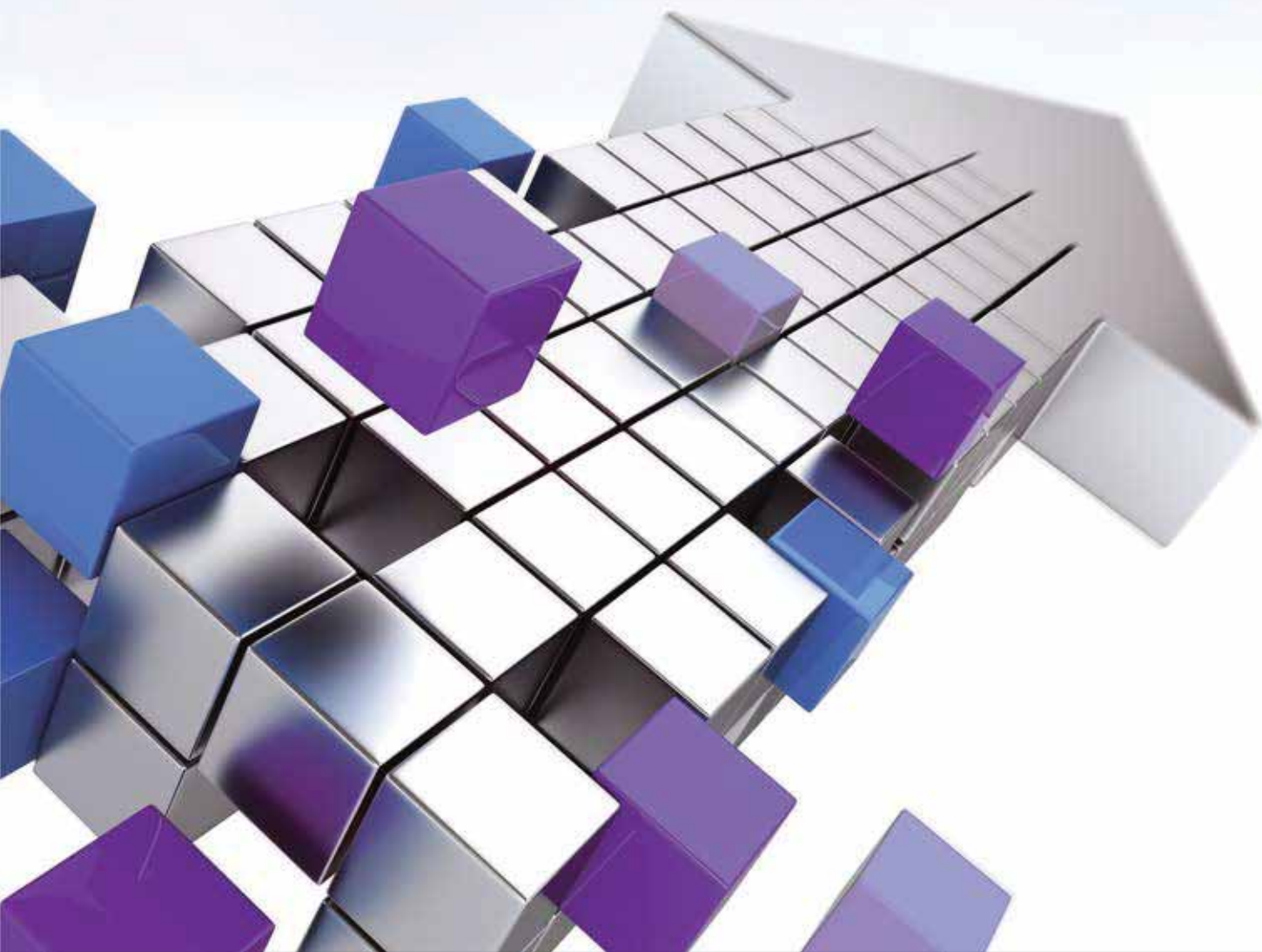


MOVING FORWARD



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

EXECUTIVE DIRECTORS

Ching Heng Yang
Tam Wai
Ho Nee Kit
Hew Lien Lee

NON-EXECUTIVE DIRECTORS

Dr John Chen Seow Phun
Tan Yew Beng
Foo Say Tun

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Teo Meng Keong
Chan Lai Yin

REGISTERED OFFICE

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Fax: (65) 6578 7347
Website: www.fuyucorp.com

SHARE REGISTRAR

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

EXTERNAL AUDITORS

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

Audit Partner: Kum Chew Foong
Since financial year 2015

BANKERS

DBS Bank Ltd
Malayan Banking Berhad



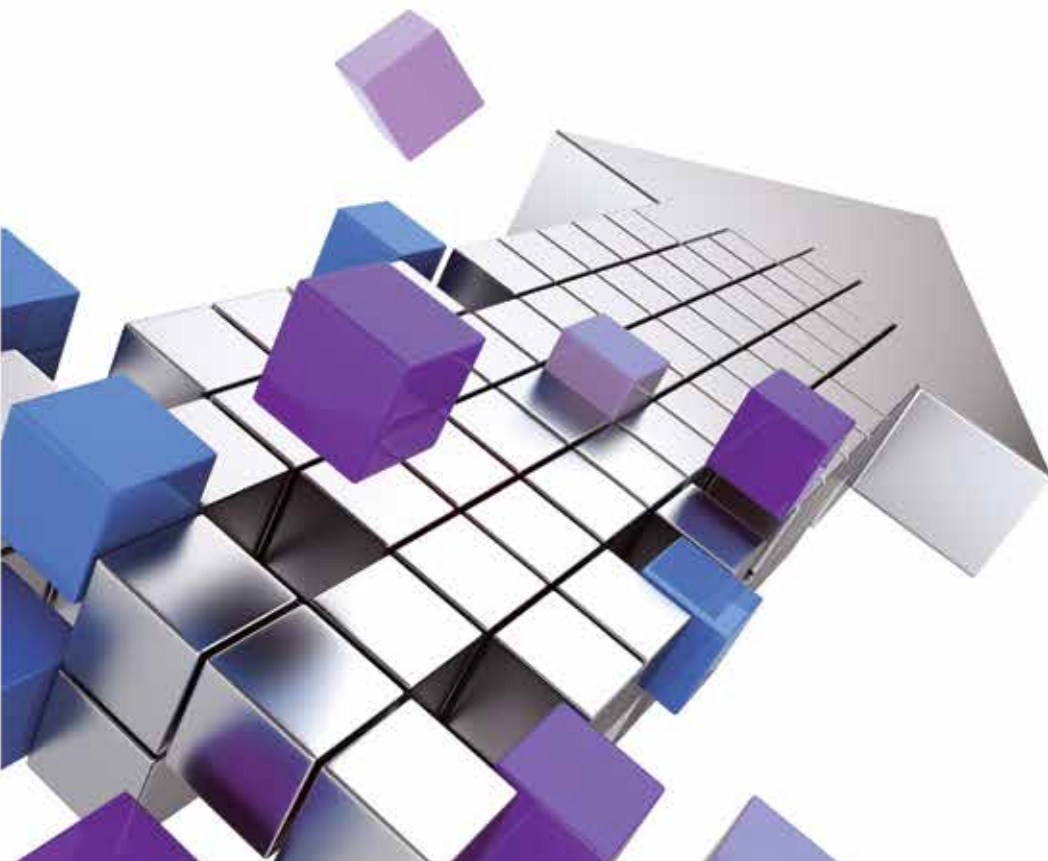
CORPORATE PROFILE

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

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

MISSION STATEMENT

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



CHAIRMAN'S MESSAGE

FY2015 PROVED TO BE A CHALLENGING BUT FULFILLING YEAR FOR FU YU.

DEAR SHAREHOLDERS,

FY2015 proved to be a challenging but fulfilling year for Fu Yu. Just like many others in the industry, the Group was affected by continuing downward price pressure and rising operation costs. Nevertheless, amidst these obstacles, the Group built on the momentum generated in 2014, and managed to perform well, with a 48.4% increase in net profit to S\$16.7 million, in spite of a 12.6% dip in revenue to S\$222.5 million.

The positive performance was the result of strategic moves initiated by the Group since 2013. Through firm cost management, a strong focus to drive productivity, and ongoing efforts to right-size and consolidate the operations at our various plants, our gross profit was pushed up by 14.2% to S\$35.5 million. Gross profit margin improved 3.7 percentage points to 15.9%.

OPERATIONAL HIGHLIGHTS

These results clearly validated the strategic measures that the Group undertook. In 2015, we continued to improve efficiency and lower product rejection levels, thus minimising machinery down-time and materials wastage. As always, this was achieved by carefully getting to the root of the rejection issues and addressing them.

Overall productivity and efficiency of our plants was improved, by uncovering their potential profitability, with an emphasis on lean manufacturing. The Group's investments in new and more advanced machinery to either semi-automate or fully-automate various processes also paid off. Headcount has also been managed tightly by simplifying the production processes. This left us



DR JOHN CHEN SEOW PHUN

with a lean roster of staff, but kept at an optimal level to support our operations.

The Group continues to maintain tight control over inventory by actively monitoring inventory levels to ensure they are kept in line with customers' orders. The implementation of just-in-time inventory management and tighter production planning control further reduced inventory holding.

Operations in Malaysia remain focused on our core businesses after the assets disposal by our major subsidiary in Malaysia, Classic Advantage Sdn Bhd ("Classic Advantage"), in 2013. Despite the fact that the Malaysia segment saw a decrease in revenue as a result of the right-sizing exercise, both of the Malaysia subsidiaries achieved higher profits and better profitability in FY2015.

In China, the Group's performance for FY2015 was not as positive as expected. This was largely due to decrease in sales in two of the China subsidiaries. We will continue to look at ways to increase revenue, raise efficiency and tighten costs in all our China plants in order to yield a better result.

Fu Yu Corporation Ltd, our headquarters in Singapore, recorded significantly higher revenues, boosted by sales of green and medical products – strong drivers that we will continue to build on. Like our operations in Malaysia and China, we will strive to source for projects that deliver higher profit margins, and continue to improve the productivity and efficiency of our Singapore plants.

OUTLOOK

Looking ahead, we expect industry competition to intensify amidst growing uncertainty in the world's economy. The challenge is for us to continuously cement our foundation to support sustainable growth.

With our successful efforts to consolidate and streamline operations, we are now in a stronger position to build on our core business – manufacturing and sub-assembly of precision plastic parts and components, as well as fabrication of precision moulds and dies. We will focus on new products that will provide the sustainable growth for the next 5 to 10 years. This includes automobile, medical, and green products such as air, water and solar products.

It is important that we continue to stay close to our customers, keep our eyes open, ears to the ground and step up our sales and marketing efforts to attract more orders. Our improved profitability in 2015 shows the Group is moving in the right direction and we will continue to upgrade our machinery for higher productivity and invest in talented and skilled staff to further improve the Group's performance.

FY2015 DIVIDENDS

I am glad to report that the Group has declared and paid dividends in 2015, comprising 0.25 cent per share paid on 16 September 2015 and another 0.25 cent per share paid on 8 December 2015. The Group has also proposed a final dividend for FY2015 of 1.0 cent per share, subject to shareholders' approval at the AGM.

WORDS OF APPRECIATION

To our board of directors, management team, staff and business associates, thank you for your continued support. I look forward to forging stronger camaraderie with all of you as we propel the Group forward together. To our shareholders, thank you for placing your trust in Fu Yu.

DR JOHN CHEN SEOW PHUN
Chairman

OPERATIONS REVIEW

REVENUE

For the year ended 31 December 2015 (FY2015), the Group recorded a 12.6% decline in revenue from S\$254.4 million to S\$222.5 million. While a majority of the decrease in revenue came from the China segment, the Malaysia segment also recorded a drop in revenue for the year 2015 as a result of decrease in orders and depreciation of the Malaysia Ringgit against the Singapore Dollar. The decrease in revenue in China and Malaysia segments was partially offset by the increase in revenue in Singapore segment.

GROSS PROFIT AND GROSS MARGIN

Cost of sales decreased by S\$36.4 million or 16.3% from S\$223.4 million in FY2014 to S\$187.0 million in FY2015. Other than decrease in revenue, right-sizing exercises that were carried out in some of the Group's operations drove the cost of production down. In addition, fixed costs such as depreciation decreased as certain property, plant and equipment were fully depreciated during the year.

Gross profit for FY2015 increased by S\$4.4 million or 14.2% from S\$31.1 million in FY2014 to S\$35.5 million in FY2015. Gross profit margin was 15.9% for FY2015 as compared to 12.2% in the last corresponding year.

The Group's gross profit margin improvement in FY2015, despite the decrease in revenue, was partly attributed to better cost management and better utilisation of facilities by right-sizing some of its operations and carrying out lean manufacturing activities. Also contributing to the improved margin was the appreciation of US Dollar against Singapore Dollar, Malaysia Ringgit and Chinese Renminbi, which are the local currencies where the Group operates in. In addition, fixed costs such as depreciation has decreased, as certain property, plant and equipment were fully depreciated in FY2015.

OTHER INCOME

The Group's other income decreased by S\$1.0 million from S\$10.6 million in the last corresponding year to S\$9.6 million in FY2015. The decrease was mainly due to decrease in government grants by S\$1.6 million. This was mainly due to decrease in government grants received by a China subsidiary as most of the amounts granted has been received in the previous years. The

decrease in government grants was partially offset by a one-time gain on liquidation of a subsidiary in China of S\$0.4 million recorded during the year.

For the year ended 31 December 2015, other operating income increased by S\$0.9 million from S\$1.5 million in the last corresponding year to S\$2.4 million in current year under review. The increase was mainly attributed to no impairment loss on property, plant and equipment was recorded in current year under review, compared to a net impairment of property, plant and equipment of S\$0.5 million in FY2014. In addition, the increase was partly contributed by the increase in foreign exchange gain by S\$0.2 million from S\$2.5 million in last corresponding year to S\$2.7 million in current year under review.

The Group's foreign exchange gain in the current year under review was resulted from the translation of receivables, cash, payables and borrowings denominated in foreign currencies to the functional currencies of the respective companies in the Group. The strengthening of the US Dollar against the Singapore Dollar, Malaysia Ringgit and Chinese Renminbi had contributed to the foreign exchange gain as the Group is at net US Dollar assets position.

FINANCE COSTS

Finance costs decreased in the current year under review as compared to last year. This was due to full repayment of bank borrowings in Q1 2015.

PROFITABILITY

The Group's share of profit of joint venture in FY2015 amounted to S\$0.4 million as compared to share of loss of S\$0.4 million in the last corresponding year. The improvement in profitability of the joint venture company was due to increase in its business activities and increase in foreign exchange gain recorded during the year.

Profit before income tax for the Group was recorded at S\$18.4 million for FY2015 as compared to S\$13.4 million for FY2014, an increase of S\$5.0 million or 37.4%. The increase in profit before income tax was mainly attributed to (i) improvement in gross profit by S\$4.4 million, (ii) nil impairment on property, plant and equipment in current year as compared to net impairment on property, plant and equipment of S\$0.5 million and (iii) increase in foreign exchange gain by S\$0.2 million in the current year.

Income tax expense was S\$1.8 million and effective tax rate was 9.5% in the current year under review. The low

effective tax rate for the current year under review was mainly due to the recognition and utilisation of deferred tax assets not recognised in prior years. The impact of the recognition and utilisation of deferred tax assets was offset by the income tax expenses from the profit-making China subsidiaries, reclassification of withholding taxes from selling and administrative expenses to income tax expense of S\$0.5 million and recognition of deferred tax liabilities by the holding company.

CASH POSITION

The Group's cash and cash equivalents (excluding cash deposits pledged) stood at S\$99.9 million as at 31 December 2015, which is an increase of S\$23.3 million (including effects of exchange rate fluctuations on cash held) from cash and cash equivalents as at 31 December 2014.

The increase in cash and cash equivalents was mainly attributed to net cash generated from operating activities of S\$34.2 million, offset by payments for purchase of property, plant and equipment of S\$6.3 million, cash distribution to shareholders through capital reduction of S\$3.8 million, dividends payment to shareholders of the Company of S\$3.8 million, and net repayment of short term borrowings and financial lease liabilities of S\$1.4 million.

GEOGRAPHICAL SEGMENT REVIEW

SINGAPORE

Revenue from the Group's Singapore operations increased by S\$2.2 million or 5.0% from S\$42.8 million in FY2014 to S\$45.0 million in FY2015. The increase was mainly due to an increase in demand for the moulding business, medical and green products in this segment. Singapore contributed 20.2% to the Group's FY2015 revenue.

Excluding the dividend income of S\$7.3 million from profitable Malaysia and China subsidiaries and interest income of S\$0.2 million from China subsidiaries, FY2015 segment profit for Singapore segment would be S\$9.0 million.

Profit recorded by this segment increased by S\$6.4 million from S\$2.6 million in the last corresponding year to S\$9.0 million in the current year under review. This was attributed to increase in sale of better margin products, improvement in operational efficiency, better cost management and a decrease in depreciation charges as certain property, plant and equipment

were fully depreciated in the year under review. There was no impairment loss made for property, plant and equipment in FY2015 as compared to S\$0.7 million impairment loss recorded in the last corresponding year. Appreciation of the US Dollar against Singapore Dollar had also contributed to the better profitability of the Singapore segment.

CHINA

The Group's China segment recorded a significant revenue decrease of S\$28.0 million or 17.0% from S\$164.7 million in FY2014 to S\$136.7 million in FY2015 due to decrease in sales order. China segment contributed 61.4% to the Group's FY2015 revenue.

Segment profit decreased by S\$2.5 million from S\$6.3 million in the last corresponding year to S\$3.8 million in the current year under review. The decrease in China segment profit was due mainly to decrease in its revenue, as certain China subsidiaries are yet to operate at their optimal efficiency. The decrease in profit was moderated by the decrease in depreciation as certain property, plant and equipment were fully depreciated in current year under review.

MALAYSIA

The Malaysian operations saw a revenue decrease of S\$6.1 million or 13.0% from S\$46.9 million in FY2014 to S\$40.8 million in FY2015 due mainly to a reduction in orders as well as the depreciative impact of Malaysia Ringgit against Singapore Dollar. Malaysia contributed 18.4% to the Group's FY2015 revenue.

Segment profit increased by S\$2.9 million or 55.2% from S\$5.2 million in FY2014 to S\$8.1 million in FY2015. The improvement in profitability of the Malaysia segment, despite a decrease in revenue, was attributed to an improvement in production efficiency, better costs management by right-sizing its operations, and a reduction of low margin projects. The appreciation of US Dollar against Malaysia Ringgit further contributed to the profit increase, with foreign exchange gains increase by S\$1.0 million.

AWARDS AND CERTIFICATIONS

AWARDS RECEIVED BY FU YU GROUP IN YEAR 2015

Company	Awards
Fu Yu Corporation Limited	May Day Model Partnership Awards 2015 Singapore International 100 Company 2015 Singapore 1000 Company 2015
Fu Hao Manufacturing (M) Sdn Bhd	Preferred Supplier Award 2015 from Bosch Germany

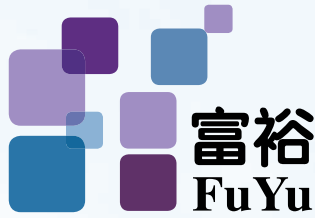
CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2015

Company	ISO 9001:2008	ISO 13485:2012	ISO 14001:2004	TS 16949:2009
Fu Yu Corporation Limited	^		^	
Classic Advantage Sdn Bhd	^		^	^
Fu Hao Manufacturing (M) Sdn Bhd	^		^	^
SolidMicron Technologies Pte Ltd	^			^
NanoTechnology Manufacturing Pte Ltd	^	^	^	
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	^		^	^
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	^		^	^
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	^	^	^	^
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	^		^	^
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd.	^		^	^

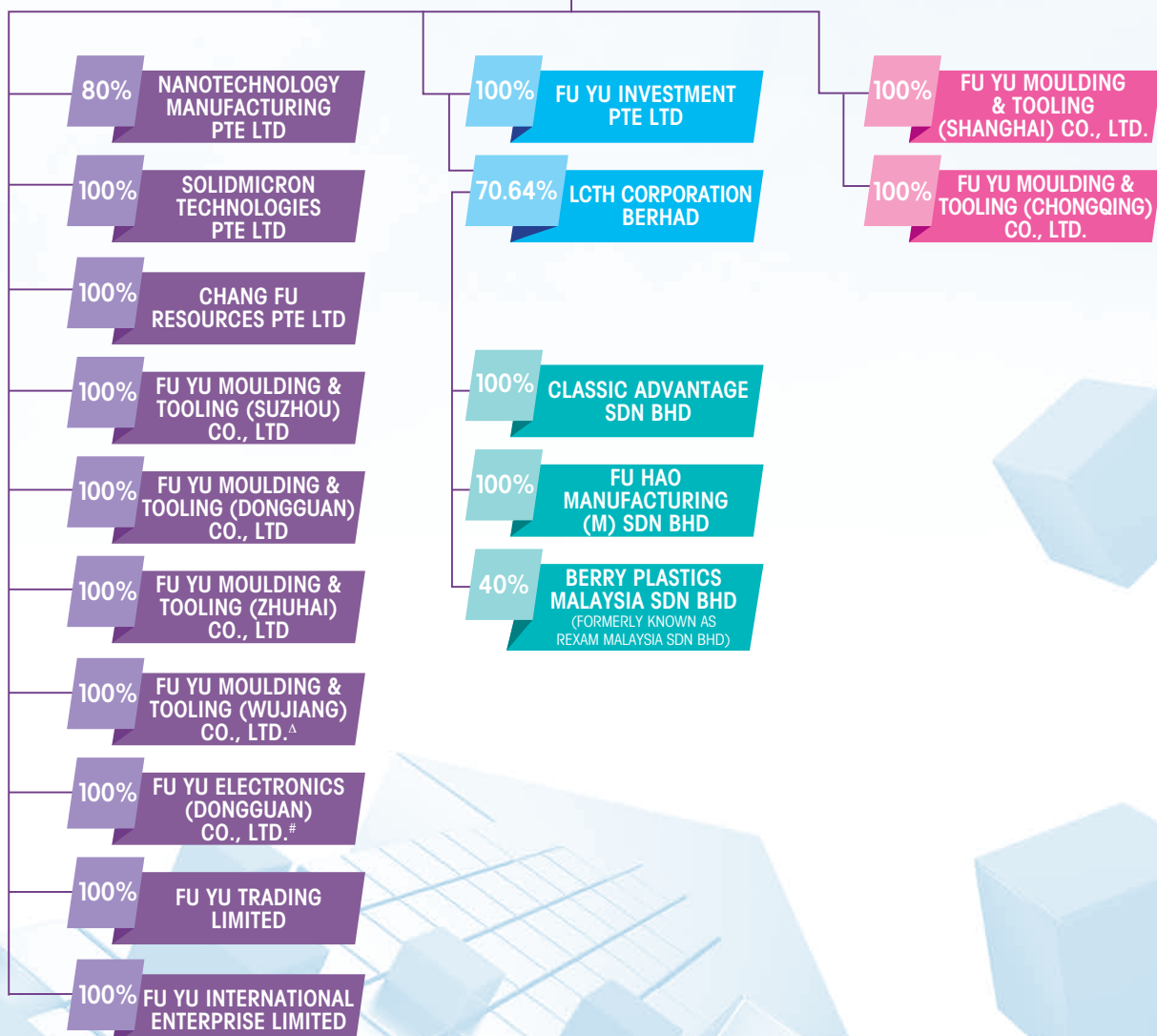
2016 Corporate Certification Plan

Company	Plan
Fu Hao Manufacturing (M) Sdn Bhd	ISO 13485:2012

GROUP STRUCTURE



FU YU CORPORATION LIMITED



^ Ceased production
Dormant

BOARD OF DIRECTORS



1 DR JOHN CHEN SEOW PHUN *Non-Executive Chairman, Independent Director*

Dr John Chen Seow Phun, 62, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007 and was last re-elected on 30 April 2013. He will stand for re-election as a Director in the forthcoming Annual General Meeting.

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

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

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

At 31 December 2015, Dr Chen holds 0.13% direct interest in the Company.

2 CHING HENG YANG *Vice Chairman, Executive Director*

Mr Ching, 65, one of the co-founders of Fu Yu, is the Vice Chairman and Executive Director of the Group. Mr Ching was appointed as the Executive Director on 10 December 1980 and was last re-elected on 30 April 2015. Mr Ching oversees the plastic injection moulding, finishing and sub-assembly operations of the Group. He is also responsible for the investment in factory buildings and machinery of the Group. Mr Ching has over 41 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2015, Mr Ching holds 11.81% direct interest in the Company.

3 HO NEE KIT *Executive Director*

Mr Ho, 62, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 29 April 2014. He will stand for re-election as a Director in the forthcoming Annual General Meeting.

Mr Ho jointly oversees the mould fabrication, plastic injection moulding, finishing and sub-assembly operations of the Group. Prior to joining Fu Yu, Mr Ho worked for a plastic injection company as a tool maker. Realising the potential of the precision mould making industry in the 1970s, together with the other 3 partners who also shared the same vision of the industry, they founded Fu Yu in 1978.

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

At 31 December 2015, Mr Ho holds 12.88% direct interest in the Company.

4 TAM WAI *Executive Director*

Mr Tam, 65, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 30 April 2013. He will stand for re-election as a Director in the forthcoming Annual General Meeting.

Mr Tam oversees the mould design and fabrication operations of the Group. Prior to joining Fu Yu, he involved in mould design and fabrication for 10 years in Hong Kong specializing in high precision moulds for the electronics and electrical industries. Mr Tam has over 46 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2015, Mr Tam holds 12.84% direct and 0.04% deemed interests in the Company.

BOARD OF DIRECTORS

5 HEW LIEN LEE

Executive Director, Chief Executive Officer and Chief Operating Officer

Mr Hew, 59, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. Mr Hew was appointed acting Chief Executive Officer on 21 May 2014 and was promoted to Chief Executive Officer of the Group on 26 February 2016. He was last re-elected on 30 April 2015. Mr Hew is also the Managing Director of LCTH Corporation Berhad ("LCTH"), the Malaysia subsidiary of Fu Yu Group, listed on the Main Market of Bursa Malaysia Securities Berhad, Malaysia on 8 November 2004.

Mr Hew joined Fu Yu in 1984 and holds a Diploma in Electrical Engineering. With 36 years of experience in the plastic injection moulding industry, he has played an instrumental role in the successful listing of LCTH. He is responsible for the overall strategic direction and management of the Group.

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

As at 31 December 2015, Mr Hew holds 1.08% direct interest in the Company.

6 TAN YEW BENG

Non-Executive Director, Independent Director

Mr Tan, 59, is a Non-Executive and Independent Director of Fu Yu. He was appointed as Director on 22 May 1995 and was last re-elected on 30 April 2015. Mr Tan is the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees. He is also a director of several Singapore and Malaysia companies.

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

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

At 31 December 2015, Mr Tan holds 0.34% direct interest in the Company.

7 FOO SAY TUN

Non-Executive Director, Independent Director

Mr Foo, 50, is a Non-Executive and Independent Director of Fu Yu. He was appointed as Director on 27 November 2007 and was last re-elected on 29 April 2014. He is presently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr Foo is qualified to practise law in Singapore and Malaysia, and he used to practise civil and commercial litigation.

As at 31 December 2015, Mr Foo does not hold any direct or indirect interest in the Company.

KEY EXECUTIVES

YEO SEE JOO

Group Business Development Director

Mr. Yeo, 52, joined Fu Yu Corporation Ltd as Group Business Development Director. He is responsible for formulating the Group's business development strategy, developing new business/market opportunities, growing existing business and proposing direction for product development. He has over 30 years of business development experience in the plastics industry holding middle to senior management positions. He joined Philips Machine Factory in 1983 as a mold maker and later joined Trittech Manufacturing Pte Ltd as mold designer and project engineer in 1986, and in 1994 joined Thomson Multi Media as a Tooling Engineer. In 1995 he joined TTL Holding Ltd (also known as Scintronix Corporation Ltd) and in-charge of the Sales and Marketing and Programs Management in the company till 2005. He later joined Watson Plastics Manufacturing Pte Ltd as the Corporate Business Development Director. He holds an Advance Diploma in Business Management from University of Bradford.

TAN LAY KHENG

Group Human Resource Director

Madam Tan, 62, was the Group Human Resource Manager before she is promoted to Group Human Resource Director in October 2008. She oversees the management and development of the human resources across the Group. She is also responsible for the administrative function of the Group. Madam Tan has 40 years of experience in Industrial Relations Management. She holds a Bachelor of Art Degree from Nanyang University of Singapore.

CHEAH NGOOK WAH

Senior Group Financial Controller

Ms Cheah, 42, is the Senior Group Financial Controller of Fu Yu Group. She joined Fu Yu in August 2002 and was promoted to Group Financial Controller in June 2006. In July 2015, Ms Cheah was promoted to Senior Group Financial Controller. She is responsible for the Group's accounting and finance functions. Prior to joining Fu Yu, she was an auditor with two of the international accounting firms for five years. Ms Cheah is a member of Certified Public Accountant Australia and graduated from the University of Western Australia. She holds a Bachelor of Commerce Degree.



OUR NETWORK



SINGAPORE

FU YU CORPORATION LIMITED (HEADQUARTERS)

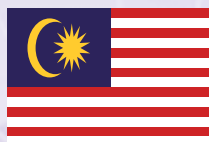
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Fax: (65) 6755 7326
www.nanotechnology.com.sg

SOLIDMICRON TECHNOLOGIES PTE LTD

7 Tuas Drive 1, Singapore 638674
Tel: (65) 6933 8700
Fax: (65) 6933 8720
www.solidmicrontech.com



MALAYSIA

LGTH CORPORATION BERHAD

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Taman Teknologi Johor
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Fax: (607) 599 9982
www.lgthcorp.com

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Perai Industri Estate, 13600 Perai
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Fax: (604) 398 3221

CLASSIC ADVANTAGE SDN BHD

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81400 Senai
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CHINA

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Fax: (86756) 7761 851

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888 Xin Ling Road
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Shanghai, China 200131
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Fax: (8621) 5046 0229

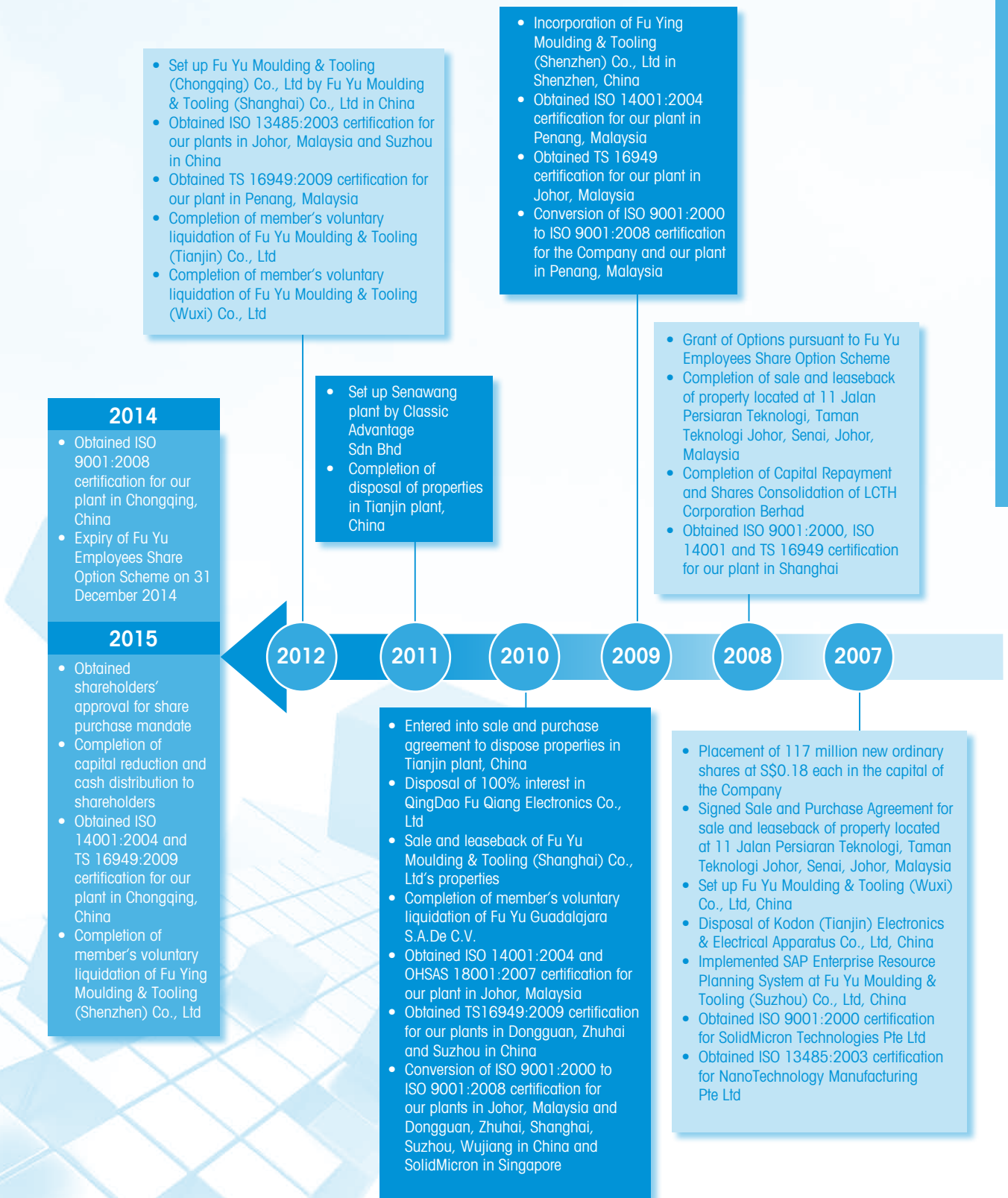
FU YU MOULDING & TOOLING (SUZHOU) CO., LTD

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

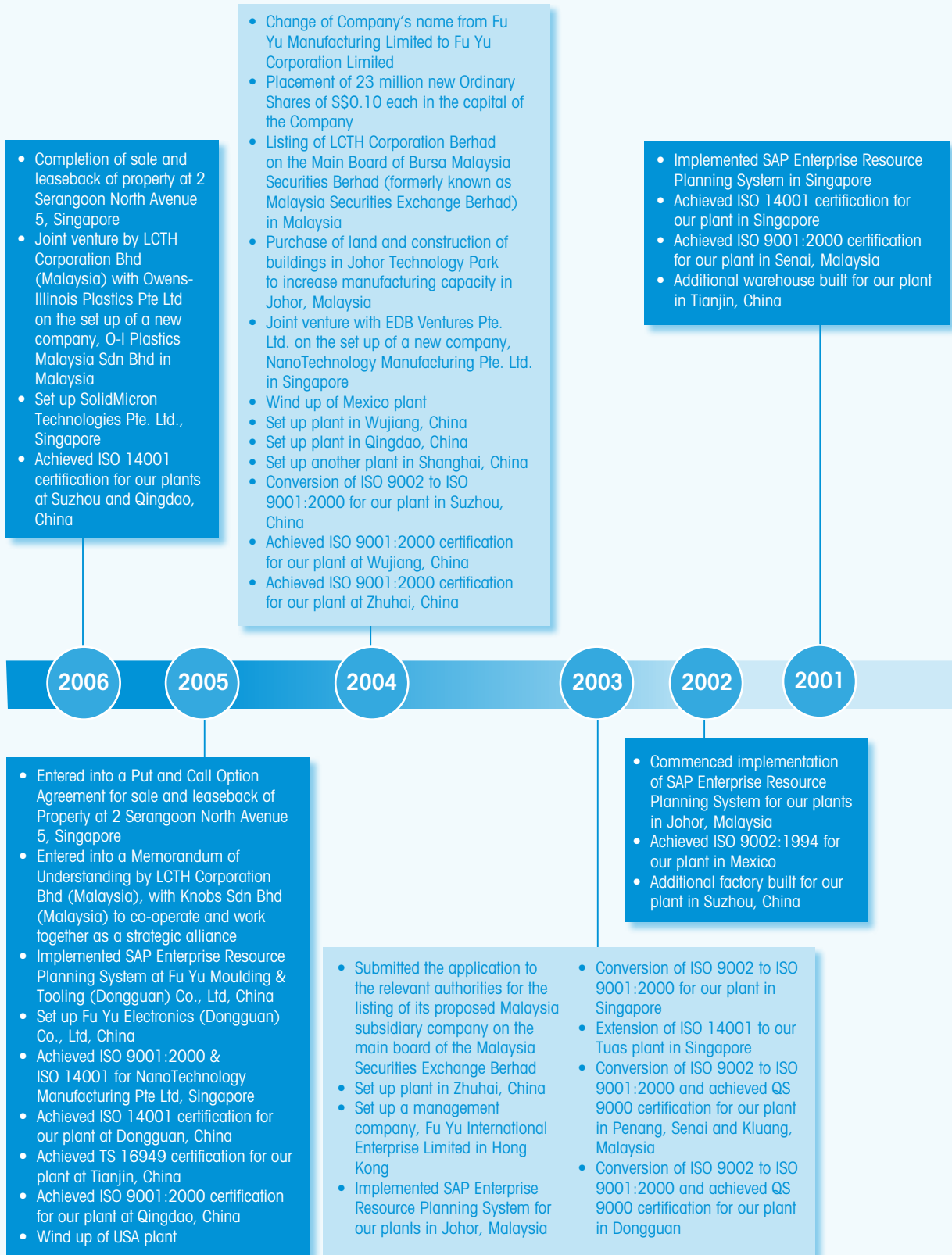
FU YU MOULDING & TOOLING (CHONGQING) CO., LTD

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Town Banan District,
Chongqing China 401346
Tel: (8623) 6121 9988
Fax: (8623) 6121 9988-690

CORPORATE MILESTONE



CORPORATE MILESTONE



CORPORATE GOVERNANCE REPORT

Introduction

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

This report describes Fu Yu's main corporate governance practices and activities with reference to the Singapore Code of Corporate Governance 2012 (the "Code") and any deviations from the Code are explained. Unless otherwise stated, the corporate governance processes were in place during the financial year under review.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

- (a) allotment and issue of new shares and additional listing application;
- (b) banking matters such as opening of bank accounts and acceptance of bank facilities;
- (c) material acquisition and disposal of subsidiaries and other assets;
- (d) announcements for public release, quarterly and full year results announcement;
- (e) any major agreements to be entered into whether in the ordinary or outside of ordinary business of the Group;
- (f) dividend recommendations and payment; and
- (g) appointments and resignations of directors.

Newly appointed Directors would be briefed by Management on the business operations of the Group and where necessary plant visits would be organised as deemed necessary. Routine updates on developments and changes in operating environment, including revisions to accounting standards, laws and regulations affecting the Company and/or the Group are regularly brought to the attention of the Board.

Principle 2: Board Composition and Guidance

The Board comprises seven (7) Directors of whom four (4) are executive and three (3) are independent and non-executive. The Board has examined its size, taking into account the scope and nature of the operations of the Group, and is satisfied that the present size is appropriate in facilitating effective decision-making. Board members comprise of professionals with financial, accounting, legal and industry backgrounds who are able to contribute their area of expertise in leading the Group. While the Board does not comprise any female director at the moment, its current

CORPORATE GOVERNANCE REPORT

composition with appropriate mix of expertise and experience enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board. No individual or group of individuals dominates the Board's decision making.

Mr Tan Yew Beng ("Mr Tan") has been an independent and non-executive director of the Company for more than nine (9) years. The NC has assessed Mr Tan's independence and has recommended to the Board of Directors that Mr Tan remains independent. In arriving at that conclusion, the NC took into account that Mr Tan has never, and is not, involved in the day to day management of the Company. There is nothing to suggest that Mr Tan has any relationship with the Management which would impair his fair judgment. The NC also noted that Mr Tan has always exercised his judgment in the interest of the Company and the minority shareholders, and has expressed his views independently at all times. The Board of Directors also benefits from Mr Tan's business experience and acumen which he brings to Board meetings.

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

Principle 3: Chairman and Chief Executive Officer

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

Dr John Chen Seow Phun is the Non-Executive Chairman of the Company and Mr Hew Lien Lee is the CEO of the Company.

The Non-Executive Chairman schedules board meetings when necessary and set the board meeting agenda in consultation with the CEO and Senior Group Financial Controller. He ensures that the Board members are provided with complete, adequate and timely information. The Non-Executive Chairman also assists in ensuring compliance with the Group's guidelines on corporate governance.

Principle 4: Board Membership

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

The NC has written Terms of Reference that describe the operating procedures and responsibilities of its members.

The duties of the NC are as follows:

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

CORPORATE GOVERNANCE REPORT

3. Conducts a review to determine the independence of each Director;
4. Decides whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Group, particularly when he has multiple board representations;
5. Decides how the Board's performance may be evaluated and proposes objective performance criteria;
6. Conducts a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board; and
7. Recommend to the Board the maximum number of listed company representations which any Director may hold.

In its annual review, the NC having considered the guidelines set out in the Code, has confirmed independence status of the Independent Directors. Despite some of the Directors having other board representations, the NC is satisfied that these Directors are able to devote sufficient time and attention to attend to the affairs of the Company and adequately carry out their duties as Directors of the Company.

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

In accordance with the Company's Constitution, all Directors submit themselves for re-election once every three (3) years. In addition, a Director appointed by the Board to fill a casual vacancy, or appointed as an additional Director, may only hold office until the next Annual General Meeting ("AGM"), at which time he will be eligible for re-election by shareholders.

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independence. The NC has recommended the re-election of Dr John Chen Seow Phun, Mr Ho Nee Kit and Mr Tam Wai as Directors of the Company at the forthcoming AGM. In making its recommendation, the NC evaluates such Directors' contribution and performance, such as their attendance at the meetings of the Board and Board Committees, where applicable, participation, candour and any special contribution. Save for Mr Ho Nee Kit and Mr Tam Wai who are also substantial shareholders holding 12.88% and 12.84% of the Company's share capital respectively, there are no relationships including immediate family relationships between these Directors submitted for re-election and the other Directors (except for Mr Ching Heng Yang, Mr Ho Nee Kit and Mr Tam Wai where they are concert parties), the Company or its 10% shareholders. The Board accepted the NC's recommendation and accordingly, the three (3) Directors will stand for re-election at the forthcoming AGM.

The NC takes the lead in identifying, evaluating and selecting candidate for new directorship. In its search and selection process, the NC considers factors such as commitment and ability of prospective candidate to contribute to discussion, deliberations and activities of the Board and Board Committees.

CORPORATE GOVERNANCE REPORT

Table for Appointment and Re-election

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Dr John Chen Seow Phun	27/11/2007	30/04/2013	Non-executive Chairman	1. Chairman of Audit Committee 2. Member of Nominating and Remuneration Committees	Present:- 1. Pavillon Holdings Ltd 2. OKP Holdings Limited 3. Hiap Seng Engineering Ltd 4. Harwell Holdings Ltd 5. Matex International Limited 6. Tat Seng Packaging Group Ltd 7. HLH Group Limited Preceding three years:- NIL	Director in: 1. JCL Business Development Pte Ltd 2. SAC Capital Private Limited 3. National University Health System Pte Ltd 4. DATAESP Pte Ltd 5. Pattern Discovery Technologies Pte Ltd 6. JLM Foundation Ltd
Mr Ching Heng Yang	10/12/1980	30/04/2015	Executive Director	–	–	–
Mr Tam Wai	10/12/1980	30/04/2013	Executive Director	–	–	–
Mr Ho Nee Kit	10/12/1980	29/04/2014	Executive Director	–	–	President of: 1. Singapore Loh Kang Ho Clan Association 2. Cha Yong Ho Clan Association Singapore
Mr Hew Lien Lee	22/03/2007	30/04/2015	Chief Executive Officer and Executive Director	–	1. LCTH Corporation Berhad	–

CORPORATE GOVERNANCE REPORT

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Mr Tan Yew Beng	22/05/1995	30/04/2015	Independent Non-Executive Director	1. Chairman of Remuneration Committee 2. Member of Audit and Nominating Committees	–	Director in: 1. Accord Corporation Pte Ltd 2. Locker & Lock Pte Ltd 3. SA-Koyo Pte Ltd 4. Accord Corporation Sdn Bhd 5. Locker & Lock Sdn Bhd
Mr Foo Say Tun	27/11/2007	29/04/2014	Independent Non-Executive Director	1. Chairman of Nominating Committee 2. Member of Audit and Remuneration Committees	Present: 1. Jubilee Industries Holdings Limited 2. Qingmei Group Holdings Limited 3. Sino Techfibre Limited 4. Moneymax Financial Services Limited Preceding three years:- NIL	Director in: 1. Aquagreen Technology Pte Ltd 2. Aquapro Solutions Pte Ltd 3. DynaGen Power Systems Pte Ltd 4. Ioni Water Pte Ltd

Principle 5: Board Performance

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

The NC, in assessing the contribution of each Director, had considered his attendance and participation at Board and Board Committees meetings, his qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including management's access to the Directors for guidance or exchange of views as and when necessary. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered. Such criteria include profitability and net assets per share and the achievement of strategic objectives.

CORPORATE GOVERNANCE REPORT

The NC views that the Board's performance would be better reflected and evidenced through proper guidance to the Management and able leadership of the Board and the support that it lends to Management in steering the Group in the appropriate direction.

Principle 6: Access to Information

Principle 10: Accountability

The Board receives monthly Group's financial reports and quarterly management report of the Group's activities and results. Management provides complete, adequate and timely information to the Board members prior to Board meetings. The annual budgets are submitted to the Board for review and approval and actual performance is compared against budgets periodically to monitor the Group's performance.

The Directors have separate and independent access to the Executive Directors, the Management and the Company Secretary at all times, and vice versa. The Company Secretary or its nominee attends to the corporate secretarial administration matters, attends 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 Senior Group Financial Controller also assists the Board in obtaining such advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

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

The primary functions of the RC are to review and recommend a general framework of remuneration for the Board and key management personnel (CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company and who are not also directors and CEO of the Company); to review and recommend specific remuneration packages and terms of employment for each Executive Director and key management personnel; to recommend any long-term incentive schemes which are generally encouraged for Executive Directors and key management personnel; to ensure that a formal and transparent procedure is in place for fixing the remuneration packages of the Executive Directors as well as key management personnel of the Group; to review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service. The RC's recommendations are submitted for endorsement by the entire Board.

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

CORPORATE GOVERNANCE REPORT

Principle 8: Level and Mix of Remuneration

In setting the remuneration package for the Executive Directors and key management personnel, the RC takes into consideration the pay and employment conditions within the industry and comparable companies, the individual performance and that of the Company and subsidiary companies. As part of its review, the RC ensures that the performance-related elements of remuneration would form a certain proportion of the total remuneration package of Executive Directors and key management personnel. The remuneration for the three (3) founding Executive Directors comprises a base fee, a base salary, an annual wage supplement (AWS) and a profit sharing bonus. The remuneration for the other Executive Director comprises a base fee, a base salary, allowances, annual and profit sharing bonuses. The remuneration for the key management personnel comprises a basic salary, allowances and variable components which are the annual bonus and profit sharing bonus based on the performance of the Company and subsidiary companies as well as individual contribution and performance which are assessed through performance appraisal that set out various assessment criteria such as level of achievement of targets and responsibilities, leadership ability, initiative etc.

For the remuneration of the Non-Executive Directors, the RC has adopted a framework which consists of a base fee as well as fees for chairing Board Committees. The Company will submit the quantum of Directors' fees to shareholders for approval at the AGM.

All the four (4) Executive Directors have service contracts for a fixed period of one year which are subject to renewal annually. The RC had reviewed and recommended to the Board the renewal of the contracts of the four (4) Executive Directors for a further term of one year, from 1 January 2016 to 31 December 2016. The service contract for one of the Executive Directors has been revised following his promotion to CEO on 26 February 2016. The Board approved all the above renewal.

No Director is involved in deciding in his own remuneration, except in providing information and documents if required by RC to assist in its deliberations.

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

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

Save for the contributions to defined contribution plans as disclosed in Note 30 of the Audited Financial Statements for FY2015, the Company does not provide any other termination, retirement and post-employment benefits to the Directors, the CEO and key executives personnel.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

Remuneration of Board of Directors

In view of the sensitivity and confidentiality nature of remuneration packages, the Board has decided not to disclose the remuneration of the Company's individual Directors in dollar terms. The aggregate remuneration percentage paid to or accrued for the Directors for services in all capacities for the year under review is tabulated below:

Name of Director	Fees %	Salary %	Bonus %	Other Benefits %	Total %
<i>Executive Directors</i>					
<i>S\$750,000 to S\$999,999</i>					
Ching Heng Yang	3.6	71.8	22.4	2.2	100.0
Tam Wai	3.6	71.8	22.4	2.2	100.0
Ho Nee Kit	3.9	71.5	22.4	2.2	100.0
<i>S\$500,000 to S\$749,999</i>					
Hew Lien Lee	5.6	62.8	20.2	11.4	100.0
<i>Non-Executive Directors</i>					
<i>Below S\$250,000</i>					
Dr John Chen Seow Phun	100.0	–	–	–	100.0
Tan Yew Beng	100.0	–	–	–	100.0
Foo Say Tun	100.0	–	–	–	100.0

The aggregate amount of remuneration paid or payable to the Company's Directors is S\$3,292,000.

Remuneration of Key Executives

Details of total remuneration percentage paid or payable to the top four (4) key executives of the Group for the year under review is tabulated as below:

Name of Key Executive	Salary %	Bonus %	Other Benefits %	Total %
<i>S\$250,000 to S\$499,999</i>				
Cheah Ngook Wah <i>Senior Group Financial Controller</i>	71.6	22.1	6.3	100.0
<i>Below S\$250,000</i>				
Yeo See Joo <i>Group Business Development Director</i>	70.6	12.2	17.2	100.0
Tan Lay Kheng <i>Group Human Resource Director</i>	79.0	17.3	3.7	100.0
Tan Chee Kian* <i>Acting CFO, General Manager of Fu Yu Dongguan</i>	80.6	8.6	10.8	100.0

* Resigned on 30 September 2015.

The aggregate amount of remuneration paid to the top four (4) Key Executives is S\$857,000.

No employee of the Group was an immediate family member (as defined in the Listing Manual of SGX-ST) of a Director or Chief Executive Officer and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT & COMMUNICATION WITH SHAREHOLDERS

Principle 12: Audit Committee

The Audit Committee ("AC") comprises Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun, who are Independent Non-Executive Directors. The Chairman of the AC is Dr John Chen Seow Phun.

Two (2) of the members of AC have relevant accounting and financial management experience.

The AC carries out its functions in accordance with the Companies Act and its written terms of reference. In performing those functions, the AC:

1. Reviews the audit plans and the findings of the internal and external auditors of the Company and ensures the adequacy of the Company's system of internal controls and the co-operation given by the Company's Management to the external and internal auditors;
2. Reviews the quarterly and annual financial statements and the auditors' report of the Company before their submission to the Board;
3. Reviews with the Management on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology;
4. Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
5. Reviews arrangements by which employees of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions;
6. Reviews the cost effectiveness, independence and objectivity of the external auditors;
7. Reviews the nature and extent of non-audit services provided by the external auditors;
8. Reviews the assistance given by the Company's officers to the internal and external auditors;
9. Nominates the external auditors;
10. To approve the hiring, removal, evaluation and compensation of the internal audit function, or the professional firm to which the internal audit function is outsourced; and
11. Reviews interested person transactions and improper activities of the Company, if any.

The AC has the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibility. It has full access to, and co-operation of, Management and full discretion to invite any Director or members of Management to attend its meetings. The AC meets with the internal and external auditors without the presence of the Company's Management at least once annually, which allows for a more open discussion on any issue of concern. The AC has been given the reasonable resources for it to discharge its functions properly.

The AC meets at least four (4) times a year with Management and the external auditors and is kept abreast by the Management and Company Secretary of changes to accounting standards, the Listing Manual of the SGX-ST and other regulations which could have impact to the Group's business and financial statements.

CORPORATE GOVERNANCE REPORT

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

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

The audit fees paid/payable to the external auditors of the Company, overseas affiliates of the external auditors of the Company and other auditors for the audit of FY2015 amounted to S\$148,000, S\$173,000 and S\$128,000 respectively. The non-audit fee paid to the external auditors of the Company during the year amounted to S\$26,000. Non-audit fees paid to other auditors amounted to S\$14,000. The AC is satisfied with the independence of KPMG LLP.

Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for LCTH Corporation Berhad and its subsidiaries, which are audited by Ernst & Young, Malaysia.

The Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group. The Company confirms that it is in compliance with Rules 712 and 715 of the SGX Listing Manual.

Please refer to pages 9 and 10 under the heading 'Board of Directors' for the qualifications of the AC members.

Principle 11: Risk Management and Internal Controls

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

The internal auditors conduct annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls. On a yearly basis, the internal auditors prepare an internal audit plan which is approved by the AC. The internal auditors update the AC on the progress of the approved internal audit plan every quarterly. The Group's external auditors, KPMG LLP, contribute an independent perspective on certain aspects of the internal controls over financial reporting through their audit and report their findings to the AC.

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

In year 2012, the Board appointed KPMG Services Pte Ltd to conduct a review to further enhance the Group's risk management framework over financial, operational and compliance risks. KPMG Services Pte Ltd had also been engaged to assist the Company in formulating and formalising its fraud risk management framework to further enhance its existing framework to prevent improprieties. The Management continued to adopt the risk management framework established in year 2015. Based on the framework established and reports submitted by the external and internal auditors, the Board opines, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational, compliance and information technology risks and that the internal controls and risk management systems are effective.

CORPORATE GOVERNANCE REPORT

The Board has received assurance from the CEO and the Senior Group Financial Controller that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances, and that the Company's risk management and internal control systems are effective. The Board notes, however, that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

Principle 13: Internal Audit

The Company sets up its internal audit department since January 2009 after outsourcing the full spectrum of internal audit work for three (3) years. During the year and since year 2011, the Company outsourced part of its internal audit function to a professional firm, Nexia TS Risk Advisory Pte Ltd, to further strengthen and enhance the internal audit function of the Group. The outsourced and in-house internal audit department carried out the internal audit of all the subsidiaries in China and Singapore. Internal audit reports were prepared to update the AC on the progress of all audits carried out, the recommendations accepted by Management, and to track the status of outstanding matters and remedial actions taken to date.

Principle 10: Accountability

Principle 15: Communication with Shareholders

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

When opportunities arise, the Directors will solicit and try to understand the views of shareholders before and/or after general meeting of the Company. The Company's CEO and Senior Group Financial Controller will attend to analysts and fund managers who wish to seek a better understanding of the Group's operations when necessary and appropriate.

Two (2) interim dividends have been declared and paid during the year. The Company has proposed a final dividend of 1.0 cent per ordinary share for FY2015 subject to the shareholders' approval in the coming AGM.

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

- (i) any reinvestment of the profit for capital expenditure, expansion or diversification purposes is more than 50% of the profit; or
- (ii) there is insufficient profit at the Company level; or
- (iii) there is insufficient funds at the Company level to pay for the dividends,

under which conditions, any proposed dividends will be decided by the Board taking into account the above conditions.

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

CORPORATE GOVERNANCE REPORT

Principle 14: Shareholder Rights

Principle 16: Conduct of Shareholder Meetings

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

Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairmen of the Audit, Remuneration and Nominating Committees are normally available at the meeting to answer those questions relating to the work of these committees. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

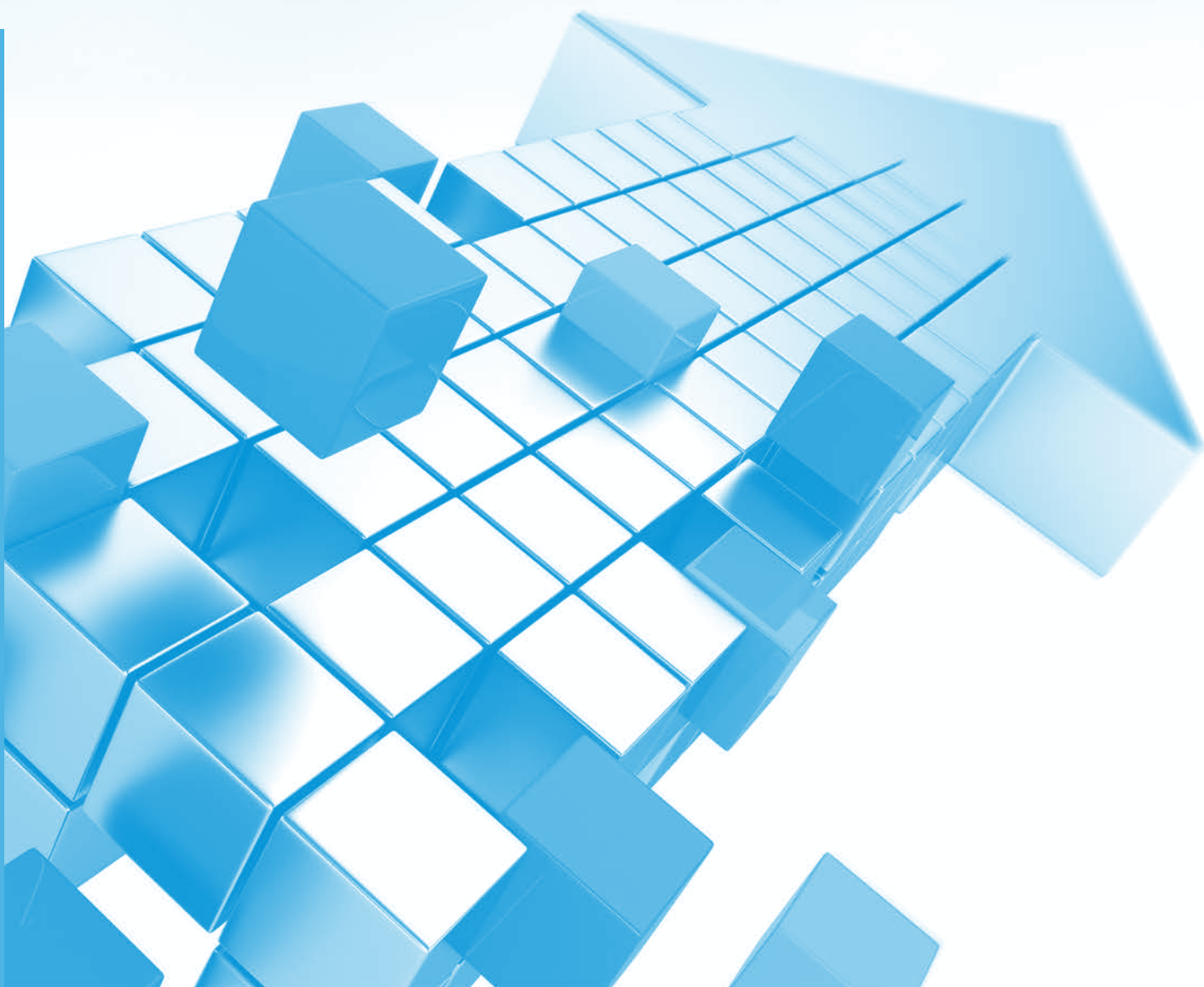
The Company will prepare the detailed AGM minutes, which include comments and the questions received from shareholders, if any. The Company will be pleased to make these minutes available to shareholders upon their request.

The Company commenced the voting of all its resolutions by poll at the Extraordinary General Meeting ("EGM") held on 16 October 2014 and will conduct the voting of all its resolutions by poll in all its coming AGMs and EGMs. The Company may consider employing electronic polling in future. The Company's Constitution allow a shareholder to appoint one (1) or two (2) proxies to attend and vote at general meetings in his/her stead. Nonetheless, under the revised Companies Act, a relevant intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).

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

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DIRECTORS' STATEMENT

We are pleased to submit this annual statement to the members together with the audited financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2015.

In our opinion:

- (a) the financial statements set out on pages 36 to 91 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

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

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ching Heng Yang (<i>cont'd</i>)		
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	14,400,000	14,400,000
Tam Wai		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	96,715,475	96,715,475
– deemed interests	300,000	300,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	366,000	366,000
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	14,400,000	14,400,000
Ho Nee Kit		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	96,999,225	96,999,225
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	369,120	369,120
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	14,400,000	14,400,000
Tan Yew Beng		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	2,562,500	2,562,500
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	300,000	300,000

DIRECTORS' STATEMENT

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

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

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

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

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

SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

John Chen Seow Phun (Chairman), Independent Non-Executive Director

Tan Yew Beng, Independent Non-Executive Director

Foo Say Tun, Independent Non-Executive Director

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

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

The Audit Committee also reviewed the following:

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

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

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

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

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the Board of Directors

Ho Nee Kit
Director

Hew Lien Lee
Director

31 March 2016

INDEPENDENT AUDITORS' REPORT

Members of the Company
Fu Yu Corporation Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 91.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

31 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets					
Property, plant and equipment	4	52,399	61,394	12,069	12,684
Investment property	5	8,585	10,085	–	–
Subsidiaries	6	–	–	65,593	69,402
Joint venture	7	2,484	3,106	–	–
Deferred tax assets	8	2,464	1,280	–	–
		65,932	75,865	77,662	82,086
Current assets					
Inventories	9	15,017	17,120	2,517	2,242
Trade and other receivables	10	61,291	79,704	14,011	16,861
Tax recoverable		70	5	–	–
Short term investments	14	3,637	6,052	–	–
Cash and cash equivalents	13	102,940	83,329	29,962	18,051
		182,955	186,210	46,490	37,154
Total assets		248,887	262,075	124,152	119,240
Equity attributable to equity holders of the Company					
Share capital	15	102,158	121,176	102,158	121,176
Reserves	16	75,909	53,740	10,817	(13,311)
		178,067	174,916	112,975	107,865
Non-controlling interests		19,677	20,244	–	–
Total equity		197,744	195,160	112,975	107,865
Non-current liabilities					
Trade and other payables	19	112	787	112	787
Financial liabilities	18	–	12	–	–
Deferred tax liabilities	8	909	370	647	82
		1,021	1,169	759	869
Current liabilities					
Trade and other payables	19	47,316	62,385	10,418	10,506
Financial liabilities	18	–	1,365	–	–
Tax payable		2,806	1,996	–	–
		50,122	65,746	10,418	10,506
Total liabilities		51,143	66,915	11,177	11,375
Total equity and liabilities		248,887	262,075	124,152	119,240

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Revenue	20	222,465	254,434
Cost of sales		(186,992)	(223,360)
Gross profit		35,473	31,074
Other income	21	9,628	10,604
Selling and administrative expenses		(29,488)	(29,193)
Other operating income, net	22	2,403	1,490
Results from operating activities		18,016	13,975
Finance costs	23	(11)	(153)
Share of profit/(loss) of joint venture (net of tax)	7	432	(405)
Profit before income tax	24	18,437	13,417
Tax expense	25	(1,755)	(2,179)
Profit for the year		16,682	11,238
Profit for the year attributable to:			
Owners of the Company		14,070	9,951
Non-controlling interests		2,612	1,287
Profit for the year		16,682	11,238
Earnings per share			
Basic and diluted earnings per share	26	1.87 cents	1.35 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	2015 \$'000	2014 \$'000
Profit for the year	16,682	11,238
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(6,220)	(393)
Other comprehensive income for the year (net of tax)	(6,220)	(393)
Total comprehensive income for the year	10,462	10,845
Total comprehensive income attributable to:		
Owners of the Company	10,681	9,969
Non-controlling interests	(219)	876
Total comprehensive income for the year	10,462	10,845

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Revaluation reserve \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2014	119,362	140	9,891	789	1,627	(6,534)	37,858	163,133	19,368	182,501
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	9,951	9,951	1,287	11,238
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	-	18	-	18	(411)	(393)
Total comprehensive income for the year	-	-	-	-	-	18	9,951	9,969	876	10,845
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Share options exercised	1,814	-	-	-	-	-	-	1,814	-	1,814
Total transactions with owners	1,814	-	-	-	-	-	-	1,814	-	1,814
Transfers between reserves										
Transfer from statutory reserve	-	-	(3,818)	-	-	-	3,818	-	-	-
At 31 December 2014	121,176	140	6,073	789	1,627	(6,516)	51,627	174,916	20,244	195,160

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Note	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Revaluation reserve \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2015	121,176	140	6,073	789	1,627	(6,516)	51,627	174,916	20,244	195,160
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	14,070	14,070	2,612	16,682
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	-	(3,389)	-	(3,389)	(2,831)	(6,220)
Total comprehensive income for the year	-	-	-	-	-	(3,389)	14,070	10,681	(219)	10,462
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid to owners of the Company	31	-	-	-	-	-	(3,765)	(3,765)	-	(3,765)
Dividends paid to non-controlling interests	31	-	-	-	-	-	-	-	(348)	(348)
Capital reduction	15	(19,018)	-	-	-	-	15,253	(3,765)	-	(3,765)
Total transactions with owners		(19,018)	-	-	-	-	11,488	(7,530)	(348)	(7,878)
Transfers between reserves										
Transfers to statutory reserve		-	488	-	-	-	(488)	-	-	-
Transfers from share option reserve		-	-	-	(1,627)	-	1,627	-	-	-
At 31 December 2015	102,158	140	6,561	789	-	(9,905)	78,324	178,067	19,677	197,744

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Profit before income tax		18,437	13,417
Adjustments for:			
Depreciation of property, plant and equipment and investment property	4, 5	13,769	17,930
Gain on liquidation of subsidiary	21	(393)	–
Finance costs	23	11	153
Interest income	21	(1,805)	(1,352)
Gain on disposal of property, plant and equipment	21	(483)	(821)
Impairment loss on property, plant and equipment	22	–	500
Property, plant and equipment written off	22	157	279
Share of (profit)/loss of joint venture (net of tax)	7	(432)	405
Unrealised foreign exchange loss/(gain)		1,702	(748)
		30,963	29,763
Changes in working capital:			
Inventories		1,815	1,510
Trade and other receivables		18,412	(664)
Trade and other payables		(14,009)	(6,171)
Cash from operating activities		37,181	24,438
Tax paid		(3,002)	(1,057)
Net cash from operating activities		34,179	23,381
Cash flows from investing activities			
Dividends from joint venture	7	667	496
Interest income received		1,805	1,352
Proceeds from disposal of property, plant and equipment		545	1,833
Purchase of property, plant and equipment		(6,327)	(14,499)
Withdrawal/(Placement) of short term investments		1,743	(2,299)
Net cash used in investing activities		(1,567)	(13,117)
Balance carried forward		32,612	10,264

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Balance brought forward		32,612	10,264
Cash flows from financing activities			
Finance costs paid		(11)	(153)
Proceeds from issue of share capital		–	1,814
Proceeds from short term borrowings		1,106	12,270
Repayment of short term borrowings and finance lease liabilities		(2,520)	(14,305)
Dividends paid to non-controlling interests of a subsidiary	31	(348)	–
Dividends paid to owners of the Company	31	(3,765)	–
Capital reduction	15	(3,765)	–
Deposits (pledged)/discharged		(27)	586
Net cash (used in)/from financing activities		(9,330)	212
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		79,921	69,115
Effect of exchange rate fluctuations on cash held		(3,264)	330
Cash and cash equivalents at 31 December	13	99,939	79,921

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2016.

1 DOMICILE AND ACTIVITIES

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2 BASIS OF PREPARATION *(cont'd)*

2.4 Use of estimates and judgements *(cont'd)*

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

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

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

- Note 5 – classification of investment property

Measurement of fair values

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

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

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

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

- Note 4 – property, plant and equipment
- Note 5 – investment property
- Note 28 – financial risk management

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments, are translated to Singapore dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.1 Foreign currency *(cont'd)*

(ii) Foreign operations *(cont'd)*

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

3.2 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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

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

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the measurement basis specified in another FRS.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.2 Basis of consolidation *(cont'd)*

(ii) Subsidiaries

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

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

(iii) Loss of control

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

(iv) Investment in joint ventures

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

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

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the joint venture, after adjustments to align the accounting policies of the joint venture with those of the Group, from the date that joint control commences until the date that joint control ceases.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.2 Basis of consolidation *(cont'd)*

(v) Transactions eliminated on consolidation

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

(vi) Accounting for subsidiaries and joint ventures in the separate financial statements

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

3.3 Property, plant and equipment

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other operating expenses in profit or loss.

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

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.3 Property, plant and equipment *(cont'd)*

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

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

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

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

3.4 Investment property

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

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

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

3.5 Financial instruments

(i) Non-derivative financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.5 Financial instruments *(cont'd)*

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(ii) Non-derivative financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.5 Financial instruments *(cont'd)*

(ii) Non-derivative financial liabilities *(cont'd)*

The Group has the following non-derivative financial liabilities: financial liabilities and trade and other payables.

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

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

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

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

(iv) Share capital

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

3.6 Leases

When entities within the Group are lessees of a finance lease

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

When entities within the Group are lessees of an operating lease

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss, including an interest in a joint venture, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

Non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.7 Impairment *(cont'd)*

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a *pro rata* basis.

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

3.8 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.9 Employee benefits *(cont'd)*

Share-based payment transactions

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

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

3.10 Provisions

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

3.11 Revenue recognition

Sale of goods

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

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

Tooling contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.11 Revenue recognition *(cont'd)*

Tooling contracts (cont'd)

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

Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Rental income from subleased property is recognised as other income.

3.12 Finance costs

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

3.13 Other operating income/expense

Other operating expense includes impairment loss for property, plant and equipment, plant and equipment written off and allowance for doubtful receivables. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either other operating income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

3.14 Government grants

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

3.15 Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.15 Tax *(cont'd)*

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.16 Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.17 Segment reporting

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

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

3.18 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2018.

- **FRS 115 *Revenue from Contracts with Customers***
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- **FRS 109 *Financial Instruments***
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments. These standards are expected to be relevant to the Group and the Company. The Group has set up project teams to assess the potential impact on its financial statements and to implement the standards. The Group does not plan to adopt these standards early.

The Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply new financial reporting framework identical to the International Financial Reporting Standards (IFRS) for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties \$'000	Factory equipment, plant and machinery \$'000	Motor vehicles \$'000	Office equipment, and furniture and fittings \$'000	Other assets \$'000	Construction in progress \$'000	Total \$'000
Cost							
At 1 January 2014	72,362	248,639	2,727	13,975	12,816	248	350,767
Currency realignment	300	1,645	3	97	(3)	(4)	2,038
Additions	1	4,268	309	552	1,392	8,239	14,761
Reclassification	3,353	4,899	—	—	—	(8,252)	—
Disposals/Write-off	(433)	(13,762)	(640)	(1,745)	(3,263)	—	(19,843)
At 31 December 2014	75,583	245,689	2,399	12,879	10,942	231	347,723
At 1 January 2015	75,583	245,689	2,399	12,879	10,942	231	347,723
Currency realignment	(770)	(493)	(71)	(31)	(427)	(16)	(1,808)
Additions	862	3,879	156	524	785	—	6,206
Reclassification	54	—	—	—	—	(54)	—
Reclassification to other receivables	—	—	—	—	—	(86)	(86)
Disposals/Write-off	—	(9,457)	(211)	(909)	(492)	(75)	(11,144)
At 31 December 2015	75,729	239,618	2,273	12,463	10,808	—	340,891
Accumulated depreciation and accumulated impairment losses							
At 1 January 2014	38,788	223,143	1,842	12,592	8,382	—	284,747
Currency realignment	319	1,539	1	81	(10)	—	1,930
Depreciation for the year	2,835	12,256	292	531	1,786	—	17,700
Reclassification	(2,735)	2,735	—	—	—	—	—
Impairment/(Reversal of impairment) loss for the year	—	502	—	(2)	—	—	500
Disposals/Write-off	(207)	(12,923)	(417)	(1,741)	(3,260)	—	(18,548)
At 31 December 2014	39,000	227,252	1,718	11,461	6,898	—	286,329
At 1 January 2015	39,000	227,252	1,718	11,461	6,898	—	286,329
Currency realignment	237	(260)	(65)	(26)	(357)	—	(471)
Depreciation for the year	2,802	7,819	271	630	2,037	—	13,559
Disposals/Write-off	—	(9,336)	(211)	(907)	(471)	—	(10,925)
At 31 December 2015	42,039	225,475	1,713	11,158	8,107	—	288,492
Carrying amounts							
At 1 January 2014	33,574	25,496	885	1,383	4,434	248	66,020
At 31 December 2014	36,583	18,437	681	1,418	4,044	231	61,394
At 31 December 2015	33,690	14,143	560	1,305	2,701	—	52,399

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold properties \$'000	Factory equipment, plant and machinery \$'000	Motor vehicles \$'000	Office equipment, and furniture and fittings \$'000	Other assets \$'000	Total \$'000
Cost						
At 1 January 2014	29,526	26,197	1,021	4,496	3,364	64,604
Additions	-	1,085	169	64	165	1,483
Disposals/Write-off	-	(2,936)	(449)	(1,210)	(1,631)	(6,226)
Transferred to subsidiaries (net)	-	(1,456)	-	-	-	(1,456)
At 31 December 2014	29,526	22,890	741	3,350	1,898	58,405
At 1 January 2015	29,526	22,890	741	3,350	1,898	58,405
Additions	-	640	-	57	41	738
Disposals/Write-off	-	(2,658)	-	(581)	(193)	(3,432)
Transferred to subsidiaries	-	(428)	-	(9)	-	(437)
At 31 December 2015	29,526	20,444	741	2,817	1,746	55,274
Accumulated depreciation and accumulated impairment losses						
At 1 January 2014	18,397	25,410	507	4,268	3,008	51,590
Depreciation for the year	713	534	145	112	118	1,622
Disposals/Write-off	-	(2,931)	(227)	(1,210)	(1,631)	(5,999)
Transferred to subsidiaries	-	(1,492)	-	-	-	(1,492)
At 31 December 2014	19,110	21,521	425	3,170	1,495	45,721
At 1 January 2015	19,110	21,521	425	3,170	1,495	45,721
Depreciation for the year	713	275	107	113	131	1,339
Disposals/Write-off	-	(2,646)	-	(581)	(191)	(3,418)
Transferred to subsidiaries	-	(428)	-	(9)	-	(437)
At 31 December 2015	19,823	18,722	532	2,693	1,435	43,205
Carrying amounts						
At 1 January 2014	11,129	787	514	228	356	13,014
At 31 December 2014	10,416	1,369	316	180	403	12,684
At 31 December 2015	9,703	1,722	209	124	311	12,069

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Assets held under finance leases

The carrying amount of motor vehicles held under finance leases for the Group was nil (2014: \$16,000). Assets held under finance lease are pledged as security for the related finance lease liabilities.

Impairment loss

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

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

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

- CGUs that are loss-making and are not expected to generate any economic benefits in the period of forecast. The recoverable amounts of such CGUs have been determined based on the fair value of its monetary assets and liabilities.
- CGUs that are loss-making but are expected to be able to generate economic benefits through liquidation of its leasehold properties and plant and machineries. The recoverable amounts of the CGUs have been determined based on the fair value less cost to sell of the assets. The fair value less cost to sell is based on market valuation performed by independent valuers with experience in the location and category of the properties and machineries being valued.
- The recoverable amount of all other CGUs have been determined based on the calculation of their value-in-use derived from management's cash flows projections for these CGUs.

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

	China CGU		Malaysia CGU
	2015	2014	2015#
<u>Value-in-use assumptions:</u>			
Average growth rate in revenue	-9% to 53%	-21% to 9%	0% to 2%
Number of years projected in the discounted cash flow	5 years	5 years	5 years
Gross profit margin	12% to 25%	8% to 21%	17%
Terminal value of property, plant and equipment (as a % of cost)	2%	2%	–
Terminal value of leasehold property and plant and machinery (\$'000)	–	–	8,733
Pre-tax discount rate	20% to 22%	18% to 21%	13%

Fair value less cost to sell approach was utilised in 2014.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Impairment loss (cont'd)

The growth rate in the China segment can be explained by forecasted fluctuations in market demand from end customers. If any of the CGUs is not able to meet the forecasted results, the Group may be required to record additional impairment loss. Based on the assessment, additional impairment loss of nil (2014: \$500,000) was recognised.

In prior year, the recoverable amount of the CGUs based on fair value less cost to sell approach was \$1,374,000. Accordingly, impairment loss of \$500,000 was recorded.

The fair value measurement is categorised as level 3 under the fair value hierarchy (see note 2.4). Details of valuation techniques and key inputs used are as follows:

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

5 INVESTMENT PROPERTY

	Group \$'000
Cost	
At 1 January 2014	11,918
Currency realignment	(229)
At 31 December 2014	11,689
At 1 January 2015	11,689
Currency realignment	(1,511)
At 31 December 2015	10,178

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

5 INVESTMENT PROPERTY *(cont'd)*

	Group \$'000
Accumulated depreciation	
At 1 January 2014	1,405
Depreciation for the year	230
Currency realignment	(31)
At 31 December 2014	<u>1,604</u>
At 1 January 2015	1,604
Depreciation for the year	210
Currency realignment	(221)
At 31 December 2015	<u>1,593</u>
Carrying amounts	
At 1 January 2014	<u>10,513</u>
At 31 December 2014	<u>10,085</u>
At 31 December 2015	<u>8,585</u>

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

The fair value of the investment property (fair value hierarchy of level 3) as at 31 December 2015 amounts to approximately \$9,069,000 (2014: \$9,878,000) and has been determined based on valuations performed by accredited independent valuers with recent experience in the location and category of investment properties being valued. The valuations are based on comparison method of valuation and the depreciated replacement cost method. The depreciated replacement cost method makes reference to the cost of replacing the buildings as new and allowing for depreciation. Key unobservable inputs correspond to replacement costs having regard to asset life, physical deterioration, functional and economic obsolescence. The comparison method involves comparing and adopting recent transactions as a yardstick and sale evidences involving other similar properties in the vicinity. The Group has assessed that the best use of its properties do not differ from their current use.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

6 SUBSIDIARIES

	Company	
	2015 \$'000	2014 \$'000
Equity investments, at cost	118,820	123,027
Forgiveness of amounts due from a subsidiary	9,331	9,331
	128,151	132,358
Impairment losses	(98,843)	(96,650)
	29,308	35,708
Amounts due from subsidiaries	48,160	46,406
Impairment losses	(11,875)	(12,712)
	36,285	33,694
	65,593	69,402

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

Impairment loss

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

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

- Investments and receivables from subsidiaries that are loss-making and are not expected to generate any economic benefits in the period of forecast, including investments and receivables from subsidiaries that are considered for their potential liquidation. The recoverable amount of such investments and receivables from subsidiaries has been determined to be the fair value of its monetary assets and liabilities. For subsidiaries that are loss-making but expected to generate economic benefits through liquidation of its leasehold properties and plant and machineries, the recoverable amounts have been determined based on the fair value less cost to sell of the assets. Details on fair value measurement for property, plant and equipment is disclosed in note 4.
- The recoverable amount of investments and receivables from the remaining subsidiaries have been determined based on the calculation of their value-in-use derived from management's cash flows projections.

Based on management's assessment, additional net impairment loss of \$1,356,000 (2014: \$5,383,000) was recognised in profit or loss. The recoverable amount of the CGUs based on fair value less cost to sell approach was \$37,057,000 (2014: \$6,885,000). If any of the subsidiaries is not able to achieve the forecasted results and realise the fair values of the assets and liabilities, the Company would be required to record additional impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

6 SUBSIDIARIES (cont'd)

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

	Note	Company	
		2015 \$'000	2014 \$'000
At 1 January		109,362	96,076
Impairment loss during the year		1,356	5,383
Transferred from amounts due from subsidiaries	11	–	7,903
At 31 December		110,718	109,362

Allowance for impairment in respect of other amounts due from subsidiaries is disclosed in note 11.

Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Place of business	Effective equity interest held by the Group	
		2015 %	2014 %
<u>Held by the Company:</u>			
Chang Fu Resources Pte Ltd	Singapore	100	100
Fu Yu Investment Pte Ltd	Singapore	100	100
NanoTechnology Manufacturing Pte Ltd	Singapore	80	80
SolidMicron Technologies Pte Ltd	Singapore	100	100
Fu Yu Electronics (Dongguan) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	100	100
Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd.*	People's Republic of China	–	100
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	100	100
Fu Yu International Enterprise Limited	Hong Kong	100	100
Fu Yu Trading Limited	Hong Kong	100	100
<u>Held through Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.:</u>			
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd.	People's Republic of China	100	100
<u>Held through Fu Yu Investment Pte Ltd:</u>			
LCTH Corporation Berhad	Malaysia	70.64	70.64
<u>Held through LCTH Corporation Berhad:</u>			
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	70.64	70.64
Classic Advantage Sdn. Bhd.	Malaysia	70.64	70.64

* Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd was liquidated in 2015.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

6 SUBSIDIARIES *(cont'd)*

KPMG Singapore is the auditor of all Singapore-incorporated subsidiaries other than Chang Fu Resources Pte Ltd. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for LCTH Corporation Berhad and its subsidiaries, which are audited by Ernst & Young, Malaysia.

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

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

	LCTH Corporation Berhad and its subsidiaries
	\$'000
2015	
Revenue	42,233
Profit for the year	8,805
Other comprehensive income	–
Total comprehensive income	8,805
Attributable to NCI:	
- Profit for the year	2,585
- Other comprehensive income	–
- Total comprehensive income	2,585
Non-current assets	28,096
Current assets	50,024
Non-current liabilities	(262)
Current liabilities	(9,636)
Net assets	68,222
Net assets attributable to NCI	20,030
Cash flows from operating activities	8,212
Cash flows used in investing activities	(287)
Cash flows used in financing activities (dividends to NCI: \$348,000)	(1,280)
Net increase in cash and cash equivalents	6,645

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

6 SUBSIDIARIES (cont'd)

	LCTH Corporation Berhad and its subsidiaries
2014	\$'000
Revenue	48,811
Profit for the year	5,028
Other comprehensive income	–
Total comprehensive income	5,028
Attributable to NCI:	
- Profit for the year	1,476
- Other comprehensive income	–
- Total comprehensive income	1,476
Non-current assets	29,319
Current assets	53,341
Non-current liabilities	(300)
Current liabilities	(12,112)
Net assets	70,248
Net assets attributable to NCI	20,625
Cash flows from operating activities	4,716
Cash flows used in investing activities	(10,940)
Cash flows used in financing activities (dividends to NCI: nil)	(14)
Net decrease in cash and cash equivalents	(6,238)

7 JOINT VENTURE

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

Name of company	Country of incorporation/ Place of business	Effective equity interest held by the Group	
		2015 %	2014 %
Berry Plastics Malaysia Sdn Bhd *	Malaysia	28.26	28.26

* Audited by PricewaterhouseCoopers, Malaysia.

The joint venture is held through its subsidiary, LCTH Corporation Berhad which has a 40% equity ownership interests in the entity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

7 JOINT VENTURE (cont'd)

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

	2015 \$'000	2014 \$'000
Revenue	6,625	5,433
Profit/(Loss) after income tax #	1,081	(1,013)
Other comprehensive income	–	–
Total comprehensive income	1,081	(1,013)
Assets and liabilities		
Non-current assets	853	2,807
Current assets ^	6,408	5,986
Non-current liabilities	–	(441)
Current liabilities	(1,051)	(587)
Net assets	6,210	7,765
Group's interest in net assets of investee at beginning of the year	3,106	4,064
Share of total comprehensive income	432	(405)
Dividends from joint venture	(667)	(496)
Currency realignment	(387)	(57)
Carrying amount of interest in investee at end of the year	2,484	3,106

Includes:

- depreciation of \$930,000 (2014: \$1,275,000)
- interest income of \$34,000 (2014: \$24,000)
- income tax expense of \$36,000 (2014: credit of \$40,000)

^ Includes cash and cash equivalents of \$4,969,000 (2014: \$4,251,000).

8 DEFERRED TAX ASSETS AND LIABILITIES

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

	At 1/1/2014 \$'000	Recognised in profit or loss (Note 25) \$'000	Exchange differences \$'000	At 31/12/2014 \$'000	Recognised in profit or loss (Note 25) \$'000	Exchange differences \$'000	At 31/12/2015 \$'000
Group							
Deferred tax assets							
Property, plant and equipment	(746)	603	–	(143)	143	–	–
Employee benefits	(29)	–	–	(29)	4	–	(25)
Others	(14)	(157)	(5)	(176)	(357)	(1)	(534)
Tax loss carry-forward	(1,469)	(794)	71	(2,192)	(1,133)	348	(2,977)
	(2,258)	(348)	66	(2,540)	(1,343)	347	(3,536)
Deferred tax liabilities							
Property, plant and equipment	1,157	508	(35)	1,630	547	(196)	1,981

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

8 DEFERRED TAX ASSETS AND LIABILITIES *(cont'd)*

	2015 \$'000	2014 \$'000
Company		
Deferred tax assets		
Employee benefits	(25)	(29)
Deferred tax liabilities		
Property, plant and equipment	672	111

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deferred tax assets	2,464	1,280	–	–
Deferred tax liabilities	909	370	647	82

Based on the cash flows forecast prepared as described in note 4, deferred tax assets were recognised by certain subsidiaries to the extent that management considered it probable that future taxable profits would be available against which the unutilised tax losses carried forward can be utilised by the Group.

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

	Group	
	2015 \$'000	2014 \$'000
Unutilised capital allowances	464	1,615
Unutilised tax losses	27,432	42,073
Unutilised export and reinvestment allowances	2,978	3,658
Temporary differences	2,903	3,705
	33,777	51,051

Other than tax losses arising from China subsidiaries of \$18,817,000 (2014: \$23,477,000) which will expire between 2016 and 2020 (2014: 2015 and 2019), the remaining tax losses, capital allowances, export and reinvestment allowances and temporary differences do not expire under current tax legislation. Unutilised tax losses of \$8 million (2014: \$11 million) expired during the financial year.

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2015, a deferred tax liability of \$232,000 (2014: \$205,000) for temporary differences of \$4,644,000 (2014: \$4,096,000) related to undistributed earnings of certain subsidiaries of the Group were not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the next 12 months, but be retained for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

9 INVENTORIES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Raw materials	7,009	8,065	1,218	1,315
Work-in-progress	527	963	35	55
Finished goods	7,481	8,092	1,264	872
	<u>15,017</u>	<u>17,120</u>	<u>2,517</u>	<u>2,242</u>

Movements in the allowance for stock obsolescence are as follows:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	899	1,900	61	66
Allowance made	432	188	150	–
Allowance written-back	(74)	(480)	–	(5)
Allowance utilised	(19)	(715)	–	–
Currency realignment	(53)	6	–	–
At 31 December	<u>1,185</u>	<u>899</u>	<u>211</u>	<u>61</u>

During the year, the amount of inventories recognised as an expense for the Group and Company amounted to \$186,992,000 (2014: \$223,360,000) and \$28,738,000 (2014: \$29,082,000) respectively.

10 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables		62,275	76,479	8,831	9,239
Allowance for impairment of doubtful receivables		(8,025)	(7,893)	(6)	(5)
Net trade receivables		<u>54,250</u>	<u>68,586</u>	<u>8,825</u>	<u>9,234</u>
Other receivables		1,030	1,126	198	143
Allowance for impairment of doubtful other receivables		(71)	(16)	(63)	(8)
Net other receivables		<u>959</u>	<u>1,110</u>	<u>135</u>	<u>135</u>
Amounts due from subsidiaries	11	–	–	3,977	5,351
Deposits		1,445	1,472	458	475
Loans and receivables		56,654	71,168	13,395	15,195
Prepayments		670	1,306	81	88
Advances to suppliers		1,083	971	36	108
Amounts due from customers for contract work	12	2,884	6,259	499	1,470
		<u>61,291</u>	<u>79,704</u>	<u>14,011</u>	<u>16,861</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

10 TRADE AND OTHER RECEIVABLES (cont'd)

In prior year, trade receivables of a subsidiary were pledged as security for bank facilities (see note 18). The amount that is subject to the pledge is \$1,701,000 as at 31 December 2014.

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 28.

11 AMOUNTS DUE FROM SUBSIDIARIES

	Note	Company	
		2015 \$'000	2014 \$'000
Amounts due from subsidiaries			
– trade		74	70
– non-trade		3,903	5,281
	10	<u>3,977</u>	<u>5,351</u>

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. The Company's exposure to credit risk is disclosed in note 28.

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

	Note	Company	
		2015 \$'000	2014 \$'000
At 1 January		–	7,903
Transferred to quasi-equity investments	6	–	(7,903)
At 31 December		<u>–</u>	<u>–</u>

12 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Contract costs incurred to date		12,089	22,452	3,338	7,602
Recognised profits less recognised losses to date		3,416	4,471	153	228
		<u>15,505</u>	<u>26,923</u>	<u>3,491</u>	<u>7,830</u>
Progress billings		(13,540)	(21,294)	(3,068)	(6,455)
Amounts due from customers, net		<u>1,965</u>	<u>5,629</u>	<u>423</u>	<u>1,375</u>
Gross amounts due from customers for contract work	10	2,884	6,259	499	1,470
Gross amounts due to customers for contract work	19	(919)	(630)	(76)	(95)
		<u>1,965</u>	<u>5,629</u>	<u>423</u>	<u>1,375</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash at bank and in hand	45,729	43,441	6,418	5,201
Deposits with banks	57,211	39,888	23,544	12,850
Cash and cash equivalents	102,940	83,329	29,962	18,051
Deposits pledged	(3,001)	(3,408)		
Cash and cash equivalents in the consolidated statement of cash flows	99,939	79,921		

Fixed deposits of \$3,001,000 (2014: \$3,408,000) is pledged for bank guarantee purposes in the normal course of business.

Fixed deposits with financial institutions mature on varying periods within 12 months (2014: 12 months) from the financial year end. Effective interest rates range from 0.3% to 4.16% (2014: 0.23% to 4.05%) per annum.

Cash and bank balances totalling the equivalent of \$37,121,000 (2014: \$32,113,000) are held in a country which operates foreign exchange controls.

14 SHORT TERM INVESTMENTS

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

15 SHARE CAPITAL

	2015	2014
	No. of shares	
Fully paid ordinary shares, with no par value:		
On issue at 1 January	752,994,775	732,834,775
Exercise of share options	–	20,160,000
On issue at 31 December	752,994,775	752,994,775

During the year ended 31 December 2014, ordinary shares of 20,160,000 were issued as a result of the exercise of vested share options arising from the Fu Yu Employees Share Option Scheme granted on 5 October 2008. Options were exercised at an exercise price of \$0.09 per share. All issued shares are fully paid.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

15 SHARE CAPITAL *(cont'd)*

Capital reduction

During the year, the Company undertook a capital reduction exercise involving:

- (i) a write off of accumulated losses of the Company amounting to \$15,253,773 as at 31 December 2014; and
- (ii) a cash distribution amounting to \$3,764,973 to return surplus capital to shareholders.

There is no change in the number of shares issued by the Company immediately after the capital reduction exercise.

Capital management

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

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

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

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net equity	187,183	180,643	112,186	107,076
Gearing ratio	27.3%	37.0%	10.0%	10.6%

The Group and the Company have complied with the externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

In addition, as disclosed in note 16, subsidiaries in People's Republic of China (PRC) are required by the laws and regulations of the PRC to contribute to and to maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2015 and 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

16 RESERVES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Capital reserve	140	140	–	–
Statutory reserve	6,561	6,073	–	–
Revaluation reserve	789	789	789	789
Share option reserve	–	1,627	–	1,153
Foreign currency translation reserve	(9,905)	(6,516)	–	–
Retained earnings/(accumulated losses)	78,324	51,627	10,028	(15,253)
	75,909	53,740	10,817	(13,311)

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

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

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

The share option reserve comprises the cumulative value of services received from directors and employees for the issue of the share options. The amount is transferred to retained earnings upon expiry of the share option scheme.

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

17 SHARE-BASED PAYMENT ARRANGEMENT

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

The Scheme was further ratified at an Extraordinary General Meeting on 16 October 2014 whereby the exercise period of the employee options was extended to 31 December 2014. In respect of 3,000,000 share options previously granted to Non-Executive Directors, new share options were issued as replacement options due to legal restrictions pertaining to extension of exercise period. The new share options were granted on the same terms as the options with no vesting period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

17 SHARE-BASED PAYMENT ARRANGEMENT *(cont'd)*

Information regarding the Scheme is as follows:

- The exercise price of the options is determined as the average of the closing prices of the Company's ordinary shares as quoted on Singapore Exchange for five consecutive market days immediately preceding the date of the grant.
- The options can be exercised 1 year after the date of grant.
- The options granted expire on 31 December 2014.
- All options are settled by delivery of shares.
- No options are granted at a discount to the prevailing market price of share.

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

	2015		2014	
	Weighted average exercise price \$	No. of options	Weighted average exercise price \$	No. of options
At 1 January	–	–	0.09	34,060,000
Forfeited during the year	–	–	0.09	(13,900,000)
Exercised during the year	–	–	0.09	(20,160,000)
At 31 December	–	–	0.09	–

The weighted average share price at the date of exercise for share options exercised in 2014 was \$0.09.

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

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

Date of grant of options	5 October 2008	16 October 2014
Fair value at measurement date/modification date	\$0.020	\$0.003
Share price	\$0.09	\$0.09
Exercise price	\$0.09	\$0.09
Expected volatility	19%	5%
Expected option life	5 years	3 months
Expected dividend rate	Nil	Nil
Risk-free interest rate	2.25%	0.4%

NOTES TO THE FINANCIAL STATEMENTS

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17 SHARE-BASED PAYMENT ARRANGEMENT *(cont'd)*

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

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

18 FINANCIAL LIABILITIES

	Group	
	2015 \$'000	2014 \$'000
Non-current liabilities		
Finance lease liabilities	–	12
Current liabilities		
Secured bank loans	–	1,361
Finance lease liabilities	–	4
	–	1,365
	–	1,377

Terms and debt repayment schedule

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

Group	Nominal interest rate	Year of maturity	2015		2014	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Secured bank loans	4.7%	2015	–	–	1,361	1,361
Finance lease liabilities	2.30% to 2.55%	2014 to 2019	–	–	16	16
			–	–	1,377	1,377

In 2014, the secured bank loans are secured by pledges over the Company's subsidiary, Fu Yu Moulding & Tooling (Chongqing) Co., Ltd's trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

18 FINANCIAL LIABILITIES (cont'd)

Finance lease liabilities

At 31 December, the Group has obligations under finance leases as follows:

	2015			2014		
	Principal \$'000	Interest \$'000	Payments \$'000	Principal \$'000	Interest \$'000	Payments \$'000
Group						
Payable:						
Within 1 year	–	–	–	4	*	4
After 1 year but within 5 years	–	–	–	12	1	13
	–	–	–	16	1	17

The finance lease liabilities are secured by the leased assets.

* less than \$1,000

19 TRADE AND OTHER PAYABLES

Note	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade payables	22,530	33,853	3,219	3,299
Accrued expenses	8,131	10,192	2,911	1,876
Amounts payable for purchase of property, plant and equipment	760	894	82	225
Other payables	11,527	13,510	1,220	2,328
Amounts due to subsidiaries:				
– trade	–	–	1,585	1,796
– non-trade	–	–	1,063	1,117
Deposits	1,653	2,277	314	399
Financial liabilities measured at amortised cost	44,601	60,726	10,394	11,040
Advance billings	1,908	1,816	60	158
Amounts due to customers for contract work	12 919	630	76	95
	47,428	63,172	10,530	11,293
Non-current	112	787	112	787
Current	47,316	62,385	10,418	10,506
	47,428	63,172	10,530	11,293

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20 REVENUE

	Group	
	2015 \$'000	2014 \$'000
Sale of goods	197,991	228,151
Revenue from tooling contracts	24,474	26,283
	<u>222,465</u>	<u>254,434</u>

21 OTHER INCOME

	Group	
	2015 \$'000	2014 \$'000
Interest income	1,805	1,352
Rental income	4,970	4,897
Gain on disposal of property, plant and equipment	483	821
Sale of scrap and raw materials	980	1,286
Gain on liquidation of a subsidiary	393	–
Government grants	135	1,762
Others	862	486
	<u>9,628</u>	<u>10,604</u>

Included in rental income is sublease payments of \$2,926,000 (2014: \$2,871,000).

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

22 OTHER OPERATING INCOME, NET

	Group	
	2015 \$'000	2014 \$'000
Foreign exchange gain, net	2,710	2,536
Other operating income	2,710	2,536
Property, plant and equipment written off	(157)	(279)
Allowance made for doubtful receivables	(64)	(267)
Bad debts written off	(86)	–
Impairment loss on property, plant and equipment	–	(500)
Other operating expense	(307)	(1,046)
Other operating income, net	<u>2,403</u>	<u>1,490</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

23 FINANCE COSTS

	Group	
	2015 \$'000	2014 \$'000
Interest expense		
– bank loans	11	152
– finance leases	*	1
	11	153

* less than \$1,000

24 PROFIT BEFORE INCOME TAX

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

	Note	Group	
		2015 \$'000	2014 \$'000
Directors of the Company			
– fees		334	343
– salaries, bonuses and other costs		3,073	3,135
– contributions to defined contribution plans		53	74
Directors of subsidiaries			
– fees		83	93
– salaries, bonuses and other costs		14	11
Audit fees paid or payable to			
– auditors of the Company		148	154
– overseas affiliates of the auditors of the Company		173	238
– other auditors		128	167
Non-audit fees paid or payable to			
– auditors of the Company		26	–
– other auditors		14	18
Depreciation of property, plant and equipment and investment property	4, 5	13,769	17,930
Staff costs, excluding directors of the Company and subsidiaries			
– salaries, bonuses and other costs		49,178	48,783
– contributions to defined contribution plans		5,917	4,978
Operating lease expenses		5,460	5,055
Operating expenses incurred in relation to investment property		239	277

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

25 TAX EXPENSE

	Group	
	2015 \$'000	2014 \$'000
Current tax expense		
Current year	2,474	2,234
Group tax relief	(395)	–
Withholding taxes	496	–
Over-provision of prior years	(24)	(215)
	2,551	2,019
Deferred tax (credit)/expense		
Movements in temporary differences	1,699	572
Reduction in tax rate	16	–
Recognition of tax effect of previously unrecognised tax losses	(2,471)	–
Over-provision in prior years	(40)	(412)
	(796)	160
Tax expense	1,755	2,179
<i>Reconciliation of effective tax rate</i>		
Profit before income tax	18,437	13,417
Tax calculated using Singapore tax rate of 17% (2014: 17%)	3,134	2,281
Effect of different tax rates in foreign jurisdictions	93	(204)
Reduction in tax rate	16	–
Income not subject to tax	(666)	(1,386)
Expenses not deductible for tax purposes	1,337	724
Tax incentive	(387)	–
Tax effect of debt forgiveness treated as income for tax purposes	–	2,263
Recognition of tax effect of previously unrecognised tax losses	(2,471)	–
Utilisation of capital allowances, reinvestment allowances and tax losses previously not recognised	(333)	(2,847)
Overprovision in prior years	(64)	(522)
Deferred tax assets not recognised	1,092	2,002
Withholding taxes	496	–
Group tax relief	(395)	–
Others	(97)	(132)
	1,755	2,179

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

25 TAX EXPENSE *(cont'd)*

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

Income tax for the subsidiaries in Malaysia is calculated at the statutory rate of 25% during the year. The statutory tax rate would be reduced to 24% effective for year 2016.

One of the subsidiaries in China was accredited as a "High and New Technology Enterprise" in 2013 and was entitled to a preferential tax rate of 15% for a period of three years from 2013 to 2015 which is subject to the subsidiary's compliance with the conditions imposed by the tax authority. Another subsidiary operates in western China of which the industry it operates in enjoys preferential tax rate of 15%.

26 EARNINGS PER SHARE

	Group	
	2015 \$'000	2014 \$'000
Basic and diluted earnings per share is based on:		
Net earnings attributable to ordinary shareholders	14,070	9,951
	Number of shares 2015	Number of shares 2014
Issued ordinary shares at 1 January	752,994,775	732,834,775
Effect of shares issued during the year	–	1,782,055
Weighted average number of ordinary shares (basic and diluted)	752,994,775	734,616,830
Basic and diluted earnings per share (cents)	1.87	1.35

Diluted earnings per share is the same as basic earnings per share as there are no dilutive instruments with the expiry of the Employees Share Options Scheme on 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 OPERATING SEGMENTS

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

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

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

Concentration of revenue

Revenue of approximately \$53,169,000 (2014: \$93,811,000) relates to two (2014: three) external customers with revenue in excess of 10% of Group revenue. This revenue relates to Singapore, Malaysia and China segments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 OPERATING SEGMENTS (cont'd)

Geographical segments

	Singapore		China		Malaysia		Total operations before adjustment		Group adjustment and eliminations		Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue and expenses												
Total external revenue	44,999	42,841	136,686	164,713	40,780	46,880	222,465	254,434	-	-	222,465	254,434
Inter-segment revenue	100	113	3	-	1,454	1,931	1,557	2,044	(1,557)	(2,044)	-	-
Segment profit before income tax*	15,443	4,893	12,806	18,555	8,487	6,388	36,736	29,836	(7,661)	33	29,075	29,869
Depreciation of property, plant and equipment and investment property	(2,282)	(3,422)	(9,767)	(12,750)	(1,838)	(1,665)	(13,887)	(17,837)	118	(93)	(13,769)	(17,930)
Net (impairment loss) / reversal of impairment loss on property, plant and equipment	-	(721)	-	204	-	17	-	(500)	-	-	-	(500)
Finance cost	-	(8)	(11)	(144)	-	(1)	(11)	(153)	-	-	(11)	(153)
Foreign exchange gain (net)	3,304	1,875	810	410	1,438	473	5,552	2,758	(2,842)	(222)	2,710	2,536
	16,465	2,617	3,838	6,275	8,087	5,212	28,390	14,104	(10,385)	(282)	18,005	13,822
Share of profit/(loss) of joint venture (net of tax)	-	-	-	-	432	(405)	432	(405)	-	-	432	(405)
Profit before income tax											18,437	13,417
Tax expense											(1,755)	(2,179)
Net profit for the year											16,682	11,238
Other segment information												
Non-current assets	75,166	79,341	23,594	30,954	26,063	28,368	124,832	138,663	(61,355)	(64,078)	63,468	74,585
Unallocated assets											2,464	1,280
Total non-current assets											65,932	75,865
Capital expenditure	828	1,846	1,688	2,638	3,690	10,277	6,206	14,761	-	-	6,206	14,761
Interest income	353	59	525	279	1,130	1,014	2,008	1,352	(203)	-	1,805	1,352
Segment reporting assets	131,943	121,989	111,942	129,326	76,017	81,709	319,902	333,024	(73,549)	(72,229)	246,353	260,795
Unallocated assets											2,534	1,280
Total assets											248,887	262,075
Segment reporting liabilities	9,411	10,121	40,165	51,012	9,249	11,768	58,825	72,901	(11,397)	(8,352)	47,428	64,549
Unallocated liabilities											3,715	2,366
Total liabilities											51,143	66,915

* After excluding share of results of joint venture, finance cost, foreign exchange gain (net), depreciation and (impairment loss)/reversal of impairment loss on property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

28 FINANCIAL RISK MANAGEMENT

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

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At the reporting date, there is a concentration of credit risk in the following geographical areas:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Singapore	8,426	9,506	7,910	8,583
China	30,572	43,163	1,178	1,576
Malaysia	10,228	9,835	795	637
United States	2,497	1,435	128	297
Hong Kong	292	740	1,625	1,525
Others	4,639	6,489	1,759	2,577
	56,654	71,168	13,395	15,195

At the reporting date, there is a concentration of credit risk relating to two (2014: three) major customers with outstanding receivable balance of approximately \$9,821,000 (2014: \$29,242,000). These customers relate to Singapore, Malaysia and China segments.

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

The ageing analysis of loans and receivables is as follows:

	2015		2014	
	Gross \$'000	Impairment loss \$'000	Gross \$'000	Impairment loss \$'000
Group				
Not past due	39,317	–	54,285	–
Past due 1 to 30 days	12,202	–	13,127	–
Past due 31 to 90 days	3,119	–	1,266	9
Past due more than 90 days	8,667	8,096	8,927	7,900
No credit terms	1,445	–	1,472	–
	64,750	8,096	79,077	7,909

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

28 FINANCIAL RISK MANAGEMENT (cont'd)

	2015		2014	
	Gross \$'000	Impairment loss \$'000	Gross \$'000	Impairment loss \$'000
Company				
Not past due	5,838	–	6,841	–
Past due 1 to 30 days	3,071	–	2,159	–
Past due 31 to 90 days	882	–	841	–
Past due more than 90 days	3,215	69	4,892	13
No credit terms	458	–	475	–
	13,464	69	15,208	13

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	7,893	7,633	5	10
Allowance made/(written back)	9	259	1	(5)
Allowance utilised	(30)	(148)	–	–
Currency realignment	153	149	–	–
At 31 December	8,025	7,893	6	5

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	16	8	8	–
Allowance made	55	8	55	8
At 31 December	71	16	63	8

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

28 FINANCIAL RISK MANAGEMENT *(cont'd)*

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Group	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	More than 5 years \$'000
2015					
Non-derivative financial liabilities					
Trade and other payables ⁽¹⁾	44,601	44,601	44,489	112	–
2014					
Non-derivative financial liabilities					
Trade and other payables ⁽¹⁾	60,726	60,726	59,939	787	–
Financial liabilities					
- Finance lease liabilities	16	17	4	13	–
- Secured bank loans	1,361	1,367	1,367	–	–
	62,103	62,110	61,310	800	–
Company					
2015					
Non-derivative financial liabilities					
Trade and other payables ⁽¹⁾	10,394	10,394	10,282	112	–
2014					
Non-derivative financial liabilities					
Trade and other payables ⁽¹⁾	11,040	11,040	10,253	787	–

⁽¹⁾ Excludes advance billings and amounts due to customers for contract work

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

28 FINANCIAL RISK MANAGEMENT *(cont'd)*

Market risk

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

Interest rate risk

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Fixed rate instruments				
Financial assets	57,211	39,888	23,544	12,850
Financial liabilities	–	(16)	–	–
	<u>57,211</u>	<u>39,872</u>	<u>23,544</u>	<u>12,850</u>
Variable rate instrument				
Financial liabilities	–	(1,361)	–	–

The Group's interest-bearing financial assets comprise fixed deposits placed with banks. The deposits were rolled over during the financial year at market interest rates upon maturity.

Financial liabilities comprise variable-rate borrowings and fixed-rate finance leases.

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased profit for the year by \$572,000 (2014: \$385,000) and \$235,000 (2014: \$129,000) for Group and Company respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2014.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in currencies other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily the United States (US) dollar.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

28 FINANCIAL RISK MANAGEMENT *(cont'd)*

The Group's and Company's exposures to foreign currency risk (before elimination of inter-company balances) are as follows:

	Group		Company	
	2015 US dollar \$'000	2014 US dollar \$'000	2015 US dollar \$'000	2014 US dollar \$'000
Trade and other receivables	128,335	137,221	9,327	10,280
Cash and cash equivalents	42,319	19,015	27,002	7,474
Trade and other payables	(95,273)	(96,222)	(4,591)	(4,593)
Financial liabilities	–	(1,361)	–	–
	75,381	58,653	31,738	13,161

Sensitivity analysis

A one percentage point strengthening of the Singapore dollar against the US dollar at the reporting date would decrease the Group's profit before income tax by approximately \$754,000 (2014: \$587,000) and decrease the Company's profit before income tax by approximately \$317,000 (2014: \$132,000). This analysis assumes that all other variables in particular interest rates, remain constant.

A one percentage point weakening of the Singapore dollar against the US dollar at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2014.

Accounting classification and fair values

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents, financial liabilities and trade and other payables) carried at cost or amortised cost are assumed to approximate their fair values as at 31 December 2015 and 2014 given the short period to maturity or repricing.

Financial liabilities are mainly classified as current liabilities and the impact of discounting arising from the non-current liabilities is not expected to be material.

Group	Designated at fair value \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Total carrying amount \$'000
31 December 2015				
Trade and other receivables ⁺	–	56,654	–	56,654
Cash and cash equivalents	–	102,940	–	102,940
Short term investments	3,637	–	–	3,637
Trade and other payables [#]	–	–	(44,601)	(44,601)
	3,637	159,594	(44,601)	118,630

+ Exclude prepayment, advances to suppliers and amounts due from customers for contract work

Excludes advance billings and amounts due to customers for contract work

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

28 FINANCIAL RISK MANAGEMENT *(cont'd)*

Group	Designated at fair value \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Total carrying amount \$'000
31 December 2014				
Trade and other receivables ⁺	–	71,168	–	71,168
Cash and cash equivalents	–	83,329	–	83,329
Short term investments	6,052	–	–	6,052
Trade and other payables [#]	–	–	(60,726)	(60,726)
Financial liabilities	–	–	(1,377)	(1,377)
	6,052	154,497	(62,103)	98,446

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

Excludes advance billings and amounts due to customers for contract work

Company	Loans and receivables \$'000	Other financial liabilities \$'000	Total carrying amount \$'000
31 December 2015			
Trade and other receivables ⁺	13,395	–	13,395
Cash and cash equivalents	29,962	–	29,962
Trade and other payables [#]	–	(10,394)	(10,394)
	43,357	(10,394)	32,963
31 December 2014			
Trade and other receivables ⁺	15,195	–	15,195
Cash and cash equivalents	18,051	–	18,051
Trade and other payables [#]	–	(11,040)	(11,040)
	33,246	(11,040)	22,206

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

Excludes advance billings and amounts due to customers for contract work

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

29 COMMITMENTS

Capital expenditure commitments

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Capital expenditure contracted for as at the reporting date but not recognised in the financial statements	1,467	2,449	726	711

Operating lease commitments

Leases as lessee

The Group and the Company lease certain properties and land under lease arrangements that are non-cancellable within one year. Other leases, which include the renewal options, expire at various dates till 2044 and contain provisions for rental adjustments and restrictions to further sub-lease certain properties. One of the leased properties has been sublet by the Group to a third party. Sublease payments of \$2,830,000 (2014: \$2,660,000) are expected to be received within 1 year. The subsequent payments of \$9,581,000 (2014: \$13,154,000) and nil (2014: \$1,100,000) will be received within 5 years and after 5 years respectively.

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Payable:				
Within 1 year	5,805	4,937	1,646	782
After 1 year but within 5 years	15,339	15,613	3,166	2,412
After 5 years	5,446	6,815	5,446	5,715
	26,590	27,365	10,258	8,909

Leases as lessor

At 31 December 2015, the Group entered into cancellable and non-cancellable commercial property leases to lease out its surplus space. The cancellable commercial property leases can be cancelled by way of the lessees giving notice in advance to the Group and vice versa. The non-cancellable leases have remaining non-cancellable lease terms as follows:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Receivable:				
Within 1 year	1,417	1,633	941	1,391
After 1 year but within 5 years	299	595	–	941
	1,716	2,228	941	2,332

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

30 RELATED PARTIES

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and key executives are considered as key management personnel of the Group and Company.

Key management personnel compensation comprises:

	Group	
	2015 \$'000	2014 \$'000
Directors' fees	334	343
Short term employee benefits	3,904	3,943
Contributions to defined contribution plans	85	104
	4,323	4,390
Comprise amounts paid/payable to:		
- directors of the Company	3,460	3,552
- key executives	863	838
	4,323	4,390

Other related party transactions

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

	Group	
	2015 \$'000	2014 \$'000
Rental income from a joint venture	453	497
Dividend from a joint venture	667	496

31 DIVIDENDS

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

	Group and Company 2015 \$'000
Paid by the Company to owners of the Company	
An interim dividend of \$0.25 cents per qualifying ordinary share	1,883
Second interim dividend of \$0.25 cents per qualifying ordinary share	1,882
	3,765

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

31 DIVIDENDS (cont'd)

	Group 2015 \$'000
Paid by a subsidiary to NCI	
An interim dividend of RM0.5 cents per qualifying ordinary share	174
Second interim dividend of RM0.5 cents per qualifying ordinary share	174
	<u>348</u>

After the reporting date, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	Group and Company 2015 \$'000
Proposed by the Company to owners of the Company	
A final dividend of \$1.0 cents per qualifying ordinary share	7,530
	<u>7,530</u>
Proposed by a subsidiary to NCI	
A final dividend of RM3.0 cents per qualifying ordinary share	1,044
	<u>1,044</u>

32 COMPARATIVE INFORMATION

Certain changes have been made to the comparative information in the consolidated income statement as follows:

	Group	
	2014 \$'000	2014 \$'000
	As previously stated	Restated
Other income	10,269	10,604
Selling and administrative expenses	(26,322)	(29,193)
Other operating income, net	(1,046)	1,490
	<u>(1,046)</u>	<u>1,490</u>

Rental income of \$2,871,000 which was netted off against operating lease expenses in selling and administrative expenses has been reclassified to other income to be consistent with current year's classification.

In addition, foreign exchange gain of \$2,536,000 was reclassified from other income to other operating income, net to be aligned with the Group's accounting policy.

ADDITIONAL INFORMATION

REQUIRED BY THE LISTING MANUAL

RISK MANAGEMENT (LISTING RULE 1207(4) (B)(IV))

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

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

The main risks arising from the Group's financial assets and liabilities are credit risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. The Board reviews and agrees on policies to manage its exposure to financial risks. Details of the various financial risk factors are outlined in Note 28 to the Financial Statements on pages 83 to 88.

MATERIAL CONTRACTS (LISTING RULE 1207(8))

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

INTERESTED PERSON TRANSACTIONS (LISTING RULE 1207(17))

The Singapore Exchange Securities Trading Limited ("SGX-ST") requires listed company to comply with Chapter 9 of the Listing Manual of SGX-ST on interested person transactions.

There were no interested person transactions for the year ended 31 December 2015.

DEALINGS WITH COMPANY'S SECURITIES (LISTING RULE 1207(19))

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

ADDITIONAL INFORMATION

REQUIRED BY THE LISTING MANUAL

LAND AND BUILDINGS (LISTING RULE 1207 (11))

No	Company Name	Location of the properties	Existing Use	Year of acquisition	Land Area/ Built-up Area	Percentage interest in property	Tenure
1	Fu Yu Corporation Limited	5 Tuas Drive 1 Singapore 638672	Warehouse, factory and office	1981	Land: 4,756 sq m Building: 5,179 sq m	100%	Leasehold for 60 years expiring on 15 Nov 2041
		7 Tuas Drive 1 Singapore 638674	Warehouse, factory and office	1981	Land: 4,756 sq m Building: 2,646 sq m	100%	Leasehold for 40 years expiring on 15 Nov 2021
		8 Tuas Drive 1 Singapore 638675	Warehouse, factory and office	1988	Land: 5,000 sq m Building: 3,606 sq m	100%	Leasehold for 56 years expiring on 31 Oct 2044
		9 Tuas Drive 1 Singapore 638676	Warehouse, factory and office	1981	Land: 4,755 sq m Building: 2,572 sq m	100%	Leasehold for 40 years expiring on 15 Nov 2021
		10 Tuas Drive 1 Singapore 638677	Warehouse, factory and office	1988	Land: 3,366 sq m Building: 3,334 sq m	100%	Leasehold for 56 years expiring on 31 Oct 2044
		43 Senoko Drive Singapore 758227	Warehouse, factory and office	1982	Land: 6,445 sq m Building: 6,961 sq m	100%	Leasehold for 38 years expiring on 15 Sep 2020
2	Classic Advantage Sdn Bhd	21, Jalan Teknologi 4 Taman Teknologi Johor, 81400 Senai, Johor Darul Ta'zim, Malaysia	Warehouse, factory and office	2004	Land: 54,054 sq m Building: 12,728 sq m Investment properties: 15,700 sq m	100%	Leasehold for 60 years expiring on 31 Mar 2066
3	Fu Hao Manufacturing (M) Sdn Bhd	Plot 562 Mukim 1 Jalan Perusahaan Baru 1, Perai III Perai Industrial Estate 13600 Perai, Penang, Malaysia	Warehouse, factory and office	1995	Land: 5,807 sq m Building: 4,865 sq m	100%	Leasehold for 60 years expiring on 11 Dec 2050
4	Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	89 Xing Nan Road Wuzhong Economic Skill Development Zone Suzhou, China 215128	Warehouse, factory and office	2006	Land: 58,847 sq m Building: 47,800 sq m	100%	Leasehold for 50 years expiring on 18 Mar 2054
5	Fu Yu Moulding & Tooling (Dongguan) Co., Ltd	Jing Fu Road, Xin Cheng Industry Area Heng Li Town, Dongguan, Guangdong, China 523477	Warehouse, factory and office	1997	Land: 15,000 sq m Building: 21,110 sq m	100%	Leasehold for 50 years expiring on 14 Dec 2047
				2001	Land: 10,000 sq m Building: 18,890 sq m	100%	Leasehold for 50 years expiring on 17 May 2051

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2016

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

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	37	0.65	1,144	0.00
100 - 1,000	323	5.63	160,443	0.02
1,001 - 10,000	3,036	52.97	14,653,825	1.95
10,001 - 1,000,000	2,302	40.16	128,510,511	17.07
1,000,001 AND ABOVE	34	0.59	609,668,852	80.96
TOTAL	5,732	100.00	752,994,775	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 23 MARCH 2016

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Ng Hock Ching ⁽¹⁾	829,000	0.11	106,993,475	14.21
Ho Nee Kit	96,999,225	12.88	–	–
Tam Wai ⁽²⁾	96,715,475	12.84	300,000	0.04
Ching Heng Yang	88,965,475	11.81	–	–

Note:

- Mr Ng Hock Ching is deemed to be interested in the 106,993,475 shares held in the names of (a) Citibank Nominees Singapore Pte Ltd: 24,036,000; (b) DBS Nominees Pte Ltd: 28,958,000; and (c) Philip Securities Pte Ltd: 53,999,475.
- Mr Tam Wai is deemed to be interested in the 300,000 shares held in the name of his spouse.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2016

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HO NEE KIT	96,999,225	12.88
2	TAM WAI	96,715,475	12.84
3	CHING HENG YANG	88,965,475	11.81
4	PHILLIP SECURITIES PTE LTD	82,995,675	11.02
5	DBS NOMINEES (PRIVATE) LIMITED	56,804,100	7.54
6	RAFFLES NOMINEES (PTE) LIMITED	39,202,400	5.21
7	CITIBANK NOMINEES SINGAPORE PTE LTD	36,181,700	4.81
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	15,474,731	2.06
9	UOB KAY HIAN PRIVATE LIMITED	12,344,500	1.64
10	OCBC SECURITIES PRIVATE LIMITED	9,170,239	1.22
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,315,272	1.10
12	HEW LIEN LEE	8,100,000	1.08
13	HONG LEONG FINANCE NOMINEES PTE LTD	7,257,000	0.96
14	DB NOMINEES (SINGAPORE) PTE LTD	6,807,150	0.90
15	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,326,550	0.57
16	NG CHUNG MING	4,014,300	0.53
17	HO KANG PENG	3,630,000	0.48
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,242,010	0.43
19	CITIBANK CONSUMER NOMINEES PTE LTD	3,173,000	0.42
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,890,250	0.38
	TOTAL	586,609,052	77.88

As at 23 March 2016, 46.55% of the issued share capital of the Company were held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Fu Yu Corporation Limited ("the Company") will be held at Bridge Rooms, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Tuesday, 26 April 2016 at 2.30 p.m. for the purposes of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**
2. To approve a tax exempt (one-tier) final dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2015 as recommended by the Directors. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Article 91 of the Constitution of the Company:
 - (a) Dr John Chen Seow Phun **(Resolution 3)**
[see explanatory note (i)]
(Dr John Chen Seow Phun, upon re-election as a Director of the Company, remains as Chairman of the Audit Committee; and a member of the Nominating and Remuneration Committees. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)
 - (b) Mr Tam Wai **(Resolution 4)**
[see explanatory note (i)]
 - (c) Mr Ho Nee Kit **(Resolution 5)**
[see explanatory note (i)]
4. To approve the payment of Directors' fees of S\$258,000 for the financial year ending 31 December 2016, payable quarterly in arrears (2015: S\$258,000). **(Resolution 6)**
5. To re-appoint Messrs KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
6. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

7. Ordinary Resolution: Authority to allot and issue shares

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

- (a) (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued Shares excluding treasury shares is based on the Company's total number of issued Shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

[see explanatory note (ii)]

(Resolution 8)

8. Ordinary Resolution: The Proposed Renewal of Share Purchase Mandate

That:

- (1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore ("Companies Act"), the exercise by the directors of the Company ("Directors") of all the powers of the Company:
 - (a) to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) an on-market purchase ("On-Market Purchase") transacted on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) an off-market purchase (“**Off-Market Purchase**”) effected in accordance with an equal access scheme (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all applicable laws and regulations (collectively, the “**Share Purchase Mandate**”); and

- (b) to deal with the Shares purchased or acquired by the Company under the Share Purchase Mandate in accordance with the Constitution of the Company, whether to (i) deem such Shares as cancelled upon purchase or acquisition; (ii) hold such Shares as treasury shares; and/or (iii) otherwise deal with such Shares in the manner provided and to the fullest extent permitted under the Companies Act,

be and is hereby authorised and approved generally and unconditionally;

- (2) unless varied or revoked by an ordinary resolution of Shareholders of the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which purchases of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; and
- (c) the date on which the authority conferred by the Share Purchase Mandate, if renewed, is revoked or varied by the Company in general meeting;

- (3) in this Resolution:

“**Maximum Limit**” means 10% of the issued Shares (excluding treasury shares) as at the date of the passing of this Resolution;

“**Maximum Price**” in relation to a Share to be purchased or acquired, means an amount (excluding ancillary expenses such as brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

- (a) in the case of an On-Market Purchase, 105% of the average of the closing market prices of the Shares over the last five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST, immediately preceding the date of the On-Market Purchase by the Company and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Day period; and
- (b) in the case of an Off-Market Purchase, 120% of the average of the closing market prices of the Shares over the last five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST, immediately preceding the day on which the Company makes an announcement of its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**Market Day**” means a day on which the SGX-ST is open for trading in securities; and

- (4) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[see explanatory note (iii)]

(Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Teo Meng Keong
Chan Lai Yin
Joint Company Secretaries

Singapore

Dated: 11 April 2016

Explanatory Notes:

- (i) The detailed information of Dr John Chen Seow Phun, Mr Tam Wai and Mr Ho Nee Kit can be found under the section entitled 'Board of Directors' on page 9 of the Annual Report. Save for Mr Ho Nee Kit and Mr Tam Wai who are also substantial shareholders holding 12.88% and 12.84% of the Company's share capital respectively, there are no relationships (including immediate family relationships) between these Directors and the other Directors (except for Mr Ching Heng Yang, Mr Ho Nee Kit and Mr Tam Wai where they are concert parties), the Company or its 10% shareholders.
- (ii) **Ordinary Resolution 8** proposed in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next AGM to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.
- (iii) **Ordinary Resolution 9** proposed in item 8, if passed, will empower the Directors of the Company from the date of AGM until the next of AGM of the Company or the date by which the next AGM of the Company is required by law to be held, or the date on which the authority contained in the Share Purchase Mandate is varied or revoked by the Company in a general meeting or the date on which Share Purchase are carried out to the full extent mandated, whichever is earlier, to purchase or otherwise acquire ordinary shares in the capital of the Company by way of market purchases or off-market purchases pursuant to an equal access scheme of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the price of up to but not exceeding the Maximum Price as defined in the Appendix dated 11 April 2016. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the illustrative financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2015 are set out in greater detail in the Appendix dated 11 April 2016.

Notes:

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

NOTICE OF ANNUAL GENERAL MEETING

2. Where a member (other than a Relevant Intermediary) appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.
3. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to different share or shares held by him (which number and class of shares shall be specified).

"Relevant Intermediary" means:

- a) a banking corporation licensed under the Banking Act (Cap.19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - b) a person holding a capital markets services license to provide custodial services for securities under the Securities Futures Act (Cap.289) and who holds shares in that capacity; or
 - c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap.36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to the or in accordance with that subsidiary legislation.
4. Completion and return of his instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
 5. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675 not less than forty-eight (48) hours before the time appointed for holding the AGM.
 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
 8. Investors who have used their CPF monies ("CPF Investors") to buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint Chairman of the Meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN, subject to the shareholders' approval to the proposed final dividend at the forthcoming Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 5 May 2016 at 5.00 p.m. for the purpose of determining the entitlement of shareholders of the Company. Duly completed transfers in respect of Shares received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 5 May 2016 will be registered to determine Shareholders' entitlements to the proposed tax exempt (one-tier) final dividend. The tax exempt (one-tier) final dividend of 1.0 cent per ordinary share, if approved at the Annual General Meeting, will be paid on 13 May 2016.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FU YU CORPORATION LIMITED

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

Personal data privacy

By submitting an instrument appointing a proxy and/or representative, the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2016.

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "Companies Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Meeting.
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 the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be held at Bridge Rooms, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Tuesday, 26 April 2016 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your number of votes "For" or "Against" within the box provided.)

No.	Resolutions relating to:	No. of votes For*	No. of votes Against*
Ordinary Business			
1	Approval of Directors' Statement and Audited Financial Statements for the year ended 31 December 2015		
2	Approval of tax exempt (one-tier) final dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2015		
3	Re-election of Dr John Chen Seow Phun as a Director		
4	Re-election of Mr Tam Wai as a Director		
5	Re-election of Mr Ho Nee Kit as a Director		
6	Approval of Directors' fees of S\$258,000 for the financial year ending 31 December 2016, payable quarterly in arrears		
7	Re-appointment of Messrs KPMG LLP as Auditors		
Special Business			
8	Authority to issue new shares		
9	Proposed Renewal of Share Purchase Mandate		

* If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise please indicate the number of votes.

Dated this _____ day of _____ 2016

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Delete where inapplicable



Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

“Relevant Intermediary” means:

- a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
 - c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675 not less than forty-eight (48) hours before the time appointed for the AGM.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
 9. Investors who have used their CPF monies (“CPF Investors”) to buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint Chairman of the Meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



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