. De C.V.	Mexico	Dormant (under members' voluntary liquidation)	8,060,950	8,060,950	90	90
*	Fu Yu International Enterprise Limited	Hong Kong	Management services	222,800	222,800	100	100
*	Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components	3,809,122	3,809,122	100	100
*	Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components	5,078,708	2,283,775	100	100
*	QingDao Fu Qiang Electronics Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components	6,901,937	1,702,475	100	100
**	Fu Ying Moulding & Tooling (Shanghai) Co., Ltd	People's Republic of China	Manufacture and sub-assembly of precision, plastic parts and components, and fabrication of precision moulds and dies	2,278,500	–	100	100
**	Fu Yu Electronics (Dongguan) Co., Ltd	People's Republic of China	Precision moulding, production and assembly of electronics products	1,067,415	–	100	–
				110,287,582	86,407,381		

(In Singapore dollars)

3. Group companies (cont'd)

	Name of company	Place of incorporation/ establishment and business	Principal activities	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
	Held through subsidiary companies *Subsidiary companies*				
*	LCTH Corporation Berhad	Malaysia	Investment holding	77.77	77.77
*	Classic Advantage Sdn Bhd	Malaysia	Manufacture and sub-assembly of precision, plastic parts and components, and fabrication of precision moulds and dies	77.77	77.77
*	Fu Hao Manufacturing (M) Sdn Bhd	Malaysia	Manufacture and sub-assembly of precision plastic parts and components	77.77	77.77
*	Fu Yu Moulding & Tooling (Tianjin) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision, plastic parts and components, and fabrication of precision moulds and dies	100	100
*	Fortune Mission Sdn Bhd.	Malaysia	Dormant (under members' voluntary liquidation)	100	100
*	Fu Yu Guadalajara S.A. De C.V.	Mexico	Dormant (under members' voluntary liquidation)	100	100
*	Fu Yu Mexico, S.A.De C.V.	Mexico	Dormant (under members' voluntary liquidation)	10	10
	Associated company				
**	Kodon (Tianjin) Electronic & Electrical Apparatus Co., Ltd.	People's Republic of China	Developing, manufacturing and sale of electronic products and equipment for medical use	48	48

\# *Audited by Ernst & Young, Singapore.*
* *Audited by other member firms of Ernst & Young International.*
** *Audited by other firms of auditors.*
\+ *Amount less than $1.*
@ *Not required to be audited in the country of incorporation.*

(In Singapore dollars)

4. Sales

	Group 2005 $	Group 2004 $
Sales of goods	366,572,621	397,839,169
Revenue recognised on tooling contracts	59,035,331	–
	425,607,952	397,839,169

5. Other revenue

Interest income from banks	1,405,134	739,726
Rental income	1,558,931	1,209,137
Government grants - asset related (Note 25)	34,432	34,432
Gain on disposal of property, plant and equipment	83,007	2,168,201
Sale of scrap and raw materials	3,100,362	700,975
Creditors written-off	320,113	74,422
Foreign exchange gain, net	2,973,707	–
Gain on liquidation of a subsidiary company	29,027	–
Others	253,802	313,591
	9,758,515	5,240,484

6. Finance costs

Interest expense on :		
- finance leases	10,894	11,802
- bank loans	2,186,206	1,111,399
- bank overdrafts	128	289
	2,197,228	1,123,490

7. Exceptional item

Gain on dilution of shareholding in subsidiaries	–	22,927,018

In prior financial year, the Group recognised an exceptional gain of $22,927,018 arising from the partial disposal of its effective equity interest in the subsidiary companies in Malaysia, namely Classic Advantage Sdn Bhd (“Classic”) and Fu Hao Manufacturing (M) Sdn Bhd (“Fu Hao”). This was in conjunction with the listing of LCTH Corporation Berhad (“LCTH”), a subsidiary company of the Group, on the Main Board of Bursa Malaysia Securities Berhad. LCTH was incorporated in prior financial year and was the immediate holding company of both Classic and Fu Hao.

(In Singapore dollars)

8. Profit before income tax

	Group 2005 $	Group 2004 $
Profit before income tax is stated after charging/(crediting) :		
Sum paid or payable to :		
- Directors of the Company		
- Fees	228,975	210,636
- Contributions to defined contribution schemes	20,029	37,879
- Other emoluments	3,676,508	5,023,476
- Directors of subsidiaries		
- Fees	65,339	38,514
- Contributions to defined contribution schemes	21,120	22,552
- Other emoluments	166,529	325,065
- Auditors of the Company		
- Audit fees		
- current financial year	136,500	161,370
- overprovision of prior financial year	(31,039)	–
- Non-audit fees	62,022	98,932
- Other auditors		
- current financial year	300,443	259,249
- underprovision in prior financial year	–	16,944
- non-audit fees	26,884	28,896
Goodwill on consolidation written-off	–	114,082
Staff costs*		
- salaries, bonuses and other costs	70,472,119	56,212,369
- contributions to defined contribution schemes	4,964,512	4,291,678
Net foreign exchange loss	–	3,496,075
Operating lease expenses	3,072,148	2,922,765
Property, plant and equipment written-off	1,244,274	1,139,124

* *Included in staff costs for the Group are contributions to defined contribution schemes and other emoluments for top 5 key executives who are not directors totalling $49,993 (2004: $19,032) and $1,082,732 (2004: $806,539).*

The number of Directors of the Company within each remuneration band are as follows :

	Number of Directors 2005	Number of Directors 2004
$1,250,000 to $1,499,999	–	1
$1,000,000 to $1,249,999	–	3
$750,000 to $999,999	4	–
Below $250,000	4	4
Total	8	8

(In Singapore dollars)

9. Income tax

	Group 2005 $	Group 2004 $
Provision for income tax in respect of profit for the financial year :-		
Current taxation		
- Singapore	518,394	1,451,977
- Malaysia	1,125,614	2,452,768
- China	2,569,362	4,198,324
- Others	1,333	1,351
Deferred taxation	1,787,605	(729,355)
	6,002,308	7,375,065
Under/(over) provision of income tax in respect of previous financial years	1,825,079	(996,634)
(Over)/under provision of deferred taxation in respect of previous financial years	(272,221)	73,472
Effect of changes in tax rates	–	(2,037,237)
	7,555,166	4,414,666

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 December 2005 and 2004 is as follows :

	2005 $	2004 $
Profit before income tax	22,925,946	78,836,780
Tax calculated at statutory tax rate of 20% (2004 : 20%)	4,585,189	15,767,356
Expenses not deductible for tax purposes	1,570,564	906,077
Deferred tax assets not recognised	1,222,874	541,262
Utilisation of capital allowances and losses previously not recognised and utilisation of reinvestment allowances	(3,348,018)	(5,075,521)
Under/(over) provision in prior financial years	1,552,858	(923,162)
Effect of different tax rates in other countries	2,031,868	770,363
Effect of income not subject to tax	(1,000,593)	(5,786,043)
Effect of changes in tax rates	–	(2,037,237)
Release of deferred tax relating to revaluation of properties	(50,619)	(50,619)
Reversal of prior year's deferred tax assets	816,834	–
Others	174,209	302,190
	7,555,166	4,414,666

(In Singapore dollars)

9. Income tax (cont'd)

Deferred taxes as at 31 December relate to the following :

	Group				Company			
	Deferred tax assets		Deferred tax liabilities		Deferred tax assets		Deferred tax liabilities	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $
(Deficit)/excess of net book value over tax written down value of property, plant and equipment	(1,050,503)	(1,172,530)	10,385,552	9,050,105	–	–	4,857,880	5,549,532
Revaluation reserve	–	–	1,277,032	1,327,653	–	–	1,277,032	1,327,653
Employee benefits	(100,607)	(576,769)	–	–	(100,607)	(448,792)	–	–
Provisions	(3,930,401)	(3,346,716)	–	–	(67,593)	(220,825)	–	–
Others	(280,605)	(345,959)	–	–	(250,702)	(240,000)	–	–
Deferred tax (assets)/ liabilities	(5,362,116)	(5,441,974)	11,662,584	10,377,758	(418,902)	(909,617)	6,134,912	6,877,185
Set-off	471,932	1,411,218	(471,932)	(1,411,218)	418,902	909,617	(418,902)	(909,617)
Net deferred tax (assets)/liabilities	(4,890,184)	(4,030,756)	11,190,652	8,966,540	–	–	5,716,010	5,967,568

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 income taxes relate to the same tax authority.

10. Earnings per share

	Group	
	2005 $	2004 $
Earnings		
Net profit attributable to members of the Company	12,122,409	72,650,882
Number of shares	Number	Number
Weighted average number of ordinary shares for calculation of basic earnings per share and diluted earnings per share	560,747,664	456,756,825
Earnings per share		
	Cents	Cents
Basic and diluted	2.16	15.91

There are no dilutive potential ordinary shares.

Basic earnings per share and diluted earnings per share are calculated on the Group's net profit attributable to members of the Company divided by the weighted average number of stock units in issue during the financial year.

(In Singapore dollars)

11. Assets classified as held for sale

The leasehold properties classified as held for sale are as follows :

	Group		Company	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
Cost (Note 12)	42,850,184	–	38,638,196	–
Accumulated depreciation (Note 12)	(13,480,565)	–	(12,674,698)	–
Net carrying value	29,369,619	–	25,963,498	–

(a) Property situated at 2 Serangoon North Avenue 5, Singapore 554911

The property with carrying amount of $25,963,498, consists of a 8-storey production-cum-warehouse building with ancillary office and basement carpark. The property is occupied by the Company as headquarters for its Singapore, Malaysia and China operations. Currently, the operations in Singapore are more focused on high-precision parts and processes, less physical space for production and storage is required. Additionally, the Company is principally engaged in manufacturing and sub-assembly of precision plastic parts and components, fabrication of moulds and dies and not that of property holding company, the Company decided to sell and lease back the property. The sale of the property will enable the Company to improve its cash flows position as the proceeds will be used to redeem the bank loans.

The sale and lease back of the property was completed on 7 February 2006.

(b) Property situated at 11, Cheng Hu Road, Wu Zhong Economic Development Zone, Suzhou, China 215128.

The property with carrying amount of $3,406,121, consists of 3 blocks of building, occupied by the Suzhou subsidiary and is used for production, storage and as ancillary office. As the Group is expanding its production capacity and capabilities in Suzhou, it constructs new buildings with bigger floor areas. The construction of the new buildings was completed at the end of the financial year and the relocation to the new buildings by stages commenced at the beginning of the year 2006. The expansion was supported by Jiang Su Wu Zhong Economic Skill Development Company who has agreed to purchase from the Suzhou subsidiary the old property upon the completion of the relocation to the new building.

The disposal of the property is anticipated to be completed in 2006.

(In Singapore dollars)

12. Property, plant and equipment

	Leasehold properties	Factory equipment, plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Other assets	Buildings under construction	Total
Group	$	$	$	$	$	$	$
Cost and valuation							
At 1 January 2005	133,536,469	230,313,903	4,918,299	16,097,920	8,125,859	5,575,006	398,567,456
Currency realignment	2,292,600	5,559,246	97,750	252,496	63,248	163,289	8,428,629
Additions	14,472,194	47,833,067	924,471	4,614,366	4,336,694	14,485,465	86,666,257
Disposals/write-off	(29,310)	(3,026,527)	(118,401)	(1,912,970)	(1,475,417)	–	(6,562,625)
Assets held for sale (Note 11)	(42,850,184)	–	–	–	–	–	(42,850,184)
Reclassification	422,808	66,528	536	52,159	62,956	(604,987)	–
At 31 December 2005	107,844,577	280,746,217	5,822,655	19,103,971	11,113,340	19,618,773	444,249,533
Representing :-							
Cost	84,984,577	280,746,217	5,822,655	19,103,971	11,113,340	19,618,773	421,389,533
Valuation - 1994	22,860,000	–	–	–	–	–	22,860,000
	107,844,577	280,746,217	5,822,655	19,103,971	11,113,340	19,618,773	444,249,533
Accumulated depreciation							
At 1 January 2005	30,652,077	115,977,951	2,840,504	11,802,531	4,880,490	–	166,153,553
Currency realignment	370,868	2,368,796	60,759	129,727	34,928	–	2,965,078
Charge for the year	5,021,515	21,030,040	815,534	1,981,063	1,145,184	–	29,993,336
Disposals/write-off	(3,928)	(2,054,120)	(118,401)	(1,852,099)	(1,128,383)	–	(5,156,931)
Assets held for sale (Note 11)	(13,480,565)	–	–	–	–	–	(13,480,565)
Reclassification	–	(23,717)	–	2,817	20,900	–	–
At 31 December 2005	22,559,967	137,298,950	3,598,396	12,064,039	4,953,119	–	180,474,471
Charge for 2004	4,653,965	17,364,933	691,891	1,313,551	587,562	–	24,611,902
Net book value							
At 31 December 2005	85,284,610	143,447,267	2,224,259	7,039,932	6,160,221	19,618,773	263,775,062
At 31 December 2004	102,884,392	114,335,952	2,077,795	4,295,389	3,245,369	5,575,006	232,413,903

(In Singapore dollars)

12. Property, plant and equipment (cont'd)

	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, furniture and fittings $	Other assets $	Total $
Company						
Cost and valuation						
At 1 January 2005	69,464,054	57,269,452	2,429,956	8,861,604	3,738,057	141,763,123
Additions	–	795,353	73,563	456,380	1,135,385	2,460,681
Disposals/write-off	(29,310)	(1,157,823)	(118,401)	(1,435,639)	(5,380)	(2,746,553)
Assets held for sale (Note 11)	(38,638,196)	–	–	–	–	(38,638,196)
Transferred to subsidiary companies	–	(7,069,532)	–	(4,408)	–	(7,073,940)
At 31 December 2005	30,796,548	49,837,450	2,385,118	7,877,937	4,868,062	95,765,115
Representing :-						
Cost	7,936,548	49,837,450	2,385,118	7,877,937	4,868,062	72,905,115
Valuation - 1994	22,860,000	–	–	–	–	22,860,000
	30,796,548	49,837,450	2,385,118	7,877,937	4,868,062	95,765,115
Accumulated depreciation						
At 1 January 2005	22,395,676	36,517,835	1,452,580	8,124,603	3,415,194	71,905,888
Charge for the year	2,689,584	3,936,038	367,320	407,712	202,489	7,603,143
Disposals/write-off	(3,928)	(1,078,708)	(118,401)	(1,434,305)	(5,380)	(2,640,722)
Assets held for sale (Note 11)	(12,674,698)	–	–	–	–	(12,674,698)
Transferred to subsidiary companies	–	(5,370,324)	–	(2,210)	–	(5,372,534)
At 31 December 2005	12,406,634	34,004,841	1,701,499	7,095,800	3,612,303	58,821,077
Charge for 2004	2,689,711	4,524,540	358,319	301,796	117,722	7,992,088
Net book value						
At 31 December 2005	18,389,914	15,832,609	683,619	782,137	1,255,759	36,944,038
At 31 December 2004	47,068,378	20,751,617	977,376	737,001	322,863	69,857,235

(In Singapore dollars)

12. Property, plant and equipment (cont'd)

(a) Certain leasehold properties of the Group and the Company were revalued by the Directors based on an independent appraisal by Knight Frank Cheong Hock Chye & Baillieu (Property Consultants) Pte Ltd on an "open market value" as at 31 August 1994. The surplus arising from the revaluation had been taken to the asset revaluation reserve (Note 23). The carrying amount of these assets included in the financial statements as at 31 December 2005 is $14,890,667 (2004 : $15,593,864). Had these assets been carried at cost less depreciation, the carrying amount would have been $8,505,228 (2004 : $8,955,326).

(b) Other assets comprise electrical installations, renovations, erectable stores and leasehold improvement.

(c) Included in property, plant and equipment of the Group and the Company are factory equipment, plant and machinery with total net book value of $244,507 (2004 : $620,495) and $51,082 (2004 : $580,119) acquired under finance leases respectively.

13. Investment in subsidiary companies

	Company	
	2005	2004
	$	$
Unquoted investment, at cost (Note 3)	110,287,582	86,407,381
Less : Allowance for impairment in value	(9,942,821)	(10,113,621)
	100,344,761	76,293,760
Analysis of allowance for impairment in value :		
Balance at beginning of financial year	10,113,621	8,231,750
Allowance made during the financial year	–	1,881,871
Investment written off against allowance	(170,800)	–
Balance at end of financial year	9,942,821	10,113,621

For the year ended 31 December 2005, the investment of $170,800 written off against allowance made in prior years is in respect of a subsidiary company that was liquidated during the year.

Details of subsidiary companies are included in Note 3.

14. Investment in associated company

	Group	
	2005	2004
	$	$
Unquoted investment, at cost (Note 3)	1,307,563	1,307,563
Share of post-acquisition reserves		
- prior financial years	672,720	259,199
- current financial year	1,314,084	413,521
Goodwill arising on consolidation and charged to revenue reserve	(636,470)	(636,470)
Currency realignment	39,322	(35,000)
	2,697,219	1,308,813

Details of associated company are included in Note 3.

(In Singapore dollars)

14. Investment in associated company (Cont'd)

The summarised financial information of the associated company are as follows:

	Group	
	2005	**2004**
	$	$
Assets and liabilities :		
Current assets	7,871,694	3,878,147
Non-current assets	580,651	585,978
Total assets	8,452,345	4,464,125
Current liabilities	2,245,472	1,341,843
Results :		
Revenue	19,508,870	7,677,744
Profit for the year	2,656,276	779,904

15. Stocks

	Group		Company	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
Finished goods	26,889,623	14,715,904	2,193,913	2,648,756
Work-in-progress	14,011,378	22,235,775	1,114,850	10,379,895
Raw materials	30,058,235	17,247,029	1,023,615	1,412,043
	70,959,236	54,198,708	4,332,378	14,440,694
Stocks are stated after deducting allowance for stock obsolescence of	5,175,607	4,871,653	337,967	524,815
Analysis of allowance for stock obsolescence :				
Balance at beginning of financial year	4,871,653	4,389,373	524,815	1,004,285
Charge/(write-back) to profit and loss accounts	2,757,288	845,754	(186,848)	(479,470)
Stocks written-off against allowance	(2,676,645)	(192,105)	–	–
Currency realignment	223,311	(171,369)	–	–
Balance at end of financial year	5,175,607	4,871,653	337,967	524,815
Stocks written-off directly to profit and loss accounts	4,233,344	1,636,548	–	–

(In Singapore dollars)

16. Gross amount due from/(to) customers for contract work

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Contract costs incurred to date	8,918,379	–	8,498,130	–
Recognised profits less recognised losses to date	2,101,349	–	1,942,988	–
	11,019,728	–	10,441,118	–
Progress billings	(8,942,136)	–	(8,892,494)	–
Amount due from customers for contract work, net	2,077,592	–	1,548,624	–
Gross amount due from customers for contract work	3,005,175	–	2,456,365	–
Gross amount due to customers for contract work	(927,583)	–	(907,741)	–
	2,077,592	–	1,548,624	–

17. Trade and other receivables, net

	Group 2005	Group 2004	Company 2005	Company 2004
Trade receivables, net of impairment provision	136,375,249	115,579,455	12,563,184	17,016,897
Prepaid expenses	1,618,423	1,419,481	238,158	283,900
Sundry deposits	620,137	234,052	73,520	92,098
Tax recoverable	3,878,908	3,718,489	–	–
Other receivables	2,580,985	4,702,936	238,981	702,028
Deposits paid to suppliers	2,532,943	7,631,293	60,643	–
	147,606,645	133,285,706	13,174,486	18,094,923
Trade receivables are stated after impairment provision of	16,217,986	13,246,839	1,853,255	579,310

Included in trade and other receivables of the Group is an amount of approximately $53,577,000 (2004 : $40,291,000) denominated in US dollars.

(In Singapore dollars)

17. Trade and other receivables, net (Cont'd)

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Analysis of impairment provision :				
Balance at beginning of financial year	13,246,839	5,833,948	579,310	1,181,242
Charge/(write-back) to profit and loss accounts	6,656,855	8,861,431	1,418,096	(128,594)
Bad debts written-off against provision	(4,293,199)	(997,885)	(144,151)	(473,338)
Currency realignment	607,491	(450,655)	–	–
Balance at end of financial year	16,217,986	13,246,839	1,853,255	579,310
Bad debts written-off directly to profit and loss accounts	191,215	136,985	–	–

18. Amounts due from/ to subsidiary companies

	Company	
	2005	2004
	$	$
Amounts due from subsidiary companies :		
Trade	–	829,860
Non-trade	46,655,648	62,411,944
Amounts due from subsidiary companies after deducting impairment provision of $5,801,922 (2004 : $6,193,683)	46,655,648	63,241,804
Analysis of impairment provision :		
Balance at beginning of financial year	6,193,683	391,761
Charge to profit and loss accounts	–	5,801,922
Bad debts written-off against provision	(391,761)	–
Balance at end of financial year	5,801,922	6,193,683
Bad debts written-off directly to profit and loss accounts	40,120	840,465
Amounts due to a subsidiary company :		
- trade	1,279,889	2,581,425
- non-trade	812,681	10,448
	2,092,570	2,591,873

The amounts due from/ to subsidiary companies are unsecured, non-interest bearing and are repayable on demand.

(In Singapore dollars)

19. Amount due from an associated company

The amount due from an associated company is trade in nature and is repayable on demand.

20. Loans and borrowings

At 31 December, short-term and long-term bank loans and borrowings are as follows:

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Finance lease liabilities (Note 27)	253,185	161,691	42,925	118,787
Short term loans, unsecured	72,165,248	54,977,175	46,944,850	32,250,000
	72,418,433	55,138,866	46,987,775	32,368,787
Analysed as :				
Repayable within 1 year	72,269,732	55,064,163	46,955,566	32,325,862
Repayable after 1 year	148,701	74,703	32,209	42,925
	72,418,433	55,138,866	46,987,775	32,368,787

The Group's and the Company's short-term unsecured loans bear interest ranging from 2.52% to 6.00% and 2.52% to 4.90% respectively (2004 : 1.63% to 6.05% and 1.63% to 1.80% respectively) per annum and can be rolled forward for periods between 1 month to 6 months after the maturity date.

Included in loans and borrowings of the Group is an amount of approximately $37,113,000 (2004: $21,697,000) denominated in US dollars.

21. Trade and other payables

	Group 2005	Group 2004	Company 2005	Company 2004
Trade payables	107,572,225	63,968,622	5,156,365	7,624,013
Other creditors	7,204,842	18,721,731	2,681,031	11,038,621
Accrued operating expenses	14,924,356	18,079,955	2,673,261	7,072,405
Deposit received from customers	2,469,985	1,415,581	622,834	326,510
Advance billings	2,996,382	16,348,804	2,969,242	16,336,238
Purchases of property, plant and equipment	19,212,669	8,255,035	338,100	2,412,647
Derivative financial instruments (Note 31)	53,510	–	53,510	–
Deferred income - asset grants (Note 25)	33,992	68,424	33,992	68,424
	154,467,961	126,858,152	14,528,335	44,878,858

Included in trade and other payables of the Group is an amount of $32,849,000 (2004 : $18,475,000) denominated in US dollars

(In Singapore dollars)

22. Share capital

	Group and Company 2005 $	Group and Company 2004 $
Authorised :-		
1,000,000,000 ordinary shares of $0.10 each	100,000,000	100,000,000
Issued and fully paid :-		
At beginning of year		
- 474,603,820 (2004: 451,603,820) ordinary shares of $0.10 each	47,460,382	45,160,382
Issued during the year		
- 118,650,955 (2004 : 23,000,000) ordinary shares of $0.10 each	11,865,096	2,300,000
At end of year		
- 593,254,775 (2004 : 474,603,820) ordinary shares of $0.10 each	59,325,478	47,460,382

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

23. Reserves

	Group		Company	
	2005 $	2004 $	2005 $	2004 $
Revenue reserve	199,228,099	193,735,476	60,797,025	57,778,077
Foreign currency translation reserve	3,609,541	(3,412,488)	–	(2,000)
Share premium	37,423,410	49,288,506	37,423,410	49,288,506
Capital reserve	140,256	140,256	–	–
Statutory reserve	8,273,476	7,491,604	–	–
Revaluation reserve	2,656,300	2,656,300	2,656,300	2,656,300
	251,331,082	249,899,654	100,876,735	109,720,883

The statutory reserve is computed based on 10% of the after tax profit of subsidiary companies established in the People's Republic of China. It is made to comply with the local law and regulations.

(In Singapore dollars)

24. Cash and cash equivalents

(a) The attributable assets and liabilities of a subsidiary acquired and the cash flow effect of the acquisition is set out as follows :

	Group 2004 $
Cash and bank balances	516
Trade and other receivables	370,422
Trade and other payables	(1,250)
Provision for taxation	(1,076)
Net assets acquired	368,612
Add :	
Provision for amount due from related company	99,177
Goodwill on consolidation	114,082
Purchase consideration paid	581,871
Less :	
Cash and bank balances acquired	(516)
Net cash outflow for acquisition of a subsidiary company	581,355

(b) Cash and cash equivalents included in the consolidated statement of cash flows comprise the following :

	Group	
	2005 $	2004 $
Fixed deposits pledged	123,368	177,135
Other fixed deposits	2,943,210	7,622,790
Cash and bank balances	21,576,969	23,129,326
Short-term securities with financial institutions	35,768,248	66,816,244
	60,411,795	97,745,495

The above fixed deposits of $123,368 (2004 : $177,135) have been pledged to banks to secure letters of guarantee and trade facilities.

Fixed deposits with financial institutions mature on varying periods within 12 months (2004: 12 months) from the financial year end. Effective interest rates range from 1.68% to 4.10% (2004: 0.50% to 1.83%) per annum. Short term securities earns interest at rates ranging from 1.70% to 3.6% (2004 : 2.10% to 2.50%) during the year.

Included in cash and cash equivalents of the Group is an amount of approximately $6,665,000 (2004 : $8,465,000) denominated in US dollars.

25. Government grants

The Company was awarded the “Research Incentives Scheme for Companies” grant by A*STAR for the capabilities development in advance moulding design, process and manufacture.

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(In Singapore dollars)

26. Information by segment on Group's operations

Primary segments

	Singapore		China	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
Segments revenue :				
Sales to external customers	75,995,396	88,571,086	204,521,439	188,682,562
Earnings before interest, taxation, depreciation, amortisation and foreign exchange gain/ (loss)	5,784,800	13,237,841	17,327,535	38,267,020
Foreign exchange gain/ (loss)	803,262	(1,271,922)	1,607,284	(1,127,513)
Earnings before interest, taxation, depreciation and amortisation	6,588,062	11,965,919	18,934,819	37,139,507
Depreciation	(8,771,661)	(8,066,169)	(15,232,849)	(12,157,230)
Segment results	(2,183,599)	3,899,750	3,701,970	24,982,277
Interest income				
Interest expense				
Share of results of an associated company	–	–	1,314,084	413,521
Exceptional item				
Profit before income tax				
Income tax				
Profit after income tax				
Attributable to :				
Equity holders of the Company				
Minority interests				
Segments assets	97,623,538	116,171,224	312,871,796	230,907,809
Other assets				
Segments liabilities	16,043,287	45,355,228	107,171,634	56,922,037
Other liabilities				
Other segment information :				
Capital expenditure	6,342,873	14,564,258	50,075,364	32,636,015
Other non-cash expenditures	1,504,749	35,506	12,854,350	10,563,108
Other non-cash income	241,875	614,620	415,679	1,019,801
Income tax	471,136	(533,572)	1,954,158	554,777

Malaysia		Mexico		Total	
2005	2004	2005	2004	2005	2004
$	$	$	$	$	$
145,091,117	116,571,166	–	4,014,355	425,607,952	397,839,169
26,613,148	34,072,266	(301,898)	(1,589,145)	49,423,585	83,987,982
155,457	(837,663)	407,704	(258,977)	2,973,707	(3,496,075)
26,768,605	33,234,603	105,806	(1,848,122)	52,397,292	80,491,907
(5,988,826)	(4,020,285)	–	(368,218)	(29,993,336)	(24,611,902)
20,779,779	29,214,318	105,806	(2,216,340)	22,403,956	55,880,005
				1,405,134	739,726
				(2,197,228)	(1,123,490)
–	–	–	–	1,314,084	413,521
				–	22,927,018
				22,925,946	78,836,780
				(7,555,166)	(4,414,666)
				15,370,780	74,422,114
				12,122,409	72,650,882
				3,248,371	1,771,232
				15,370,780	74,422,114
124,554,199	93,289,906	538,007	721,243	535,587,540	441,090,182
				47,603,918	82,365,414
				583,191,458	523,455,596
32,179,113	24,573,437	1,510	7,450	155,395,544	126,858,152
				87,000,110	69,341,287
				242,395,654	196,199,439
30,248,020	33,635,014	–	–	86,666,257	80,835,287
1,353,666	23,284	15,346	1,012,182	15,728,111	11,634,080
16,610	193,353	–	143,987	674,164	1,971,761
5,128,539	4,392,110	1,333	1,351	7,555,166	4,414,666

(In Singapore dollars)

26. Information by segment on Group's operations (cont'd)

The primary segment reporting format is geographical segments that are based on location of assets. The location of the Group's customers is not significantly different from the location of the Group assets.

Secondary segments

The Group derives its revenue and employs its assets principally in activities relating to manufacture and sub-assembly of precision plastic parts and components and fabrication of precision moulds and dies.

27. Commitments and contingencies

	Group		Company	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
(a) Capital expenditure commitments				
Capital expenditures not provided for in the financial statements :-				
Commitments in respect of contracts placed/agreements signed	17,270,111	30,254,809	11,664,538	25,948,351
Authorised but not contracted for	–	6,348,141	–	–
	17,270,111	36,602,950	11,664,538	25,948,351

Included in the Company's commitments is $11,134,824 (2004 : $25,682,602) relating to the injection of capital in overseas subsidiary companies.

(b) Operating lease commitments – As lessor

The Company has 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.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows :

	Group and Company	
	2005	**2004**
	$	$
Within one year	342,085	18,000
After one year but not more than five years	423,106	36,000
	765,191	54,000

(In Singapore dollars)

27. Commitments and contingencies (Cont'd)

(c) Operating leases commitments – As lessee

The Group and Company lease certain properties and land under lease arrangements that are non-cancellable within one year. The leases, which do not have purchase or renewal options, expire at various dates till 2055 and contain provisions for rental adjustments and provisions to restrict the Group and the Company to further leasing and sub-leasing. Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows :

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Within one year	2,166,290	2,849,421	838,790	1,105,497
After one year but not more than five years	4,762,646	5,098,333	3,172,671	3,447,315
More than five years	20,029,819	27,091,236	20,029,819	26,577,450
	26,958,755	35,038,990	24,041,280	31,130,262

(d) Finance lease commitments

The Group conducts a portion of its operations using leased machinery and equipment. These leases are classified as finance leases and expire over the next six years. The average discount rate implicits in the leases is 3.3% (2004 : 3.5%) per annum. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	2005	2005	2004	2004
	$	$	$	$
Group				
Within one year	109,890	104,484	90,951	86,988
After one year but not more than five years	162,958	144,570	78,659	65,948
More than five years	4,227	4,131	9,119	8,755
Total minimum lease payments	277,075	253,185	178,729	161,691
Less amounts representing finance charges	(23,890)	–	(17,038)	–
Present value of minimum lease payments (Note 20)	253,185	253,185	161,691	161,691

(In Singapore dollars)

27. Commitments and contingencies (cont'd)

(d) Finance lease commitments (Cont'd)

	Minimum payments 2005 $	Present value of payments 2005 $	Minimum payments 2004 $	Present value of payments 2004 $
Company				
Within one year	12,504	10,716	79,218	75,862
After one year but not more than five years	34,326	32,209	46,830	42,925
Total minimum lease payments	46,830	42,925	126,048	118,787
Less amounts representing finance charges	(3,905)	–	(7,261)	–
Present value of minimum lease payments (Note 20)	42,925	42,925	118,787	118,787

(e) Contingent liabilities

Third Party Association with a Legal Claim

During the year, a subsidiary, Fu Yu Moulding & Tooling (Tianjin) Co., Ltd. ("Fu Yu Tianjin"), was brought in as a third party in a lawsuit between its customer and the customer's buyer in which the customer's buyer is claiming against the customer for poor quality of the products delivered.

Upon advice from its legal counsel, the directors are of the opinion that the chance of success of any action against Fu Yu Tianjin is not probable, and no intimation or assertion has been made to date by Fu Yu Tianjin's customer, or the customer's buyer of any possible claim arising from this association. Accordingly, there is no basis for the consideration of any provision for any contingency claim in these financial statements.

Guarantees

The Company has corporate guarantees given to banks in connection with facilities granted to subsidiary companies amounting to $32,138,450 (2004 : $33,228,175). Amount utilised by subsidiary companies amounting to $20,632,156 (2004 : $22,615,123).

The Company has an outstanding corporate guarantee given to a supplier in connection with purchases made by the overseas subsidiary companies amounting to $3,701,271 (2004 : $189,266).

(In Singapore dollars)

28. Related party disclosure

(a) *Sale and purchase of goods and services*

During the year, the transactions carried out by the Group on terms agreed between the other related parties are as follows :

	Group		Company	
	2005	**2004**	**2005**	**2004**
	$	$	$	$
Purchase of raw materials from subsidiary companies	–	–	2,310,602	1,193,230
Sale of equipment to subsidiary companies	–	–	2,179,894	2,263,909
Sale of goods to subsidiary companies	–	–	16,728,401	14,702,510
Rental income from a subsidiary company	–	–	388,224	64,704
Dividend income from subsidiary companies	–	–	10,000,000	10,000,000
Management fees from a subsidiary company	–	–	39,000	23,000

(b) *Compensation of key management personnel*

	Group	
	2005	**2004**
	$	$
Short term employee benefits	5,166,129	6,372,426
Contributions to defined contribution schemes	91,141	79,463
	5,257,270	6,451,889
Comprise amounts paid/payable to :		
- Directors of the Company	3,925,512	5,271,991
- Other key management personnel	1,331,758	1,179,898
	5,257,270	6,451,889

During the year ended 31 December 2005 and 2004, no Director or any key management personnel has received or become entitled to receive any pension and post-employment medical benefits, share-based payments or other long-term benefits.

(In Singapore dollars)

29. Dividends paid and proposed

	Group and Company	
	2005	2004
	$	$
Dividends on ordinary shares		
- Second and final paid of 1 cent after deducting Singapore income tax at 20% (2004 : 1 cent after deducting Singapore income tax at 20%)	3,796,831	3,612,830
- Interim paid of 0.5 cent after deducting Singapore income tax of 20% (2004 : 1 cent after deducting Singapore income tax at 20%)	2,373,019	3,612,831
	6,169,850	7,225,661

The Directors proposed that a second and final dividend of 1 cent less tax of 20%, amounting to $4,746,038 be paid in respect of the current financial year under review. This dividend will be recorded as a liability on the balance sheet of the Company and the Group upon approval by the shareholders of the Company at the next Annual General Meeting of the Company.

30. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, market risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below :

Foreign exchange risk

The Group manufactures and sells its products in several countries and, as a result, is exposed to movements in foreign currency exchange rates. The Group relies on natural hedging as a risk management tool. The primary objective of the Group is not to engage in trading of, or speculation in, foreign currencies. The Group exposes primarily to US dollars. The amounts of US dollars exposure are disclosed in the relevant notes to the accounts.

In addition to transaction exposure, the Group is also exposed to translation exposure arising from the consolidation of foreign currency denominated financial statements of the Group's foreign subsidiary companies.

(In Singapore dollars)

30. Financial risk management objectives and policies (Cont'd)

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

2005 **Group**	**Within 1 year**	**2 – 5 years**	**More than 5 years**	**Total**
	$	$	$	$
Fixed rate				
Obligations under finance leases	–	–	253,185	253,185
Floating rate				
Cash assets	56,162,079	–	–	56,162,079
Bank loans	72,165,248	–	–	72,165,248
Company				
Fixed rate				
Obligations under finance leases	–	42,925	–	42,925
Floating rate				
Cash assets	530,161	–	–	530,161
Bank loans	46,944,850	–	–	46,944,850
2004 **Group**				
Fixed rate				
Obligations under finance leases	–	–	161,691	161,691
Floating rate				
Cash assets	89,981,331	–	–	89,981,331
Bank loans	54,977,175	–	–	54,977,175
Company				
Fixed rate				
Obligations under finance leases	–	118,787	–	118,787
Floating rate				
Cash assets	1,268,366	–	–	1,268,366
Bank loans	32,250,000	–	–	32,250,000

(In Singapore dollars)

30. Financial risk management objectives and policies (Cont'd)

Liquidity risk

The Group maintains sufficient reserves of cash and readily available bank credit facilities to meet its liquidity requirements at all times.

Market risk

Changes in the market value of certain financial assets, liabilities and instruments can affect the net income or financial position of the Group. The Group's exposure to market risk is minimal.

Credit risk

The carrying amount of investments, cash and trade and other receivables represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. Trade receivable are subject to a policy of risk management focusing on the assessment of country risk, credit terms, ongoing credit evaluation and account monitoring procedures. Collateral is generally not required.

The Group has no significant concentration of credit risk.

Fair values

The financial assets and liabilities of the Group whose fair values are required to be disclosed in accordance with Singapore Financial Reporting Standard 32 ("FRS 32") comprise all its financial assets and liabilities with the exception of deferred tax assets, investment in subsidiary and associated companies, tax payables and deferred tax liabilities.

The carrying amounts of cash and cash equivalents, receivables, payables and loans and borrowings approximate their fair values as at year-end.

31. Derivative financial instruments

The Group and Company have the following derivatives outstanding as at year-end:

	Group and Company	
	2005	**2004**
	$	$
Currency options	**Notional**	
- Matures within the next 12 months	20,812,500	4,912,500

(In Singapore dollars)

31. Derivative financial instruments (Cont'd)

The net fair values of the currency options contracts at 31 December are as follows:

	Group and Company			
	2005		2004	
	Assets $	Liabilities $	Assets $	Liabilities $
Currency options	–	53,510	–	–

The above currency options contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates. The fair value of currency options contracts have been based on quotes provided by external bankers prevailing at the balance sheet date.

At 31 December 2004, the fair value gain arising from the currency options contract amounts to $6,893 which were not recognised in the financial statements prior to the adoption of FRS 39.

32. Events after balance sheet date

(a) On 13 January 2006, the Company announced that its wholly-owned subsidiary, Fu Yu Investment Pte Ltd sold a total of 72,492,306 ordinary shares of LCTH Corporation Berhad ("LCTH"), a subsidiary company listed on the Main Board of Bursa Malaysia Securities Berhad, at RM0.70 per share. Upon the disposal, the Group's shareholding in LCTH is diluted from 77.77% to 65.69%. The disposal resulted in a gain of RM13,597,000 (approximately $5,878,000).

(b) On 16 January 2006, the Company announced that its wholly-owned subsidiary, Fu Yu Investment Pte Ltd ("FYI"), has entered into Put and Call Option Agreements with two individuals (the "Individuals") to grant the Individuals each a Put Option that requires FYI from time to time during the Put Option Period to purchase up to a total of 77,075,000 LCTH's shares (the "Options Shares") from the Individuals at RM0.715 per share. In return, the Individuals will each grant a Call Option to FYI that requires the Individuals from time to time during the Call Option Period to sell up to a total of 77,075,000 LCTH's shares to FYI at RM0.715 per share.

The Put Option Period means from the sixth (6) months onwards until the anniversary date of the completed acquisition of the Option Shares by the Individuals. The Call Option Period means twelve (12) months period, commencing on the day upon the completion of the Individuals' acquisition of the Options Shares until the anniversary date of the completed acquisition of the Option Shares by the Individuals.

(c) On 25 January 2006, the Company further announced that its wholly-owned subsidiary, Fu Yu Investment Pte Ltd, sold 3,000,000 ordinary shares of LCTH shares at RM0.70 per share. Upon the disposal, the Group's shareholdings in LCTH is diluted from 65.69% to 65.19%. The disposal resulted in a gain of RM665,000 (approximately $288,000).

(d) On 7 February 2006, the Company announced that the sale and leaseback of its property situated at 2 Serangoon North Avenue 5, Singapore 554911 was completed on the same day. The disposal of the property resulted in a gain before tax of $19,155,000.

(In Singapore dollars)

33. Comparatives

The comparative figures for the Group's trade and other receivables and provision for income tax had been reclassified. The tax recoverable of $3,718,000 that was previously set off against provision for income tax had been reclassified to other receivables to provide a meaningful comparison with the current financial year's presentation.

34. Authorisation of financial statements

The financial statements for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Directors on 28 February 2006.

Statistics of Shareholdings

AS AT 22 FEBRUARY 2006

Issued and fully paid-up capital	:	$59,325,477.50
Class of shares	:	593,254,775 ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	**Number of Shareholders**	**%**	**Number of Shares**	**%**
1 - 999	111	1.39	44,672	0.01
1,000 - 10,000	4,639	58.01	24,124,624	4.07
10,000 - 1,000,000	3,224	40.31	117,532,536	19.81
1,000,000 and above	23	0.29	451,552,943	76.11
Total:	7,997	100.00	593,254,775	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	**%**	**Deemed Interest**		**%**
Fu Yu Holding Pte Ltd	338,710,000	57.09	–		–
Lui Choon Hay	12,562,975	2.12	339,710,000	(1)	57.26
Ching Heng Yang	1,250,000	0.21	341,747,975	(2)	57.61
Tam Wai	12,037,975	2.03	339,010,000	(3)	57.14
Ho Nee Kit	12,321,725	2.08	338,710,000	(4)	57.09

Notes:

1. Mr Lui Choon Hay is deemed to be interested in 1,000,000 shares held in the name of his spouse. By virtue that Mr Lui holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is also deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.
2. Mr Ching Heng Yang is deemed to be interested in 3,037,975 shares held in the name of Merrill Lynch (Singapore) Pte Ltd. By virtue that Mr Ching holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is also deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.
3. Mr Tam Wai is deemed to be interested in 300,000 shares held in the name of his spouse. By virtue that Mr Tam holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is also deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.
4. By virtue that Mr Ho Nee Kit holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.

Statistics of Shareholdings

AS AT 22 FEBRUARY 2006

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Fu Yu Holding Pte Ltd	338,710,000	57.09
2.	Lui Choon Hay	12,562,975	2.12
3.	Ho Nee Kit	12,321,725	2.08
4.	Tam Wai	12,037,975	2.03
5.	DBS Nominees Pte Ltd	8,884,250	1.50
6.	United Overseas Bank Nominees Pte Ltd	8,566,529	1.44
7.	Kim Eng Securities Pte Ltd	5,378,005	0.91
8.	UOB Kay Hian Pte Ltd	5,314,500	0.90
9.	Raffles Nominees Pte Ltd	5,144,500	0.87
10.	Citibank Nominees Singapore Pte Ltd	4,684,500	0.79
11.	Merrill Lynch (Singapore) Pte Ltd	4,658,975	0.79
12.	OCBC Securities Private Ltd	4,620,000	0.78
13.	Morgan Stanley Asia (Singapore) Pte Ltd	4,109,249	0.69
14.	Phillip Securities Pte Ltd	3,728,500	0.63
15.	Citibank Consumer Nominees Pte Ltd	3,595,500	0.61
16.	OCBC Nominees Singapore Pte Ltd	3,186,010	0.54
17.	DBS Vickers Secs (S) Pte Ltd	3,037,750	0.51
18.	Overseas Union Bank Nominees Pte Ltd	2,942,500	0.50
19.	Summerlight Pte Ltd	2,000,000	0.34
20.	HSBC (Singapore) Nominees Pte Ltd	1,869,000	0.32
Total:		**447,352,443**	**75.44**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

35.46% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

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 Function Room, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Friday, 31 March 2006 at 12.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2005 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Second and Final dividend of S$0.01 per ordinary share less income tax for the year ended 31 December 2005. [2004: Second and Final – S$0.01 less tax] **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Articles 91 and 97 of the Company's Articles of Association:-

   a) Mr Lui Choon Hay [Retiring under Article 91] **(Resolution 3)**
   b) Mr Tam Wai [Retiring under Article 91] **(Resolution 4)**
   c) Mr Jen Shek Voon [Retiring under Article 97] **(Resolution 5)**

   Mr Jen Shek Voon will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Nominating and Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Lui Choon Hay will, upon re-election as a Director of the Company, remain a member of the Nominating Committee and will be considered non-independent.

4. To approve the payment of Directors' fees of S$177,000/- for the year ended 31 December 2005. [2004: S$180,000/-] **(Resolution 6)**

5. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. 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 Resolution, with or without any modifications:

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting 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 (i)] **(Resolution 8)**

By Order of the Board

Low Geok Eng Susie
Company Secretary
Singapore, 16 March 2006

Explanatory Note:

(i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for any subsequent consolidation or subdivision of shares.

Notes:

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

2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No.2 Serangoon North Avenue 5 Singapore 554911 not less than 48 hours before the time appointed for holding the Meeting.

Fu Yu Corporation Limited
(Incorporated In The Republic of Singapore with limited liability)
(Co Reg No. 198004601C)

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

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 him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf and if necessary to demand a poll at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 31 March 2006 at 12.00 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 Accounts for the year ended 31 December 2005		
2	Payment of proposed second & final dividend		
3	Re-election of Mr Lui Choon Hay as a Director		
4	Re-election of Mr Tam Wai as a Director		
5	Re-election of Mr Jen Shek Voon as a Director		
6	Approval of Directors' fees amounting to S$177,000/-		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Authority to allot and issue new shares		

Date this ____________ day of _______________ 2006

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

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, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No.2 Serangoon North Avenue 5 Singapore 554911 not less than 48 hours before the time appointed for the Meeting.

5. 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.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

FU YU CORPORATION LIMITED
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