富裕
FuYu

2020
ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS
Dr John Chen Seow Phun, *Chairman*
Seow Jun Hao David
Hew Lien Lee
Tan Yew Beng
Foo Say Tun
Haytham T KH S Al Essa

EXECUTIVE DIRECTORS
Seow Jun Hao David
Hew Lien Lee

NON-EXECUTIVE DIRECTORS
Dr John Chen Seow Phun
Tan Yew Beng
Foo Say Tun
Haytham T KH S Al Essa

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

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

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

COMPANY SECRETARIES
Kong Wei Fung
Cheok Hui Yee

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Singapore 048623

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

Audit Partner: Chiang Yong Torng
Since financial year 2020

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

INVESTOR RELATIONS CONSULTANT
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CORPORATE PROFILE

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

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

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

To enhance its value add to customers and build mutually beneficial long term partnerships, the Group offers a One-Stop Solution to customers through its vertically integrated services.

Its comprehensive capabilities range from precision tool design and fabrication, precision injection moulding to secondary processes, such as silk screen printing, ultrasonic welding, heat staking and spray painting, as well as sub-assembly.

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

MISSION STATEMENT

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

CHAIRMAN'S MESSAGE

"Amid difficult conditions, Fu Yu has displayed resilience and delivered net profit growth of 33.3% in FY2020."

Dr John Chen Seow Phun
Chairman

DEAR SHAREHOLDERS,
On behalf of the Board of Directors, I am pleased to present Fu Yu Corporation Limited's ("Fu Yu" or the "Group") annual report for the financial year ended 31 December 2020 ("FY2020").

The year 2020 will always be remembered as an unprecedented period for communities, businesses and nations due to the myriad challenges caused by the Covid-19 crisis. The Covid-19 pandemic has unfortunately taken a heavy toll on human lives and led to the implementation of lockdown measures worldwide to contain the spread of the virus. This has in turn engendered major disruptions in business activities and precipitated a downturn in the global economy.

In the face of these disruptions and weaker external demand, we are encouraged that Fu Yu has displayed resilience. For FY2020, the Group delivered a commendable bottom line performance, defended its robust financial position and sustained its dividend payments to our shareholders.

FY2020 Financial Performance

The Group reported revenue of S$153.4 million in FY2020, down 21.0% from S$194.1 million in FY2019. This slowdown was attributed mainly to business disruptions resulting from government measures to address the pandemic, as well as the impact of weaker end-user demand as Covid-19 gripped many economies worldwide.

A silver lining in the face of this adversity was our Singapore operations which put up a resilient performance in FY2020 by delivering stable revenue and higher segment profit. On the other hand, the Group's Malaysia and China segments reported lower revenue in FY2020 compared to FY2019, due mainly to the coronavirus-induced business disruptions and dampened demand.

Notwithstanding the decline in revenue, the Group recorded an expansion in its gross profit margin to 24.0% in FY2020 from 19.7% in FY2019. This can be attributed mainly to the Group's efforts to enhance sales mix, a reduction in headcount, and ongoing initiatives to improve cost management and operational efficiencies.

At the bottom line, the Group notched up a 33.3% growth in net profit attributable to owners of the Company ("net profit") to S$16.9 million in FY2020 from S$12.7 million in FY2019. This was underpinned by improved profitability registered by our Singapore, Malaysia and China segments in FY2020 compared to FY2019.

Excluding the one-time expenses incurred in FY2020 and FY2019, the Group would still have registered relatively stable net profit of S$17.9 million in FY2020, compared to S$18.3 million in FY2019. These one-time expenses were related to the closure of the Group's factory in Chongqing ("Fu Yu Chongqing") in FY2020, and the cessation of our operations in Shanghai ("Fu Yu Shanghai") in FY2019.

As a demonstration of appreciation to our shareholders for their support and a reflection of our confidence in Fu Yu's future, the Group has proposed a final dividend of 1.25 cents per share which will maintain its total dividend payment at 1.6 cents per share for FY2020.

Leaner Operating Structure

Over the past two years, the Group has taken steps to streamline and optimise its operations in China. These initiatives have turned out to be timely as it placed the Group on a firmer footing to tackle the challenges brought on by the Covid-19 pandemic.

Following the consolidation of the Group's business activities in Shanghai and Suzhou during FY2019, the Group made a strategic decision to wind down Fu Yu Chongqing in FY2020. This was because changes in the business landscape have led to a decline in Fu Yu Chongqing's production volume. Fu Yu Chongqing ceased business activities during the last quarter of FY2020.

By streamlining our China operations, we were able to rationalise our overall cost structure and move forward with a leaner operating structure. Indeed, this has helped to blunt the impact of slower business conditions in the aftermath of the Covid-19 outbreak.

Nevertheless, the Group continues to have significant exposure to the China market through our factories located in Suzhou, Dongguan and Zhuhai. The China segment remained as a major revenue driver as it contributed to 45.1% of Group revenue in FY2020. Our Singapore operations accounted for 31.3% of revenue, with the remaining 23.6% derived from the Group's operations in Malaysia.

Looking Ahead

The operating environment is expected to stay challenging as most of the world's major economies continue to be mired in significant uncertainty. Around the world, we have seen various government restrictions on business operations, social activities and mobility being enforced again as new waves of infections surfaced. Notwithstanding the administration of Covid-19 vaccinations around the world, the resurgence of new infections and variants will continue to cloud the economic outlook and pose a concern on the recovery of business activities to pre-pandemic level.

Against this backdrop of uncertainty due to the Covid-19 pandemic and its impact on global demand, the Group foresees business headwinds to continue into FY2021. Any sudden changes in government measures to control Covid-19 infections could also have an impact on the Group's operations. In addition, the Group remains mindful of the ongoing political tensions, intense industry competition and price pressures, as well as movements in the US Dollar that could influence its financial performance.

With the concerted efforts and support of our people across the Group's operations in Asia, we will continue to navigate through these challenging times and adjust to a new normal in this Covid-19 pandemic.

We believe our key strategic thrusts – which are to maintain a diversified customer and product portfolio; optimise our operations; and safeguard our financial position – are the linchpins of the Group's sustained profitability amid a difficult business landscape in FY2020. The Group plans to continue with its current business strategies to achieve its goal of sustainable and profitable growth over the long term.

For business resilience and stability, we will strive to maintain a diverse exposure to customers and products. In particular, we will focus on products with longer life cycles and higher growth potential. The Group is continually evaluating current market trends and our product mix, and seeking business opportunities in line with our objectives.

In parallel with our business development efforts, the Group is working on initiatives to better manage costs and increase operational efficiency through automation which will help to mitigate the potential effects from a slowdown in the business environment. Besides looking at cost structure optimisation, we are also continually evaluating ways to enhance our manufacturing operations.

To this end, the Group's redevelopment project in Singapore to expand and strengthen its manufacturing operations remains underway following the gradual resumption of construction activities after the circuit breaker in 2020. Located at 9 Tuas Drive 1, this redevelopment project is presently scheduled for completion by the end of 2021, barring any unforeseen circumstances including but not limited to any changes in government measures due to the Covid-19 situation. The deadline for the assignment of the Group's premises at 5 Tuas Drive 1 has also been extended by another two years to 10 September 2022.

The Group closed FY2020 with a robust financial position, which places it in good stead to overcome hurdles and to pursue our long term goals. As at 31 December 2020, the Group had cash balance of S$106.6 million and zero borrowings. Shareholders' equity stood at S$172.3 million which translated into net asset value per share of 22.88 cents.

Appreciation

In January 2021, the co-founders of Fu Yu – Mr. Ching Heng Yang, Mr. Tam Wai and Mr. Ho Nee Kit (the "founders") – announced their decisions to retire and step down as directors. Fu Yu has come a long way since it was established in Singapore in 1978. Over the past 42 years, our founders have worked tirelessly to expand the Group's manufacturing footprint across Asia and grow Fu Yu into one of the largest manufacturers of precision plastic products in Asia today. The founders were recently presented with an opportunity to lower their shareholdings in Fu Yu, enter retirement and hand the reins over to a fresh leadership who they believe can bring value and expand the Group's boundaries.

On behalf of the Board, management and staff, I would like to recognise the founders' laudable achievements, and express our heartfelt appreciation for their unwavering commitment and contributions in the past 42 years at Fu Yu. We wish them well in their retirement and future endeavours.

Following the retirement of the founders, Fu Yu has taken steps to renew its Board with the appointment of new directors. I would like to welcome on board Mr. Seow Jun Hao David who has joined as Executive Director, and Mr. Haytham T KH S Al Essa who has been appointed as an Independent Director.

The Board and I would like to extend our gratitude to our management and staff for their contributions, hard work and relentless determination especially over the past year when we had to cope with unprecedented challenges and adapt swiftly to new modus operandi. Their efforts and commitment to safe management measures have been instrumental to the successful continuation of our Group's day-to-day business operations in Asia. We also wish to thank our valued shareholders, customers, suppliers and business partners for their continued trust and support of the Group.

In closing, we wish to reaffirm our belief in Fu Yu's long term sustainability amid this demanding period for many businesses as the Group has built a sound balance sheet to endure difficult times. I will sign off with my wish for all to stay safe and be in good health.

DR JOHN CHEN SEOW PHUN
Chairman

OPERATIONS REVIEW

REVENUE

For the year ended 31 December 2020 ("FY2020"), the Group's revenue softened 21.0% to S$153.4 million from S$194.1 million in FY2019 due to the challenging business environment. While sales of the Singapore segment held steady in FY2020, the Group's revenue was dampened by decreased sales of the Malaysia and China segments. The slowdown in sales was attributed mainly to business disruptions as a result of government measures that were put in place to deal with the Covid-19 situation, as well as weaker end-user demand due to a downturn in the global economy.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit eased 3.7% to S$36.8 million in FY2020 from S$38.2 million in FY2019. However, this translated into a higher gross profit margin of 24.0% in FY2020 from 19.7% previously.

In FY2020, the Group recognised one-time expenses of around S$0.8 million under its cost of sales, which was in relation to the closure of its factory in Chongqing, China ("Fu Yu Chongqing"). In comparison, the Group incurred one-time expenses of S$4.2 million in FY2019 due to the cessation of its factory operations in Shanghai, China ("Fu Yu Shanghai").

Excluding the one-time expenses related to Fu Yu Chongqing and Fu Yu Shanghai, the Group's gross profit margin in FY2020 remained higher at 24.5% compared to 21.9% in FY2019. This improvement was attributed mainly to the change in revenue mix, a reduction in headcount as well as the Group's ongoing initiatives to improve cost management and raise operational efficiencies.

OTHER INCOME

The Group recorded an increase in other income to S$8.7 million in FY2020 from S$7.1 million in FY2019. The increase was attributed mainly to gain on disposal of property, plant and equipment, and receipt of grants under government schemes to support businesses amid the Covid-19 pandemic ("government grants"), offset partially by lower interest and rental income. The government grants received in FY2020 amounted to around S$2.3 million.

SELLING AND ADMINISTRATIVE EXPENSES

The Group's selling and administrative expenses declined 17.4% to S$22.8 million in FY2020 compared to S$27.6 million in FY2019. The decrease was attributed mainly to reduction in headcount, ongoing cost control measures and lower one-time expenses related to the closures of Fu Yu Chongqing and Fu Yu Shanghai. The Group recorded one-time expenses of S$0.2 million for closure of Fu Yu Chongqing in FY2020. In comparison, the one-time expenses associated with the closure of Fu Yu Shanghai amounted to S$1.4 million in FY2019.

OTHER OPERATING EXPENSES

Other operating expenses increased to S$2.8 million in FY2020 from S$0.9 million in FY2019, due mainly to higher foreign exchange loss.

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

PROFITABILITY

The Group's profit before income tax climbed 21.0% to S$19.6 million in FY2020 from S$16.2 million in FY2019. Profit before tax excluding foreign exchange impact and share of results of joint venture ("operating profit") in FY2020 improved 29.0% to S$22.1 million from S$17.2 million in FY2019.

Excluding the one-time expenses totalling S$1.0 million and S$5.6 million in FY2020 and FY2019 respectively, the Group would have recorded profit before income tax of S$20.6 million in FY2020 compared to S$21.8 million in FY2019. Its operating profit would have increased to S$23.1 million from S$22.8 million in FY2019.

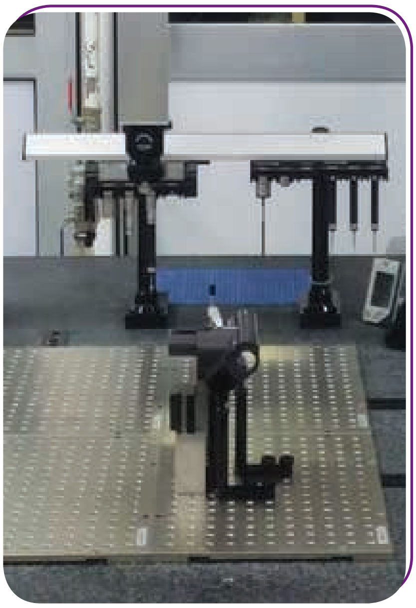
After deducting tax expenses, the Group's net profit attributable to owners of the Company ("net profit") grew 33.3% to S$16.9 million in FY2020 from S$12.7 million in FY2019. Excluding the one-time expenses in FY2020 and FY2019, the Group would have recorded net profit of S$17.9 million in FY2020 compared to S$18.3 million in FY2019.

FINANCIAL POSITION

The Group remained in a sound financial position as at 31 December 2020 with a cash balance of S$106.6 million and zero borrowings. Shareholders' equity stood at S$172.3 million, equivalent to net asset value of 22.88 cents per share (based on the total number of issued shares of approximately 753.0 million shares) which included cash and cash equivalents of around 14.2 cents per share.

Total assets as at 31 December 2020 increased to S$223.0 million from S$219.1 million as at 31 December 2019. This was attributed mainly to higher cash and cash equivalents which was offset partially by a reduction in trade and other receivables.

Total liabilities as at 31 December 2020 decreased to S$50.7 million from S$55.4 million as at 31 December 2019. This was attributable mainly to a decline in trade and other payables as well as lower lease liabilities.



The Group generated net cash from operating activities of S$32.7 million in FY2020. Net cash used in investing activities amounted to S$2.7 million during FY2020 as capital expenditure of S$6.1 million was offset partially by interest income and proceeds from disposal of property, plant and equipment. Net cash used in financing activities totalled S$9.4 million in FY2020, attributed mainly to the payment of dividends to shareholders of the Company and repayment of lease liabilities.

As a result of the above, the Group's cash and cash equivalents increased to S$106.6 million (including cash deposits pledged of S$0.08 million) at the end of FY2020 as compared to S$88.5 million as at 31 December 2019.

GEOGRAPHICAL SEGMENT REVIEW

SINGAPORE

Revenue of the Singapore segment increased S$1.7 million to S$48.0 million in FY2020 from S$46.3 million in FY2019. This was achieved on the back of higher sales of consumer and medical products, which helped to cushion against a decline in sales of printing & imaging products, as well as automotive products which was affected by a slowdown in the automotive industry amid the Covid-19 pandemic situation. The revenue contribution of Singapore segment expanded to 31.3% in FY2020 from 23.9% in FY2019.

Excluding the dividend income from Malaysia and China subsidiaries totalling S$13.3 million, Singapore segment would have recorded a higher profit of S$7.8 million compared to S$4.9 million in FY2019.

CHINA

The China segment's revenue decreased S$36.4 million to S$69.2 million in FY2020 from S$105.6 million in FY2019. This was attributed mainly to decreased sales from the printing & imaging, networking & communications, and consumer segments in FY2020. Orders received in these product segments fell in FY2020 due primarily to the temporary closure of manufacturing activities in China during the first quarter of 2020, and lower demand amid a deterioration in global economic conditions. The consolidation of the Group's factories in Shanghai and Suzhou had also led to some orders of the networking & communications segment being brought forward and fulfilled earlier in the fourth quarter of FY2019. As a result, China operations accounted for a lower 45.1% of Group revenue in FY2020 as compared to 54.4% in FY2019.

China segment's profit increased to S$4.6 million in FY2020 from S$1.8 million in FY2019 due mainly to lower one-time expenses relating to the closures of Fu Yu Chongqing in FY2020 and Fu Yu Shanghai in FY2019. Excluding these one-time expenses, China segment would have recorded a profit of S$5.6 million in FY2020 compared to S$7.4 million in FY2019.

MALAYSIA

Revenue from the Malaysia segment decreased S$6.0 million to S$36.2 million in FY2020 from S$42.2 million in FY2019. While Malaysia operations registered higher sales of medical products, this was offset partially by lower sales of consumer products and a slight dip in sales of power tools in FY2020. The decline in sales was due primarily to the Movement Control Order which led to a suspension of some customers' operations from the latter half of March 2020, as well as weaker demand conditions. In FY2019, the consumer segment also experienced exceptionally higher orders. Malaysia segment contributed 23.6% to Group revenue in FY2020 compared to 21.7% in FY2019.

Notwithstanding lower revenue, Malaysia segment's profit edged up to S$8.9 million in FY2020 from S$8.7 million in FY2019.

FINANCIAL HIGHLIGHTS

Financial year ended 31 December

INCOME STATEMENT SUMMARY

(S$ million)	FY2020	FY2019	Change
Revenue	153.4	194.1	(21.0%)
Gross Profit Margin	24.0%	19.7%	4.3 ppt
Profit Before Tax	19.6	16.2	21.0%
Operating Profit*	22.1	17.2	29.0%
Net Profit Attributable to Owners of the Company ("Net Profit")	16.9	12.7	33.3%
Net Profit excluding one-time expenses#	17.9	18.3	(2.0%)
Earnings Per Share (Cents)	2.25	1.69	33.3%

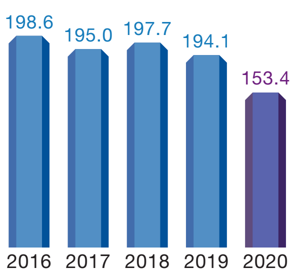
* *Profit Before Tax excluding foreign exchange impact and share of results of joint venture*
# *Incurred one-time expenses totalling S$1.0 million in FY2020 in relation to the closure of Fu Yu Chongqing, and S$5.6 million in FY2019 in relation to the closure of Fu Yu Shanghai*

BALANCE SHEET SUMMARY

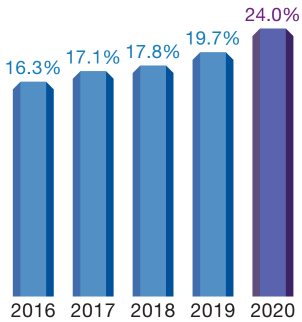
(S$ million)	As at 31 Dec 2020	As at 31 Dec 2019
Total Non-Current Assets	60.4	62.6
Total Current Assets	162.6	156.5
Total Non-Current Liabilities	7.8	8.8
Total Current Liabilities	42.9	46.7
Shareholders' Equity	172.3	163.6
Cash and cash equivalents	106.6	88.5
NAV per share (cents)	22.88	21.73

KEY FINANCIAL RATIOS

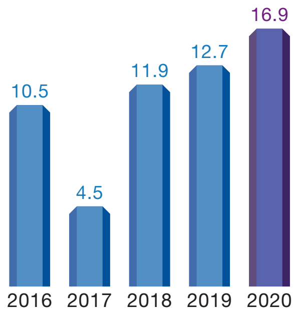
	FY2020	FY2019
Gearing	Zero debt	Zero debt
Return on Equity (excluding cash)	25.7%	16.9%
Dividend Per Share	1.6 cents	1.6 cents
Dividend Payout	71%	95%



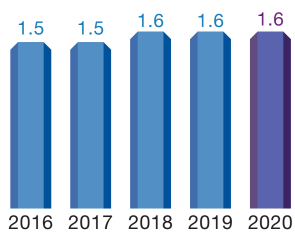
Revenue (S$ million)



Gross Profit Margin



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



Dividend Per Share (cents)

GROUP STRUCTURE

FU YU CORPORATION LIMITED

- Fu Yu Moulding & Tooling (Suzhou) Co., Ltd | 100%
  - Fu Yu Moulding & Tooling (Dongguan) Co., Ltd | 100%
  - Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd | 100%
  - Fu Yu Trading Limited | 100%*
- Fu Yu Investment Pte Ltd | 100%
  - LCTH Corporation Sdn Bhd | 100%
    - Classic Advantage Sdn Bhd | 100%
    - Fu Hao Manufacturing (M) Sdn Bhd | 100%
- Fu Yu Moulding & Tooling (Shanghai) Co., Ltd | 100%#
  - Fu Yu Moulding & Tooling (Chongqing) Co., Ltd | 100%#

* Under members' voluntary liquidation

\# Ceased manufacturing operations

BOARD OF DIRECTORS

Dr John Chen Seow Phun

Hew Lien Lee

Tan Yew Beng

DR JOHN CHEN SEOW PHUN

Non-Executive Chairman, Independent Director

Dr John Chen Seow Phun, 67, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007 and was last re-elected on 24 April 2019. He will stand for re-election as a Director in the forthcoming AGM. Dr Chen is the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees.

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

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

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

As at the date of this Annual Report, Dr Chen holds 0.13% direct interest in the Company.

HEW LIEN LEE

Executive Director, Chief Executive Officer and Chief Operating Officer

Mr Hew, 64, was appointed as Executive Director of the Company on 22 March 2007. He was last re-elected on 24 June 2020.

Mr Hew has over 40 years of experience in the plastic injection moulding industry and is in charge of the overall strategic direction and management of the Group. After joining Fu Yu in 1984, he was appointed as Managing Director of LCTH Corporation Sdn Bhd and played a key role in the successful expansion of its operations in Malaysia.

Mr Hew was appointed as the Group's Chief Operating Officer on 22 March 2007, and promoted to acting Chief Executive Officer on 21 May 2014. Since taking the reins as Chief Executive Officer on 26 February 2016, Mr Hew has been instrumental in the strategic development and growth of the Group's business. Mr Hew holds a Diploma in Electrical Engineering and is a member of the Singapore Institute of Directors.

As at the date of this Annual Report, Mr Hew holds 0.53% direct interest in the Company.

TAN YEW BENG

Non-Executive Director, Independent Director

Mr Tan, 64, was appointed as Director on 22 May 1995 and was last re-elected on 24 April 2019. He will stand for re-election as a Director in the forthcoming AGM. Mr Tan is the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees. He is also a director of several Singapore and Malaysia companies.

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

Mr Tan is serving actively in several social, education and community organisations. In recognition of his contribution to the community, Mr Tan was awarded the Public Service Medal (Pingat Bakti

Foo Say Tun

Seow Jun Hao David

Haytham T KH S Al Essa

Masyarakat – PBM) in 2008 and subsequently the Public Service Star (Bintang Bakti Masyarakat – BBM) in 2013. He is also a member of the Singapore Institute of Directors.

As at the date of this Annual Report, Mr Tan holds 0.34% direct interest in the Company.

FOO SAY TUN

Non-Executive Director, Independent Director

Mr Foo, 55, was appointed as Director on 27 November 2007 and was last re-elected on 24 June 2020. Mr Foo is presently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

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

As at the date of this Annual Report, Mr Foo does not hold any direct or indirect interest in the Company.

SEOW JUN HAO DAVID

Executive Director

Mr David Seow, 36, was appointed as Executive Director of the Company on 18 January 2021. He will stand for re-election as a Director in the forthcoming AGM. Mr Seow is responsible for the formulation and implementation of business plans and strategies of the Group. He works closely with senior management to enhance operational efficiency and processes and optimise financial position of the Group.

Mr Seow was the Senior Banker, Vice President of Structured Trade & Commodity Finance of Societe Generale, Singapore Branch from February 2011 to March 2020. Since May 2020, he is the Managing Director of Noir Asia Pte. Ltd. Mr Seow holds a Bachelor of Economics, Second Major in Finance from Singapore Management University.

As at the date of this Annual Report, Mr Seow does not hold any direct or indirect interest in the Company.

HAYTHAM T KH S AL ESSA

Non-Executive Director, Independent Director

Mr Haytham Essa, 47, was appointed as Non-Executive Director and Independent Director of the Company on 18 January 2021. He will stand for re-election as a Director in the forthcoming AGM. Mr Haytham is an international business professional who has built a successful 25-year career in natural resources including, energy, oil and gas, plastics and packaging. He was Distillates Trading Manager of Gunvor Singapore and Managing Director of Gunvor Middle East from 2008 to 2020. Gunvor is one of the world's largest independent commodities trading firm by turnover, providing logistics solutions that safely and efficiently move physical energy and bulk materials from sources to end users. Previously, Mr Haytham had held senior positions at multinational companies such as Cargill, Marubeni International. Mr Haytham has hands on experience in different key corporate functions including trading, marketing, procurement, and human resource management.

Mr Haytham holds an MBA from University of Chicago and a Bachelor of Science in Business Management from Kuwait University.

As at the date of this Annual Report, Mr Haytham holds 0.13% direct interest in the Company.

KEY EXECUTIVES

HEE SIEW FONG

Chief Financial Officer

Ms Hee, 49, joined the Group as Chief Financial Officer on 9 June 2016. She has more than 25 years of experience in both public and private sectors of which more than half was corporate finance work covering diverse areas including corporate accounting and reporting, treasury, risk management and investor relations.

At Fu Yu, Ms Hee is responsible for overseeing the Group's financial and management accounting, treasury, taxation, risk management and investor relations of our Group. She has also played a key role in several corporate exercises for the Group. These include the amalgamation of the company with two of its wholly-owned subsidiaries, Nano Technology Manufacturing Pte Ltd ("NTM") and SolidMicron Technologies Pte Ltd ("SMT"); the privatisation of LCTH Corporation Bhd (a subsidiary that was previously listed on Bursa Malaysia); a consolidation exercise to streamline and optimise the China operations; and rationalisation of the Group's structure.

Prior to joining Fu Yu, Ms Hee was the Chief Financial Officer of MFS Technology Ltd, Group Chief Financial Officer of Auric Pacific Group Limited, Group Financial Controller of SATS Ltd and Asia Enterprises Holding Limited. She is a member of both The Institute of Singapore Chartered Accountants and The Certified Public Accountants Australia. She holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University and a Master's degree in Business Administration from the National University of Singapore.

ONG KANG LYE

General Manager, Fu Yu Corporation Limited (Singapore operations)

Mr Ong, 53, joined the sales team of the Company in April 1994. In 2002, he was seconded to Classic Advantage Sdn Bhd to reform the system of Sales, Purchasing and Logistics departments for one year due to the relocation of manufacturing site by a major customer. From 2003 to 2014, Mr Ong held several positions in Fu Yu Singapore including Program Manager, Sales Manager, Account Director and Assistant General Manager. He was promoted to General Manager overseeing the entire operations and management of Fu Yu Singapore in November 2014.

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

ANG TONG LAM

General Manager, Fu Yu Suzhou

Mr Ang, 53, joined the Group in November 2017 and is responsible for the operations of Fu Yu Suzhou. Mr Ang started his career with Meiban Singapore in 1996 as a shift supervisor and was subsequently promoted to process engineer and then principal engineer. In 2003, he was posted to Meiban Shanghai as an Operations Manager and was promoted to General Manager in 2004. In 2013, he was promoted to Operations Director of Meiban China, overseeing the entire operations and management of Meiban Shanghai and Meiban Zhongshan. Mr Ang has more than 25 years of experience in plastic injection moulding industry and holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic. He has also completed the Master Molder I course conducted by RJG Inc.

TEH TUAN HOCK

General Manager, Fu Hao Penang

Mr Teh, 61, joined the Group in May 2003 as the Assistant General Manager of Fu Hao Penang overseeing the entire operations of the subsidiary. He was promoted to General Manager in July 2007. Mr Teh has been actively involved in developing new customers and diversifying product lines for Fu Hao Penang. He has also improved the factory operations through Lean implementation since 2008.

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

HOO LIANG HOCK

General Manager, Fu Yu Dongguan and Zhuhai

Mr Hoo, 53, joined the Group in June 2019 as General Manager of Fu Yu Dongguan and is responsible for the operations of Fu Yu Dongguan. As part of the Group strategy to rationalize the operations in southern China, he also oversees the operations of Fu Yu Zhuhai with effect from June 2020. Mr Hoo started his career with Sunningdale Singapore in 1990 as a shift supervisor and he has worked in companies like Seagate, Hewlett Package and Wyeth Nutritional before he shifted to China.

Prior to joining the Group, Mr Hoo had held the positions of Assistant General Manager and General Manager in several plastic injection moulding companies in China overseeing the entire operations, including sales and marketing. He has more than 20 years of experience in plastic injection moulding industry and holds a Diploma in Business Efficiency and Productivity (Supervisory Management) from National Productivity Board.

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CORPORATE MILESTONES

2019 – 2020

- Continued to streamline operations with closure of Chongqing factory in 2020
- Completed a consolidation exercise to optimise the Group's China operations by shifting the business activities of our Shanghai factory to our Suzhou factory
- Commenced redevelopment of our factory in Singapore

2017 – 2018

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

2016

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

2011 – 2015

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

2006 – 2010

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

2005

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

2004

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

2001 – 2003

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

1996 – 2000

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

1990 – 1995

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

1978

- Established and commenced operations in Singapore

* Ceased operations

AWARDS AND CERTIFICATIONS

AWARDS RECEIVED BY FU YU GROUP IN YEAR 2020

COMPANY	AWARDS
Fu Yu Corporation Ltd	Singapore 1000 Company 2020

CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2020

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

2021 CORPORATE CERTIFICATION PLAN

COMPANY	PLAN
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	ISO 13485:2016

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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 and good corporate governance processes to engender investor confidence and achieve long-term sustainable business performance.

This report describes Fu Yu's corporate governance policies and practices in accordance with the Principles and Provisions set out in the Singapore Code of Corporate Governance 2018 (the "Code"), with references to the accompanying Practice Guidance.

The Company is required under Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") to describe in this Annual Report its corporate governance practices with reference to both the Principles and Provisions of the Code and how the Company's practices conform to the Principles of the Code. Compliance with, and observation of, the Principles is mandatory and variations from Provisions are explained appropriately in this Annual Report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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

1. oversee the business affairs of the Group, monitor and review management performance;

2. approve corporate and strategic direction and policies with considerations for sustainability issues;

3. approve annual budgets, financial reporting, major funding and investment proposals;

4. ensure the Company's compliance with prescribed legislations and regulations that are relevant to the business;

5. establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interest and Company's assets;

6. set the company's values and standards (including ethical standards), and ensure obligations to shareholders and other stakeholders are understood and met;

7. identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; and

8. assume responsibility for corporate governance.

All the Directors exercise due diligence, independent judgment and consider the interests of the Group at all times in making decisions for the Group's affairs. Directors facing any conflicts of interest with the Group will recuse themselves from participating in any discussions and decisions on the transaction or proposed transaction involving the issues of conflict.

CORPORATE GOVERNANCE REPORT

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board has a code of conduct and ethics for Directors which assists Directors in the discharge of their duties, requiring them to adhere to the highest standards of integrity and accountability. This code covers key areas such as conflicts of interest, duty of confidentiality, directors' declaration of interest under the Companies Act, external appointments and dealings in shares.

The Board is supported by three (3) Board Committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board Committees include the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"). Each Board Committee is chaired by a Non-Executive and Independent Director. Each Board Committee has its own defined terms of reference which sets out the respective Board Committee's composition, duties, authority, responsibilities, required quorum, conduct of meetings and the accountability of each Board Committee. The key deliberations, recommendations and decisions of each Board Committee are reported to the Board by the Chair of the Board Committee.

The composition and terms of reference of each Committee and summary of its activities are detailed later in this report.

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

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

	Board		Audit Committee		Remuneration Committee		Nominating Committee		AGM	
Name of Director	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**
Dr John Chen Seow Phun	2	2	2	2	1	1	1	1	1	1
Ching Heng Yang(1)	2	2	2*	2*	–	–	–	–	1	1
Tam Wai(2)	2	2	2*	2*	–	–	–	–	1	1
Ho Nee Kit(2)	2	2	2*	2*	–	–	–	–	1	1
Hew Lien Lee	2	2	2*	2*	–	–	–	–	1	1
Tan Yew Beng	2	2	2	2	1	1	1	1	1	1
Foo Say Tun	2	2	2	2	1	1	1	1	1	1
Choo Boon Tiong(3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Seow Jun Hao David(4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Haytham T KH S Al Essa(5)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) By invitation
(1) Mr Ching Heng Yang has resigned as Vice Chairman of the Board and Executive Director with effect from 18 January 2021.
(2) Mr Tam Wai and Mr Ho Nee Kit have resigned as Executive Director with effect from 18 January 2021.
(3) Mr Choo Boon Tiong was appointed as Vice Chairman of the Board and Executive Director with effect from 18 January 2021 and resigned as Vice Chairman of the Board and Executive Director with effect from 31 March 2021.
(4) Mr Seow Jun Hao David was appointed as Executive Director with effect from 18 January 2021.
(5) Mr Haytham T KH S Al Essa was appointed as Independent Non-Executive Director with effect from 18 January 2021.

CORPORATE GOVERNANCE REPORT

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

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

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

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

4. announcements for public release, quarterly (if applicable), half year and full year results announcements;

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

6. dividend recommendations and payments; and

7. appointments and resignations of Directors.

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

Mr Seow Jun Hao David and Mr Haytham T KH S Al Essa, who are newly appointed, do not have any prior experience as a director of an issuer listed on the SGX-ST. They have attended and completed the requisite Listed Entity Directors Programme conducted by the Singapore Institute of Directors.

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

Access to Information

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this Annual Report, the Board comprises six (6) Directors of whom two (2) are executive and four (4) are independent and non-executive. The independent and non-executive Directors make up at least one-third of the Board.

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

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. Each Director is required to complete a 'Confirmation of Director's Independence' form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Provision 2.1 in the Code and the Practice Guidance to the Code, requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him/her not to be independent. None of the independent Directors is or has been employed by the Company or any of its related corporations in the current or any past three (3) financial years or has an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years, and whose remuneration is or was determined by the RC.

CORPORATE GOVERNANCE REPORT

In line with Guideline 2.4 of the Code of Corporate Governance 2012, the independence of Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun, who have served on the Board beyond nine (9) years from the dates of their first appointment, were subject to particularly rigorous review on their independence by members of the Board. The relevant factors that were taken into consideration in assessing the independence of Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun are set out under Principle 4. The NC, with the concurrence of the Board, is satisfied that Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun, having served on the Board for more than nine (9) years, continued to be considered independent. Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun have abstained from the review pertaining to their independence.

The NC is responsible for examining the size and composition of the Board and Board Committees. The Board has no specific policy on gender, age and ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The NC will, however, continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its recruitment exercise.

The Board has taken the following steps to maintain or enhance its balance and diversity:

1. Annual review by the NC to assess if the existing attributes and core competencies of the Directors are complementary to one another and will enhance the efficacy of the Board; and

2. Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which the Board is lacking.

Taking into account the scope and nature of the operations of the Group, the Board, in concurrence with the NC, is satisfied that the present size of six (6) Directors, aged between 36 to 67, is appropriate in facilitating effective decision-making. Board members comprise professionals with financial, accounting, legal and industry backgrounds who are able to contribute their area of expertise in leading the Group.

While the Board does not comprise any female director at the moment, its current composition with appropriate mix of expertise and experience enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board. No individual or group dominates the Board's decision-making process.

As at the date of this Annual Report, two (2) out of the six (6) Directors of the Board are non-independent. They are Mr Seow Jun Hao David and Mr Hew Lien Lee. To ensure greater accountability to shareholders, the Group has established the AC, RC and NC. Membership in each of the Board Committees comprises only Independent Directors.

The Non-Executive and Independent Directors contribute accounting and finance knowledge, legal expertise and business management experience to the Group, and provide the Executive Directors and the Management with diverse and objective perspectives on issues considered by the Board. They also aid in reviewing the performance of the Management in meeting agreed goals and objectives, and monitoring the reporting of performance and operations by the Company as an appropriate check and balance.

CORPORATE GOVERNANCE REPORT

Throughout the years, the Non-Executive and Independent Directors constructively challenge and assist to develop proposals on the Group's short-term and long-term strategies and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. Management provides the Independent Directors with accurate, complete and timely information. Further, the Independent Directors have unrestricted access to Management to query and request for further information on proposed significant transactions and the development of business strategies. The Non-Executive and Independent Directors meet without the presence of the Executive Directors and Management where necessary, and at least once a year, to facilitate a more effective check on Management. The Non-Executive Directors make up a majority of the Board as required under Provision 2.3 of the Code and the Board believes that there is a strong independent element on the Board as no individual or small group of individuals dominates the Board's decision-making process. Further, the Board has an independent Chairman. The Board is also satisfied that the current board composition reflects an appropriate balance of skills and experience, which the Group may tap for assistance in furthering its business objectives and shaping its business strategies.

The Board is therefore of the view that its size, and that of the Board Committees, and level of independence is appropriate and comprises Directors who as a group, have an appropriate balance and mix (as well as breadth and depth) of skills, knowledge and experience, and diversity of thought, so as to foster constructive and robust debate and avoid "groupthink". Hence, while there is no formal board diversity policy, the Board believes that its current composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2 of the Code.

The Company had on 18 January 2021 appointed new executive directors Mr Choo Boon Tiong and Mr Seow Jun Hao David to the Board, following the retirement of Mr Ching Heng Yang, Tam Wai and Mr Ho Nee Kit. Mr Choo and Mr Seow's professional experience and qualifications have been disclosed in separate announcements posted on the SGX website on 18 January 2021. Given their experience in the banking and finance fields, Mr Choo and Mr Seow have amassed valuable corporate experience and diverse knowledge of various businesses. The Board believes the Group can tap on their experience, knowledge, and business network to broaden strategic perspectives, drive improvements and facilitate new opportunities to generate shareholder value in future. Mr Choo had on 31 March 2021 resigned as Director of the Company. Further details of his resignation are disclosed in the SGXNet announcement made by the Company on 31 March 2021.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, no one individual has unfettered powers of decision-making.

The Board recognises the importance of the roles of Chairman and Chief Executive Officer ("CEO") being held by separate persons, hence the roles of Chairman of the Board and CEO are separate to ensure a clear division of responsibilities, increased accountability and greater capacity of the Board for independent decision-making. No one individual has unfettered powers of decision-making.

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

CORPORATE GOVERNANCE REPORT

The division of responsibilities between the Chairman and the CEO has been demarcated with the concurrence of the Board.

The roles of the Non-Executive Chairman include:

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

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

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

4. encouraging constructive relations within the Board and between the Board and the Management;

5. ensuring effective communication with shareholders; and

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

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

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

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

As at the date of this Annual Report, the NC comprises Mr Foo Say Tun, Mr Tan Yew Beng and Dr John Chen Seow Phun. The NC is chaired by Mr Foo Say Tun who is an Independent Director. All members of the NC are Independent Directors.

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

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

2. reviews the succession plans for the Directors and Management;

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

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

CORPORATE GOVERNANCE REPORT

5. reviews the training and professional development programmes for the Directors;

6. 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;

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

8. 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

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

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

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

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

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

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

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

In its annual review, the NC was of the view that Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun are objective and independent in expressing their views and in participating in deliberations and decision-making of the Board and Board Committees. None of these Directors fall under the circumstances described in Rule 210(5)(d) of the SGX Listing Rules. The NC, having considered the provisions set out in the Code, the Practice Guidance and any other salient factors as mentioned above, confirmed all of them are independent. Despite some of the Directors having other board representations, the NC is satisfied that these Directors are able to devote sufficient time and attention to attend to the affairs of the Company and adequately carry out their duties as Directors of the Company. Effective from 1 January 2022, Rule 210(5)(d)(iii) of the SGX Listing Rules provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer, and their respective associates. The Company will be seeking two-tier Shareholders' approval of the continued appointments as independent directors for Independent Directors that have served on the Board beyond nine (9) years from the dates of their first appointment in the forthcoming AGM ahead of Rule 210(5)(d)(iii) coming into effect on 1 January 2022.

CORPORATE GOVERNANCE REPORT

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

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

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independence, skills and experience. The NC has recommended the re-election of Mr John Chen Seow Phun and Mr Tan Yew Beng 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. The Board accepted the NC's recommendation and accordingly, the two (2) Directors will stand for re-election at the forthcoming AGM.

In addition, Mr Seow Jun Hao David and Mr Haytham T KH S Al Essa, who were newly appointed on 18 January 2021, will retire under Regulation 115 of the Company's Constitution and stand for re-election at the forthcoming AGM.

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

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

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

CORPORATE GOVERNANCE REPORT

Directors' key information

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 companies	Other Principal Commitments
Dr John Chen Seow Phun	27/11/2007	24/04/2019	Non-executive Chairman, Independent Director	1. Chairman of AC 2. Member of NC and RC	Present: 1. Pavillon Holdings Ltd 2. OKP Holdings Limited 3. Hiap Seng Engineering Ltd 4. Hanwell Holdings Ltd 5. Matex International Limited 6. Tat Seng Packaging Group Ltd 7. Hong Lai Huat Group Limited (previously known as HLH Group Ltd)	Director in: 1. JCL Business Development Pte Ltd 2. SAC Capital Private Limited 3. SAC Advisors Pte Ltd 4. JLM Foundation Ltd 5. Unigold Asia Limited 6. Pavillon Financial Leasing Co. Ltd 7. Pavillon Business Development (Shanghai) Co. Ltd 8. Fengchi IOT Management Co., Ltd
Mr Hew Lien Lee	22/03/2007	24/06/2020	Executive Director, CEO and Chief Operating Officer	–	Preceding three years: 1. LCTH Corporation Berhad	–
Mr Tan Yew Beng	22/05/1995	24/04/2019	Independent Non-Executive Director	1. Chairman of RC 2. Member of AC and NC	–	Director in: 1. Accord Corporation Pte Ltd 2. Locker & Lock Pte Ltd 3. Accord Corporation (2006) Sdn Bhd 4. Locker & Lock Sdn Bhd 5. Locker & Lock Solutions Pte Ltd 6. Locker & Lock Placement Pte Ltd 7. Locker & Lock Placement Sdn Bhd
Mr Foo Say Tun	27/11/2007	24/06/2020	Independent Non-Executive Director	1. Chairman of NC 2. Member of AC and RC	Present: 1. Moneymax Financial Service Limited Preceding three years: 1. Jubilee Industries Holdings Limited 2. Qingmei Group Holdings Limited 3. Sino Techfibre Limited	Director in: 1. Aquapro Solutions Pte Ltd 2. DynaGen Power Systems Pte Ltd 3. Ioni Water Pte Ltd 4. M Grade Services Pte Ltd 5. Business Foundation Pte Ltd 6. Eurosports Global Limited 7. ZWEEC Analytics Pte Ltd

CORPORATE GOVERNANCE REPORT

Directors' key information (cont'd)

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed companies	Other Principal Commitments
Mr Choo Boon Tiong (resigned on 31 March 2021)	18/01/2021	–	Vice Chairman and Executive Director	–	–	Director in: 1. Kyra Capital Pte Ltd 2. Solve Education Foundation Ltd 3. Cynosure Corporate Services Pte Ltd 4. Konundra Business Advisory Pte Ltd 5. Tiro Consulting Services Pte Ltd
Mr Seow Jun Hao David	18/01/2021	–	Executive Director	–	–	Director in: 1. Noir Asia Pte Ltd 2. Navitas Commodities Pte Ltd 3. Social Capital Partners Pte Ltd
Mr Haytham T KH S Al Essa	18/01/2021	–	Independent Non-Executive Director	–	–	Director in: 1. Long Gamma Pte Ltd

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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

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

CORPORATE GOVERNANCE REPORT

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

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

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

As at the date of this Annual Report, the RC 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, an Independent Director. All members of the RC are Independent Non-Executive Directors.

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

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

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

3. reviews all aspects of remuneration, including termination terms, to ensure they are fair;

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

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

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

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

The RC has unrestricted access to expert advice within and/or outside of the Company, when required. No remuneration consultants were engaged for the year in review.

CORPORATE GOVERNANCE REPORT

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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's performance and that of the Company and subsidiary companies. The remuneration package is designed to allow the Company to better align the interests of the Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance. As part of its review, the RC ensures that the performance-related elements of remuneration would form a certain proportion of the total remuneration package of Executive Directors and key management personnel. The remuneration for the Executive Directors comprises a base fee, a base salary, an allowance, an annual wage supplement and a profit-sharing bonus. The remuneration for the key management personnel comprises a basic salary, allowances and variable components which are the annual bonus and profit-sharing bonus based on the performance of the Company and subsidiary companies as well as individual contribution and performance which are assessed through performance appraisal that sets out various assessment criteria such as level of achievement of targets and responsibilities, leadership ability, initiative, etc.

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

The RC ensures that the remuneration of the Board is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

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

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

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

Save for the contributions to defined contribution plans as disclosed in Note 27 of the Audited Financial Statements for FY2020, the Company does not provide any other termination, retirement and post-employment benefits to the Directors, the CEO and key management personnel.

During FY2020, the RC had reviewed the remuneration framework and remuneration packages of Executive Directors and the key management personnel to ensure their competitiveness, as well as the Directors' fees for Non-Executive and Non-Independent Directors to ensure that it is appropriate to the level of contribution by the Directors, taking into account factors such as effort and time spent and responsibilities.

CORPORATE GOVERNANCE REPORT

Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Company supports and is aware of the need for transparency. The remuneration policy and the criteria for setting remuneration, as well as the relationships between remuneration, performance and value creation are disclosed in Principle 7: Level and Mix of Remuneration.

A breakdown showing the level and mix of remuneration paid to or accrued for each Director in bands of $100,000 for the year under review is tabulated as follows:

Name of Director	Fees %	Salary %	Bonus %	Allowances and Benefits %	Total %
Executive Directors					
S$1,000,000 to S$1,099,999					
Ching Heng Yang	1.1	60.4	32.1	6.4	100.0
Tam Wai	1.1	60.1	31.9	6.9	100.0
Ho Nee Kit	1.1	60.8	32.3	5.8	100.0
S$700,000 to S$799,999					
Hew Lien Lee	1.6	64.5	32.3	1.6	100.0
Non-Executive Directors					
Below S$100,000					
Dr John Chen Seow Phun	100.0	–	–	–	100.0
Tan Yew Beng	100.0	–	–	–	100.0
Foo Say Tun	100.0	–	–	–	100.0

The aggregate remuneration paid or payable to the Company's Directors is S$4,225,000 for FY2020.

While the Company has varied from Provision 8.1(a) of the Code which requires companies to disclose the specific remuneration of each director, the Board is of the opinion that full disclosure of the Directors' remuneration may have a negative impact on the Company, taking into consideration the competitive business environment in which the Company operates and the sensitivity and confidential nature of such disclosure. The Company is of the view that its corporate governance practice on this aspect is consistent with the intent of Principle 8. The Company has disclosed remuneration in bands of $100,000 as well as the aggregate remuneration paid or payable to the Company's Directors for FY2020. The Company has also given detailed disclosure on its remuneration policy and criteria for setting remuneration, as well as the relationship between remuneration, performance and value creation (see Principle 7: Level and Mix of Remuneration). The Company therefore believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an adequate understanding of the remuneration of its Directors and the CEO, consistent with the intent of Principle 8.

CORPORATE GOVERNANCE REPORT

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

Name of Key Management Personnel	Salary %	Bonus %	Allowances and Benefits %	Total %
S$250,000 to S$499,999				
Hee Siew Fong	66.0	30.4	3.6	100.0
Ong Kang Lye	51.3	43.0	5.7	100.0
Below S$250,000				
Ang Tong Lam	83.5	5.9	10.6	100.0
Tan Lay Kheng(1)	61.7	–	38.3	100.0
Teh Tuan Hock	61.9	26.1	12.0	100.0
Hoo Liang Hock	92.0	2.2	5.8	100.0

Note:
(1) Ms Tan Lay Kheng has retired as Group Human Resource Director with effect on 17 July 2020.

Due to the competitive nature of the industry that the Group operates in, the Board believes it is unwise to disclose the amount and breakdown of the remuneration of the top five key management personnel. The aggregate remuneration paid to the named key management personnel of the Company is S$1,586,000 for FY2020.

None of the Directors and the key management personnel of the Company has received any termination, retirement and post-employment benefits for FY2020.

Save as disclosed above, the Company confirms that there are no other employees of the Group who are substantial shareholders, or are immediate family members (as defined in the Listing Manual of SGX-ST) of a Director, the CEO or a substantial shareholder of the Company and whose remuneration exceeded S$100,000 during FY2020.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board acknowledges that it is responsible for the overall internal control framework and has implemented a system of internal controls designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems.

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

CORPORATE GOVERNANCE REPORT

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

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

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

Based on the framework of risk management controls and internal controls established and maintained by the Group, reports and reviews done by the internal and external auditors, including the reviews by the Management and the non-existence of any critical internal control deficiencies, the Board has received assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, as well as assurance from the CEO and other key management personnel who are responsible, that the Company's risk management and internal control systems are adequate and effective. Accordingly, the Board with the concurrence of the AC is of the opinion that there are adequate internal controls in place within the Group addressing financial, operational, compliance and information technology risks and that the internal controls and risk management systems are adequate and effective as at 31 December 2020. During FY2020, there were no material weaknesses identified in the Company's internal controls or risk management systems.

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

Principle 10: Audit Committee

The Board has an AC which discharges its duties objectively.

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

All AC members have extensive experience holding senior positions in the financial, legal and commercial sectors, and have sufficient accounting and financial management knowledge. The Board considers that the AC members are appropriately qualified to discharge their responsibilities competently. None of the AC members were previous partners or directors of the Company's external audit firm within the last two (2) years and none of the AC members holds any financial interest in the Company's external audit firm.

CORPORATE GOVERNANCE REPORT

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

The AC meets at least two (2) times a year. The AC carries out its functions in accordance with the Companies Act and its written Terms of Reference. In performing those functions, the AC:

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

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

3. reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

4. reviews the assurance from the CEO and CFO on the financial records and financial statements;

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

6. 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;

7. reviews the policy and 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;

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

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

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

11. makes recommendations to the Board on (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

During the year, the AC conducted a review of the scope and results of audit by KPMG LLP, their cost effectiveness, as well as their independence and objectivity. The AC has also undertaken a review of all non-audit services provided by KPMG and noted there was no non-audit services rendered during FY2020. The AC is satisfied that neither their independence nor their objectivity was put at risk, and that they were able to meet the audit requirements and statutory obligations of the Company. KPMG LLP has also provided a confirmation of their independence to the AC. Accordingly, the AC is satisfied that Rule 712 of the SGX-ST Listing Manual is complied with and has recommended to the Board, the nomination of the external auditor, KPMG LLP, for re-appointment at the forthcoming AGM.

The audit fees paid/payable to the KPMG LLP, overseas affiliates of KPMG LLP and other auditors for FY2020 amounted to S$131,000, S$136,000 and S$53,000 respectively. Non-audit fee paid/payable to other auditors amounted to S$25,000 in FY2020.

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

Internal Audit Function

From financial year 2019, the Company has appointed PricewaterhouseCoopers Risk Services Pte Ltd ("PwC") as its internal auditor. The internal auditor reports directly to the AC and would also report administratively to the CEO. In addition, the internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

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

CORPORATE GOVERNANCE REPORT

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

The AC, on an annual basis, reviews the adequacy and the effectiveness of the internal audit function by examining the internal auditor's scope of work and its independence and is satisfied that the internal audit function is independent, effective and adequately resourced.

Whistle-blowing Framework

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

Key Audit Matters

In its review of the financial statements of the Group for FY2020, the AC considered a number of significant matters and discussed with Management the accounting principles that were applied and their judgement of items that might affect the financial statements and also considered the clarity of key disclosures in the financial statements. The AC also met with the external auditors to discuss the audit findings as well as their audit.

During the audit of the financial statements for FY2020, one key audit matter ("KAM") was reported by the external auditors and is set out on page 48 of this Annual Report. The AC's commentaries on the reported KAM are set out below.

KAM	Audit Committee's Comments
Valuation of investment in subsidiaries, receivables from subsidiaries, and property, plant and equipment ("PPE")	The AC reviewed Management's impairment assessment on PPE using fair value less cost to sell ("FVLCTS"), determined by independent external valuers. The AC also considered the findings of the external auditors, including their assessment of the independence and competency of valuers, reasonableness of key assumptions used and appropriateness of the valuation methods under the FVLCTS approach. The AC was satisfied with Management's conclusion that no impairment is required for the Group's investment in subsidiaries and PPE. As one of the subsidiaries has improved in its financial performance and performed up to the expectations, the AC concurred with management's decision to reverse the impairment for receivables from subsidiaries.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholders Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company supports the Code's principle to encourage communication with and participation by shareholders. In FY2020, Shareholders are informed of general meetings, annual reports and circulars via SGXNET and the Company's website at the URL http://www.fuyucorp.com.

In accordance with provisions under COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("Covid-19 Order"), the forthcoming AGM will be convened and held by way of electronic means. No printed copies of the Notice of AGM, the Proxy Form and the Annual Report will be despatched to Shareholders. They are instead uploaded on the SGX website at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URLs http://www.fuyucorp.com/annual-reports/ and http://www.fuyucorp.com/AGM.

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

Each item of special business included in the notice of the meeting is accompanied by an explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and shareholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. The Chairmen of the AC, NC and RC are available at the meeting to answer those questions relating to the work of these committees. All Directors attend the general meetings of shareholders and the Company's external auditor is also present to address queries about the conduct of audit and the preparation and content of the auditors' report. The attendance of Directors for the AGM held on 24 June 2020 is disclosed on page 16.

The Company will prepare detailed AGM minutes, which include relevant comments and the questions received from shareholders relating to the agenda of the meetings, and responses from the Board and Management, if any. Once approved by the Board, these minutes are made available to shareholders upon their written request. In FY2020, the Company had published the minutes of AGM held on 24 June 2020 on its corporate website as contemplated by Provision 11.5 of the Code.

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

CORPORATE GOVERNANCE REPORT

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

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

In accordance with the provisions of the Covid-19 Order, shareholders who wish to exercise voting rights at the AGM must appoint the Chairman of the AGM as their proxy to vote on their behalf. An independent scrutineer is appointed to validate the votes cast for the AGM. The voting results of all votes cast for, or against, each resolution will be announced at the meeting and also on SGXNET after the meeting. The Company Secretary prepares the minutes of the general meeting. These minutes record substantive and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and the responses from the Board and Management. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one month after the date of the AGM.

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

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

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

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

One (1) interim dividend has been declared and paid during the year. The Company has proposed a final dividend of 1.25 cents per ordinary share for FY2020, subject to the shareholders' approval at the forthcoming AGM.

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company engages in regular, effective and fair communication with shareholders through announcements released to SGX-ST via SGXNET, annual reports, circulars and notice of shareholders' meetings prepared and made available on the Company's corporate website. Announcements released on the SGXNET include business updates, half year and full year results, material transactions and other developments relating to the Group which require disclosure under the corporate disclosure policy of SGX-ST. On 7 February 2020, the SGX-ST's rule on risk-based quarterly reporting came into effect, whereby listed companies may, unless otherwise required by the SGX-ST, report their results semi-annually. Following this, the Company has, unless otherwise required by the SGX-ST, reported its results semi-annually. The Company also maintains a website at www.fuyucorp.com where the public can access both business and financial information of the Group.

CORPORATE GOVERNANCE REPORT

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board recognises that to ensure that business is sustainable, the Group has to strike a balance between its business needs and the needs of the society and the environment in which the Group operates. The Board believes that to grow sustainably as a forward-looking corporate entity, the Group has to regularly reach out to all stakeholders, from its employees to the community, and to be responsible stewards of its natural environment. The Company has prepared its sustainability report in compliance with Rules 711A and 711B of SGX-ST Listing Manual. For more information on the Company's stakeholder engagement, please refer to the Company's sustainability report which will be available on the Company's website by 31 May 2021.

The Company's current corporate website, www.fuyucorp.com, also serves as an avenue through which the Company may communicate and engage with stakeholders.

DEALINGS IN SECURITIES

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

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

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

(c) the Company, Directors, officers and employees of the Group must not deal in the Company's securities (i) during the periods commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

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

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

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

There were no interested person transactions for the financial year ended 31 December 2020.

MATERIAL CONTRACTS

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

RISK MANAGEMENT REPORT

INTRODUCTION

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

RISK MANAGEMENT PROCESS

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

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

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

KEY RISKS IDENTIFIED BY THE MANAGEMENT

ECONOMIC RISK

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

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

COMPETITION RISK

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

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

RISK MANAGEMENT REPORT

PORTFOLIO RISK

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

Leveraging on its technology capabilities and competencies, the Group has increased its footprint in consumer, medical and automotive segments, thereby reducing the revenue concentration in printing and imaging segment from 50% in FY2011 to 21% in FY2020.

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

CUSTOMERS' CREDIT RISK

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

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

FINANCIAL RISK – FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

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

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

FINANCIAL RISK – LIQUIDITY AND CASH FLOW

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

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

RISK MANAGEMENT REPORT

INFRASTRUCTURE RISK

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

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

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

INVESTMENT RISK

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

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

MANUFACTURING DOWNTIME RISK

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

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

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

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

RISK MANAGEMENT REPORT

ENVIRONMENTAL, COMPLIANCE AND REGULATORY RISK

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

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

With the increased awareness of how business activities impact on the environment, the Group not only has to comply to regulatory requirements, but also the stringent requests imposed by its customers' sustainability policy. The Group's operating sites are ISO14001:2015.

HUMAN CAPITAL RISK

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

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

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

TECHNOLOGY RISK

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

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

RISK MANAGEMENT REPORT

INFECTIOUS DISEASES & PANDEMIC RISKS

The Group's business and operations have been affected by the unprecedented disruptions caused by the COVID-19 outbreak in 2020. The escalation of such infectious diseases to become a pandemic could have significant repercussions on businesses and the global economy due to health and fatality risks, and imposition of government measures such as lockdowns and travel restrictions.

Since the emergence of Covid-19 outbreak, the Group has quickly implemented necessary initiatives to protect our employees and minimise the impact of Covid-19 on our business operations. As the Group continues to operate its businesses in Singapore, Malaysia and China, we ensure that the Group is in compliance with the advisories issued by the various government agencies. Some of the measures we have put in place include remote working arrangements for employees in certain functions that do not need to be performed onsite, implementation of safe management measures to reduce physical interactions among employees in work premises, and practising high standards of personal hygiene.

Leveraging on technology, employees have continuous access to the ERP network, various applications, emails, files and other necessary information. Internal communications across the Group's various geographical locations continue to take place as per normal through mobile/online applications and conferencing solutions. As such, the Group's day-to-day operations remain intact and active during this challenging period, with internal disruptions kept to the minimum level possible. We also continue to engage our stakeholders through virtual meetings and email communications. The Group held its annual general meeting in 2020 ("AGM") by electronic means and communicated with Fu Yu's shareholders via online Q&A ahead of our AGM. The Group also provided timely updates of material business developments through SGXNET.

In April 2020, the Group temporarily suspended the construction work for a redevelopment project of its factory in Singapore during the circuit breaker period. Construction activities have since resumed for this redevelopment project which is presently scheduled for completion by the end of 2021 barring any unforeseen circumstances.

The Group will continue to monitor the impact of Covid-19 on our business and implement measures to ensure the safety and wellbeing of our employees, customers and other stakeholders. In addition, the Group continues to focus on initiatives to better manage costs and increase operational efficiency through automation to mitigate the potential effects from a slowdown in the business environment.

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 2020.

In our opinion:

(a) the financial statements set out on pages 51 to 117 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

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

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

DIRECTORS

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

Choo Boon Tiong	(Appointed on 18 January 2021)
Seow Jun Hao David	(Appointed on 18 January 2021)
Hew Lien Lee	
John Chen Seow Phun	
Tan Yew Beng	
Foo Say Tun	
Haytham T KH S Al Essa	(Appointed on 18 January 2021)

DIRECTORS' INTERESTS

According to the Register of Director's Shareholdings kept by the Company pursuant to Section 164 of 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	Holdings at 21 January 2021
Ching Heng Yang			
(Resigned on 18 January 2021)			
Fu Yu Corporation Limited			
– ordinary shares			
– interest held	88,965,475	88,965,475	15,534,638
– deemed interests	–	–	17,963,155

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings at 21 January 2021
Tam Wai			
(Resigned on 18 January 2021)			
Fu Yu Corporation Limited			
– ordinary shares			
– interest held	96,715,475	96,715,475	23,284,638
– deemed interests	300,000	300,000	18,263,155
Ho Nee Kit			
(Resigned on 18 January 2021)			
Fu Yu Corporation Limited			
– ordinary shares			
– interest held	96,999,225	96,999,225	23,568,388
– deemed interests	–	–	17,963,155
Tan Yew Beng			
Fu Yu Corporation Limited			
– ordinary shares			
– interest held	2,562,500	2,562,500	2,562,500
Hew Lien Lee			
Fu Yu Corporation Limited			
– ordinary shares			
– interest held	8,100,000	8,100,000	4,000,000
– deemed interests	–	–	1,002,970
John Chen Seow Phun			
Fu Yu Corporation Limited			
– ordinary shares			
– interest held	1,000,000	1,000,000	1,000,000

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

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

Except as disclosed in this statement, there were no changes in any of the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2021.

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.

DIRECTORS' STATEMENT

SHARE OPTIONS

During the financial year, there were:

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

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

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

AUDIT COMMITTEE

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

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

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

The Audit Committee has held two (2) 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;
- half yearly 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.

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

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the Board of Directors

Hew Lien Lee
Director

Seow Jun Hao David
Director

15 March 2021

INDEPENDENT AUDITORS' REPORT

Members of the Company
Fu Yu Corporation Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 117.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Valuation of investment in subsidiaries, receivables from subsidiaries and property, plant and equipment
- **Property, plant and equipment (refer to Note 4 to the financial statements)**
- **Investment in and receivables from subsidiaries (refer to Note 6 and Note 11 to the financial statements)**

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

Findings

The valuation methodologies used by independent external valuers to determine fair value less cost to sell were in line with generally accepted market practices and the key assumptions used were within the range of market data.

Other Information

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

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

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

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

INDEPENDENT AUDITORS' REPORT

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Chiang Yong Torng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
15 March 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-current assets					
Property, plant and equipment	4	51,758	54,040	19,858	18,995
Investment property	5	7,675	7,855	–	–
Subsidiaries	6	–	–	20,972	20,408
Other receivables	10	–	–	28,030	27,111
Joint venture	7	–	497	–	–
Deferred tax assets	8	972	178	–	–
		60,405	62,570	68,860	66,514
Current assets					
Inventories	9	13,252	16,373	3,339	3,410
Contract assets	17	1,723	1,722	588	572
Trade and other receivables	10	41,020	49,954	15,184	11,478
Tax recoverable		3	3	–	–
Cash and cash equivalents	12	106,561	88,455	59,616	50,566
		162,559	156,507	78,727	66,026
Total assets		222,964	219,077	147,587	132,540
Equity attributable to equity holders of the Company					
Share capital	13	102,158	102,158	102,158	102,158
Reserves	14	70,131	61,476	26,470	14,417
Total equity		172,289	163,634	128,628	116,575
Non-current liabilities					
Lease liabilities	16	6,554	7,254	5,284	5,628
Deferred tax liabilities	8	1,263	1,538	367	624
		7,817	8,792	5,651	6,252
Current liabilities					
Trade and other payables	15	38,011	40,918	11,706	8,513
Contract liabilities	17	389	717	71	131
Lease liabilities	16	589	2,142	163	162
Tax payable		3,869	2,874	1,368	907
		42,858	46,651	13,308	9,713
Total liabilities		50,675	55,443	18,959	15,965
Total equity and liabilities		222,964	219,077	147,587	132,540

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	17	153,442	194,128
Cost of sales		(116,618)	(155,901)
Gross profit		36,824	38,227
Other income	18	8,742	7,142
Selling and administrative expenses		(22,767)	(27,571)
Other operating expenses	19	(2,768)	(926)
Impairment loss of trade receivables and contract assets		(78)	(10)
Results from operating activities		19,953	16,862
Finance costs	20	(325)	(450)
Share of loss of joint venture (net of tax)	7	(26)	(207)
Profit before income tax	21	19,602	16,205
Tax expense	22	(2,687)	(3,515)
Profit for the year attributable to owners of the Company		16,915	12,690
Earnings per share			
Basic and diluted earnings per share	23	2.25 cents	1.69 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 $'000	2019 $'000
Profit for the year	16,915	12,690
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	1,484	(1,185)
Exchange differences realised on liquidation of a joint venture (2019: a subsidiary) reclassified to profit or loss	421	56
Other comprehensive income for the year (net of tax)	1,905	(1,129)
Total comprehensive income for the year attributable to owners of the Company	18,820	11,561

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
At 1 January 2019		102,158	(415)	8,480	789	(21,889)	74,998	164,121
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	12,690	12,690
Other comprehensive income		–	–	–	–	(1,129)	–	(1,129)
Foreign currency translation differences		–	–	–	–	(1,185)	–	(1,185)
Exchange differences realised on liquidation of a subsidiary reclassified to profit or loss		–	–	–	–	56	–	56
Total comprehensive income for the year		–	–	–	–	(1,129)	12,690	11,561
Transaction with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividends paid to owners of the Company	28	–	–	–	–	–	(12,048)	(12,048)
Total transactions with owners		–	–	–	–	–	(12,048)	(12,048)
Transfers between reserves								
Transfers to statutory reserve		–	–	10	–	–	(10)	–
At 31 December 2019		102,158	(415)	8,490	789	(23,018)	75,630	163,634

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
At 1 January 2020		102,158	(415)	8,490	789	(23,018)	75,630	163,634
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	16,915	16,915
Other comprehensive income		–	–	–	–	1,905	–	1,905
Foreign currency translation differences		–	–	–	–	1,484	–	1,484
Exchange differences realised on liquidation of a joint venture reclassified to profit or loss		–	–	–	–	421	–	421
Total comprehensive income for the year		–	–	–	–	1,905	16,915	18,820
Transaction with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividends paid to owners of the Company	28	–	–	–	–	–	(10,165)	(10,165)
Total transactions with owners		–	–	–	–	–	(10,165)	(10,165)
Transfers between reserves								
Transfers to statutory reserve		–	–	215	–	–	(215)	–
At 31 December 2020		102,158	(415)	8,705	789	(21,113)	82,165	172,289

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit before income tax		19,602	16,205
Adjustments for:			
Depreciation of property, plant and equipment and investment property	4, 5	9,418	11,651
Reversal of impairment loss on property, plant and equipment	4	–	(186)
Loss on liquidation of a subsidiary	19	–	60
Finance costs	20	325	450
Interest income	18	(1,029)	(1,698)
Gain on disposal of property, plant and equipment	18	(1,672)	(277)
Property, plant and equipment written off	19	264	307
Share of loss of joint venture (net of tax)	7	26	207
Unrealised foreign exchange (gain)/loss		(436)	257
		26,498	26,976
Changes in working capital:			
Inventories		3,501	317
Trade and other receivables		10,415	3,111
Contract assets		43	602
Trade and other payables		(4,601)	(1,537)
Contract liabilities		(351)	151
Cash generated from operating activities		35,505	29,620
Tax paid		(2,826)	(2,300)
Net cash from operating activities		32,679	27,320
Cash flows from investing activities			
Interest income received		1,029	1,698
Proceeds from disposal of property, plant and equipment		1,956	301
Purchase of property, plant and equipment		(6,116)	(7,283)
Proceeds from liquidation of joint venture	7	470	–
Withdrawal of short term investments		–	3,592
Net cash used in investing activities		(2,661)	(1,692)
Cash flows from financing activities			
Repayment of lease liabilities	16	(2,535)	(5,008)
Dividends paid to owners of the Company	28	(10,165)	(12,048)
Deposits pledged		3,299	(100)
Net cash used in financing activities		(9,401)	(17,156)
Net increase in cash and cash equivalents		20,617	8,472
Cash and cash equivalents at 1 January		85,068	77,018
Effect of exchange rate fluctuations on cash held		800	(422)
Cash and cash equivalents at 31 December	12	106,485	85,068

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 March 2021.

1 DOMICILE AND ACTIVITIES

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

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

- Note 4 – measurement of recoverable amounts of property, plant and equipment
- Notes 6 and 11 – recoverability of investments in and amounts due from subsidiaries
- Notes 25 – measurement of expected credit losses (ECL) allowance for trade and other receivables, and contract assets

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

- Note 5 – classification of investment property

Measurement of fair values

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

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

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

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

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

- Note 4 – property, plant and equipment
- Note 5 – investment property
- Note 25 – financial risk management

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in significant accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 101 and SFRS(I) 1-8)
- *Interest Rate Benchmark Reform* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounting policies have been applied consistently by Group entities.

3.1 Foreign currency

(i) Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Foreign currency (cont'd)

(ii) Foreign operations

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

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

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

3.2 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is acquired set of activities and assets meet the definition of a business and control is transferred to the Group (see note ii). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

The Group measures goodwill at the date of acquisition as:

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

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

(ii) Subsidiaries

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

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

(iii) Loss of control

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

(iv) Investment in joint ventures

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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 joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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

3.3 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment property (cont'd)

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

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

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

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

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

Non-derivative financial assets (cont'd)

Financial assets at FVTPL

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

Financial assets: Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

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

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

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

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

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

Non-derivative financial assets: Subsequent measurement and gains and losses (cont'd)

Financial assets at amortised cost

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

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

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

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

(iii) Derecognition

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

(iii) Derecognition (cont'd)

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

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

(vi) Share capital

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

3.6 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(i) As a lessee (cont'd)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(i) As a lessee (cont'd)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received from investment property and sub-leased property under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECLs on:

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

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

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

Simplified approach

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

General approach

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

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

General approach (cont'd)

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

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

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

(ii) Joint venture

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

(iii) Non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

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

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

3.8 Inventories

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

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

3.9 Employee benefits

Defined contribution plans

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

Short-term benefits

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue recognition

Sale of goods

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

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

Revenue from tooling contracts

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

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

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

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

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

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

3.12 Finance income and finance costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Finance income and finance costs (cont'd)

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

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

3.13 Foreign currency gains and losses

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

3.14 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.15 Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax (cont'd)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Earnings per share

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

3.17 Segment reporting

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

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

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

3.18 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- SFRS(I) 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1)
- *Covid-19 Related Rent Concessions* (Amendment to SFRS(I) 16)
- *Sale or Contribution of Assets between an Investor and its Associate of Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)
- *Reference to the Conceptual Framework* (Amendments to SFRS(I) 3)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 1-16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to SFRS(I) 1-37)
- *Annual Improvements to SFRS(I)s 2018 – 2020*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties $'000	Factory equipment, plant and machinery $'000	Motor vehicles $'000	Office equipment and furniture and fittings $'000	Other assets $'000	Construction-in-progress $'000	Total $'000
Group							
Cost							
At 1 January 2019	77,503	217,011	3,343	10,461	10,056	2,945	321,319
Currency realignment	(1,028)	(2,060)	(23)	(134)	(130)	(8)	(3,383)
Additions*	4,942	3,816	97	315	714	1,533	11,417
Reclassification	3,332	170	–	–	–	(3,502)	–
Disposals/Write-off	(4,614)	(6,270)	(183)	(486)	(147)	–	(11,700)
At 31 December 2019	80,135	212,667	3,234	10,156	10,493	968	317,653
At 1 January 2020	80,135	212,667	3,234	10,156	10,493	968	317,653
Currency realignment	1,718	2,878	31	250	216	5	5,098
Additions*	628	3,714	–	173	387	1,895	6,797
Reclassification	150	–	–	–	–	(150)	–
Disposals/Write-off	(6,152)	(18,886)	(345)	(1,547)	(3)	–	(26,933)
At 31 December 2020	76,479	200,373	2,920	9,032	11,093	2,718	302,615
Accumulated depreciation and accumulated impairment losses							
At 1 January 2019	40,590	205,270	2,150	9,120	8,325	–	265,455
Currency realignment	(703)	(1,864)	(20)	(123)	(118)	–	(2,828)
Depreciation for the year	6,698	3,265	405	576	531	–	11,475
Disposals/Write-off	(3,315)	(6,224)	(183)	(479)	(102)	–	(10,303)
Reversal of impairment	–	(186)	–	–	–	–	(186)
At 31 December 2019	43,270	200,261	2,352	9,094	8,636	–	263,613
At 1 January 2020	43,270	200,261	2,352	9,094	8,636	–	263,613
Currency realignment	1,240	2,557	28	209	198	–	4,232
Depreciation for the year	4,530	3,430	389	421	473	–	9,243
Disposals/Write-off	(5,866)	(18,511)	(321)	(1,530)	(3)	–	(26,231)
At 31 December 2020	43,174	187,737	2,448	8,194	9,304	–	250,857
Carrying amounts							
At 1 January 2019	36,913	11,741	1,193	1,341	1,731	2,945	55,864
At 31 December 2019	36,865	12,406	882	1,062	1,857	968	54,040
At 31 December 2020	33,305	12,636	472	838	1,789	2,718	51,758

* Additions for the year ended 31 December 2020 included right-of-use assets of $7,000 (2019: $4,042,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold properties $'000	Factory equipment, plant and machinery $'000	Motor vehicles $'000	Office equipment and furniture and fittings $'000	Other assets $'000	Construction-in-progress $'000	Total $'000
Company							
Cost							
At 1 January 2019	26,612	29,883	1,758	2,253	3,088	–	63,594
Additions	1,982	2,107	96	99	227	942	5,453
Disposals/Write-off	(3,465)	(350)	(153)	(176)	(45)	–	(4,189)
At 31 December 2019	25,129	31,640	1,701	2,176	3,270	942	64,858
At 1 January 2020	25,129	31,640	1,701	2,176	3,270	942	64,858
Additions	–	1,327	–	116	7	1,835	3,285
Disposals/Write-off	(183)	(2,260)	–	(54)	–	–	(2,497)
At 31 December 2020	24,946	30,707	1,701	2,238	3,277	2,777	65,646
Accumulated depreciation and accumulated impairment losses							
At 1 January 2019	15,493	26,491	853	1,862	2,957	–	47,656
Depreciation for the year	719	831	310	234	144	–	2,238
Disposals/Write-off	(3,310)	(347)	(153)	(176)	(45)	–	(4,031)
At 31 December 2019	12,902	26,975	1,010	1,920	3,056	–	45,863
At 1 January 2020	12,902	26,975	1,010	1,920	3,056	–	45,863
Depreciation for the year	634	911	323	231	131	–	2,230
Disposals/Write-off	–	(2,252)	–	(53)	–	–	(2,305)
At 31 December 2020	13,536	25,634	1,333	2,098	3,187	–	45,788
Carrying amounts							
At 1 January 2019	11,119	3,392	905	391	131	–	15,938
At 31 December 2019	12,227	4,665	691	256	214	942	18,995
At 31 December 2020	11,410	5,073	368	140	90	2,777	19,858

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss

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

The recoverable amounts of the CGUs were estimated based on the higher of fair value less cost to sell and their value-in-use.

2020

As at 31 December 2020, the recoverable amounts of the Group's property, plant and equipment attributed to the CGUs were determined based on fair value less costs to sell, estimated based on the fair value of the leasehold properties and plant and machineries on liquidation. The fair value of the property, plant and equipment was determined by independent valuers with experience in the location and category of the properties and machineries being valued.

The fair value of certain leasehold properties as at 31 December 2020 amounts to approximately $73,107,000 (2019: $73,379,000) with the carrying amounts of $13,288,000 (2019: $14,334,000).

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss (cont'd)

2019

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

- 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.

- CGUs that are loss-making and are expected to generate economic benefits in the period of forecast: The recoverable amount has been determined based on the calculation of their value-in-use derived from management's cash flows projections for these CGUs. 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.

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

	China CGU 31 December 2019
Value-in-use assumptions:	
Average revenue growth rate	1%
Number of years projected in the discounted cash flows	5 years
Gross profit margin	19%
Terminal value of property, plant and equipment (as a % of cost)	4%
Pre-tax discount rate	18%

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INVESTMENT PROPERTY

	Group $'000
Cost	
At 1 January 2019	10,190
Currency realignment	(15)
At 31 December 2019	10,175
At 1 January 2020	10,175
Currency realignment	(6)
At 31 December 2020	10,169
Accumulated depreciation	
At 1 January 2019	2,147
Depreciation for the year	176
Currency realignment	(3)
At 31 December 2019	2,320
At 1 January 2020	2,320
Depreciation for the year	175
Currency realignment	(1)
At 31 December 2020	2,494
Carrying amounts	
At 1 January 2019	8,043
At 31 December 2019	7,855
At 31 December 2020	7,675

The buildings are leased to a third party (2019: leased to a third party and Berry Plastics Malaysia Sdn Bhd (a joint venture of the Group)).

The fair value of the investment property (fair value hierarchy of level 3) as at 31 December 2020 amounts to approximately $9,854,000 (2019: $9,860,000) and has been determined based on valuations performed by accredited independent valuers with recent experience in the location and category of investment properties being valued. The valuations are based on comparison method and the depreciated replacement cost method. The depreciated replacement cost method makes reference to the cost of replacing the buildings as new and allowing for depreciation. Key unobservable inputs correspond to replacement costs having regard to asset life, physical deterioration, functional and economic obsolescence. The comparison method involves comparing and adopting recent transactions as a yardstick and sale evidences involving other similar properties in the vicinity. The Group has assessed that the best use of its properties does not differ from their current use.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5 INVESTMENT PROPERTY (CONT'D)

The details of the investment property held by the Group as at 31 December 2020 is as follow.

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

6 SUBSIDIARIES

	Company	
	2020 $'000	2019 $'000
Equity investments, at cost	88,855	88,855
Forgiveness of amounts due from subsidiaries	10,072	10,072
	98,927	98,927
Impairment losses	(77,955)	(78,519)
	20,972	20,408

Impairment loss

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

2020

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6 SUBSIDIARIES (CONT'D)

Impairment loss (cont'd)

2019

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

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

- For subsidiaries that are loss-making and are expected to generate economic benefits in the period of forecast, the recoverable amount of investments for the remaining subsidiaries have been determined based on the calculation of their value-in-use derived from management's cash flows projections.

Based on management's assessment, the Company recognised a reversal of impairment loss of $564,000 in profit or loss for the year on a subsidiary due to improved financial performance. In 2019, the Company waived an amount due from a subsidiary of $741,000 and capitalised the waiver of debt as part of the investment in the subsidiary. Management did not expect to recover the waived debt from the subsidiary and recognised an impairment loss of $741,000 on the entire amount. If any of the subsidiaries is not able to achieve the forecasted results and realise the fair values of the assets and liabilities, the Company would be required to record additional impairment loss.

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

	Company	
	2020	**2019**
	$'000	**$'000**
At 1 January	78,519	77,778
(Reversal of)/Impairment loss	(564)	741
At 31 December	77,955	78,519

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6 SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Place of business	Effective equity interest held by the Group 2020 %	2019 %
Held by the Company:			
Fu Yu Investment Pte Ltd	Singapore	100	100
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (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 Trading Limited#	Hong Kong	100	100
Held through Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.:			
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd.	People's Republic of China	100	100
Held through Fu Yu Investment Pte Ltd:			
LCTH Corporation Sdn. Bhd	Malaysia	100	100
Held through LCTH Corporation Sdn. Bhd.:			
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	100	100
Classic Advantage Sdn. Bhd.	Malaysia	100	100

Under member's voluntary liquidation

KPMG Singapore is the auditor of Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries for consolidation purposes, except for LCTH Corporation Sdn. Bhd. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

7 JOINT VENTURE

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

Name of company	Country of incorporation/ Place of business	Effective equity interest held by the Group 2020 %	2019 %
Berry Plastics Malaysia Sdn Bhd#	Malaysia	–	40

Liquidated in 2020

The joint venture was held through its subsidiary, LCTH Corporation Sdn. Bhd., which had a 40% equity ownership interests in the entity. During the financial year, the Group has liquidated the joint venture with no gain or loss of liquidation.

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

	2020 $'000	2019 $'000
Revenue	–	–
Loss after income tax#	(65)	(519)
Total comprehensive income	(65)	(519)
Assets and liabilities		
Current assets^	1,176	1,243
Current liabilities	–	(1)
Net assets	1,176	1,242
Group's interest in net assets of investee at beginning of the year	497	705
Share of total comprehensive income	(26)	(207)
Currency realignment	(1)	(1)
Group's interest in net assets of investee prior to liquidation/ at end of the year	470	497
Less: Consideration received, representing net cash inflow from liquidation of joint venture	(470)	–
Carrying amount of interest in investee at end of the year	–	497

Includes:
- depreciation of Nil (2019: Nil)
- impairment on property, plant and equipment of Nil (2019: Nil)
- interest income of Nil (2019: $1,000)
- income tax expenses of Nil (2019: Nil)

^ Includes cash and cash equivalents of $1,176,000 (2019: $1,224,000)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

8 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Employee benefits	58	39	–	–	58	39	–	–
Others	295	254	–	(21)	–	–	–	(21)
Tax loss carry-forward	1,830	835	–	–	996	835	–	–
Property, plant and equipment	–	–	(2,474)	(2,467)	–	–	(1,421)	(1,477)
Deferred tax assets/(liabilities)	2,183	1,128	(2,474)	(2,488)	1,054	874	(1,421)	(1,498)
Set off of tax	(1,211)	(950)	1,211	950	(1,054)	(874)	1,054	874
Net deferred tax assets/(liabilities)	972	178	(1,263)	(1,538)	–	–	(367)	(624)

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

	At 1 January 2019 $'000	Recognised in profit or loss (Note 22) $'000	Exchange differences $'000	At 31 December 2019 $'000	At 1 January 2020 $'000	Recognised in profit or loss (Note 22) $'000	Exchange differences $'000	At 31 December 2020 $'000
Group								
Employee benefits	40	(1)	–	39	39	19	–	58
Others	357	(118)	(6)	233	233	54	8	295
Tax loss carry-forward	1,650	(813)	(2)	835	835	984	11	1,830
Property, plant and equipment	(2,228)	(241)	2	(2,467)	(2,467)	(8)	1	(2,474)
	(181)	(1,173)	(6)	(1,360)	(1,360)	1,049	20	(291)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

8 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

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

	Group	
	2020 $'000	2019 $'000
Unutilised tax losses	12,829	19,935
Unutilised investment allowances	–	2,586
	12,829	22,521

Other than the unutilised tax losses arising from certain China subsidiaries of $12,829,000 (2019: $19,935,000) which will expire between 2021 and 2025 (2019: 2020 and 2024), the remaining unutilised investment allowances do not expire under current tax legislation. Unutilised tax losses of Nil (2019: $1.9 million) expired during the financial year.

Unrecognised temporary differences relating to investments in subsidiaries

At the reporting date, a deferred tax liability of $196,000 (2019: $222,000) for temporary differences of $3,914,000 (2019: $4,440,000) related to undistributed earnings of certain subsidiaries of the Group were not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the next 12 months, but be retained for working capital purposes.

9 INVENTORIES

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Raw materials	6,716	8,582	1,509	1,375
Work-in-progress	1,157	1,140	91	57
Finished goods	5,379	6,651	1,739	1,978
	13,252	16,373	3,339	3,410

Movements in the allowance for stock obsolescence are as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At 1 January	1,025	1,269	148	115
Allowance made	168	656	13	72
Allowance reversed	(425)	(750)	–	–
Allowance utilised	(10)	(132)	(6)	(39)
Currency realignment	27	(18)	–	–
At 31 December	785	1,025	155	148

In 2020, the amount of inventories of $116,618,000 (2019: $155,901,000) were recognised as an expense during the year and included in "cost of sales" for the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables		38,107	46,520	10,663	8,856
Allowance for impairment of doubtful receivables		(43)	(92)	–	–
Net trade receivables		38,064	46,428	10,663	8,856
Other receivables		1,126	814	271	107
Amounts due from subsidiaries	11	–	–	31,970	29,139
Deposits		405	402	8	8
		39,595	47,644	42,912	38,110
Prepayments		517	1,040	92	91
Advances to suppliers		908	1,270	210	388
		41,020	49,954	43,214	38,589
Non-current		–	–	28,030	27,111
Current		41,020	49,954	15,184	11,478
		41,020	49,954	43,214	38,589

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 25.

11 AMOUNTS DUE FROM SUBSIDIARIES

		Company	
	Note	2020 $'000	2019 $'000
Amounts due from subsidiaries			
Current			
– trade		93	71
– non-trade		3,847	1,957
Non-current			
– non-trade		35,650	36,227
		39,590	38,255
Impairment losses – non-current		(7,620)	(9,116)
	10	31,970	29,139

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

11 AMOUNTS DUE FROM SUBSIDIARIES (CONT'D)

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

	Company	
	2020	2019
	$'000	$'000
At 1 January	9,116	9,116
Impairment loss reversed	(1,496)	–
At 31 December	7,620	9,116

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. Management assesses recoverability of amounts due from individual subsidiaries together with investments in those subsidiaries based on fair value less cost to sell (2019: fair value less cost to sell and value-in-use approach), as described in note 6. Based on management's assessment, the Company recognised a reversal of impairment loss of $1,496,000 (2019: Nil) in profit or loss for the year as a subsidiary had improved financial performance.

There is no allowance for doubtful debts arising from amounts due from subsidiaries (current). The Company's exposure to credit risk is disclosed in note 25.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at bank and in hand	51,414	24,794	24,112	6,109
Deposits with banks	55,147	63,661	35,504	44,457
Cash and cash equivalents	106,561	88,455	59,616	50,566
Deposits pledged	(76)	(3,387)		
Cash and cash equivalents in the consolidated statement of cash flows	106,485	85,068		

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

Deposits with financial institutions mature on varying periods within 3 months (2019: 3 months) from the financial year end. Effective interest rates range from 0.2% to 2.29% (2019: 1.10% to 4.05%) per annum.

Cash and bank balances totalling the equivalent of $25,184,000 (2019: $13,345,000) are held in a country which operates foreign exchange controls.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

13 SHARE CAPITAL

	Group and Company	
	2020	2019
	No. of shares	
Fully paid ordinary shares, with no par value:		
On issue at 1 January and 31 December	752,994,775	752,994,775

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

Capital management

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

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

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

– Gearing ratio.

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Net equity	192,613	185,863	129,264	117,211
Gearing ratio	26.3%	29.8%	14.7%	13.6%

The Group and the Company have complied with the externally imposed capital requirements for the financial years ended 31 December 2020 and 2019.

In addition, as disclosed in note 14, 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 2020 and 2019.

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 2020

14 RESERVES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Capital reserve	(415)	(415)	–	–
Statutory reserve	8,705	8,490	–	–
Revaluation reserve	789	789	789	789
Merger reserve	–	–	(1,425)	(1,425)
Foreign currency translation reserve	(21,113)	(23,018)	–	–
Retained earnings	82,165	75,630	27,106	15,053
	70,131	61,476	26,470	14,417

Capital reserve

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

Statutory reserve

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.

Revaluation reserve

The revaluation reserve represents increase in the fair value of certain properties that were subject to one-off revaluation exercise conducted in 1994. Any revaluation surplus will remain in revaluation reserve upon the ultimate disposal of the properties.

Merger reserve

The merger reserve relates to the amalgamation of two subsidiaries (the "amalgamated subsidiaries") into the Company using the "as-if-pooling" method. It represents (1) retained earnings of the amalgamated subsidiaries, (2) the difference between the Company's cost of investment (net of impairment made in prior years) and share capital of the amalgamated subsidiaries, and reversal of impairment on receivables of the amalgamated subsidiaries made in prior years.

Foreign currency translation reserve

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade payables	16,177	18,896	3,574	2,747
Accrued expenses	11,546	12,741	5,179	4,667
Amounts payable for purchase of property, plant and equipment	1,171	495	570	447
Other payables	7,885	6,902	1,899	403
Amounts due to subsidiaries				
– trade	–	–	45	20
– non-trade	–	–	–	3
Deposits	798	1,663	5	5
	37,577	40,697	11,272	8,292
Advance billings	434	221	434	221
	38,011	40,918	11,706	8,513

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

16 LEASE LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Non-current liabilities				
Lease liabilities	6,554	7,254	5,284	5,628
Current liabilities				
Lease liabilities	589	2,142	163	162

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 25.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

16 LEASE LIABILITIES (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding lease liabilities are as follows:

	Currency	Nominal interest rate	Year of maturity	2020 Face value $'000	2020 Carrying amount $'000
Group					
Lease liabilities	SGD	3.44%-3.91%	2041-2044	8,009	5,447
Lease liabilities	MYR	6.90%-6.95%	2021-2024	48	47
Lease liabilities	RMB	4.75%	2021-2024	1,802	1,649
				9,859	7,143
Company					
Lease liabilities	SGD	3.44%-3.91%	2041-2044	8,009	5,447

	Currency	Nominal interest rate	Year of maturity	2019 Face value $'000	2019 Carrying amount $'000
Group					
Lease liabilities	SGD	3.44%-3.91%	2041-2044	8,653	5,790
Lease liabilities	MYR	6.90%-6.95%	2020-2024	1,107	1,084
Lease liabilities	RMB	4.75%	2020-2024	2,759	2,522
				12,519	9,396
Company					
Lease liabilities	SGD	3.44%-3.91%	2041-2044	8,653	5,790

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

16 LEASE LIABILITIES (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Lease liabilities S$'000
Group	
Balance at 1 January 2020	9,396
Changes in financing cash flows	
Payment of lease liabilities	(2,535)
Total changes from financing cash flows	(2,535)
Other changes	
Liability-related	
New lease	7
Remeasurement of lease liabilities	(156)
Interest expense	325
Currency realignment	106
Total liability-related other changes	282
Balance at 31 December 2020	7,143
Group	
At 1 January 2019	11,054
Changes in financing cash flows	
Payment of lease liabilities	(5,008)
Total changes from financing cash flows	(5,008)
Other changes	
Liability-related	
New lease	4,042
Remeasurement of lease liabilities*	(1,070)
Interest expense	450
Currency realignment	(72)
Total liability-related other changes	3,350
Balance at 31 December 2019	9,396

* Remeasurement of lease liabilities during 2019 as a result of early termination of leases during 2019.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

17 REVENUE

	Group	
	2020	2019
	$'000	$'000
Contracts with customers		
– Sale of goods	143,580	177,303
– Revenue from tooling contracts	9,862	16,825
	153,442	194,128

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

Sale of goods

Nature of goods or services	Manufacture and sub-assembly of precision plastic parts and components.
When revenue is recognised	Revenue is recognised at a point in time upon delivery and transfer of control of goods to the customer.
Significant payment terms	Payment is due when control of goods is transferred to the customer, upon delivery and acceptance by the customer. Invoices for sale of goods are payable between 0 to 120 days.
Obligations for returns and refunds, if any	Customer has the right to return the goods to the Group only if the goods are defective.
Obligations for warranties	Standard warranty terms are provided for defective products. These warranties form part of the contract and the customer does not need to purchase the warranty separately (i.e., standard warranty).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

17 REVENUE (CONT'D)

Tooling contracts

Nature of goods or services	Fabrication of precision moulds and dies.
When revenue is recognised	Tooling contracts for which (i) the assets created or generated by the Group's performance have no alternative use to the Group and (ii) the Group has an enforceable right to payment for performance completed to date, are recognised over time. The stage of completion is measured by reference to the stages and progress of work performed, based on records maintained by the Group. An expected loss on the tooling contract is recognised as an expense immediately when it is probable that total tooling cost will exceed total tooling revenue. For contracts that do not meet criteria (i) or (ii) above, revenue is recognised at a point in time when control is transferred to the customer upon completion of the performance obligation.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of contract milestones. If the value of the tooling services rendered exceeds payments received from the customer, a contract asset is recognised. Invoices for tooling contracts are payable between 0 to 95 days.
Obligations for returns and refunds, if any	Customer has the right to return the goods to the Group only if the goods are defective.
Obligations for warranties	Under the terms of the tooling contracts, the Group is obligated to make good, by repair or replacement, manufacturing defects that become apparent during the warranty period. Standard warranty terms are provided for the tools to supply an agreed number of products. These warranties form part of the contract and the customer does not need to purchase the warranty separately (i.e., standard warranty).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

17 REVENUE (CONT'D)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 24).

	Reportable segments							
	Singapore		China		Malaysia		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Group								
Major products/ service line								
Sales of goods	43,760	39,560	66,416	98,354	33,404	39,389	143,580	177,303
Revenue from tooling contracts	4,296	6,756	2,800	7,205	2,766	2,864	9,862	16,825
	48,056	46,316	69,216	105,559	36,170	42,253	153,442	194,128
Timing of revenue recognition								
Products transferred at a point in time	43,760	39,560	66,416	98,354	33,404	39,389	143,580	177,303
Services transferred over time	4,296	6,756	2,800	7,205	2,766	2,864	9,862	16,825
	48,056	46,316	69,216	105,559	36,170	42,253	153,442	194,128

Contract balances

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

		Group	
	Note	2020 $'000	2019 $'000
Trade receivables	10	38,064	46,428
Contract assets		1,723	1,722
Contract liabilities		(389)	(717)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

17 REVENUE (CONT'D)

Contract balances (cont'd)

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

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

	Contract assets		Contract liabilities	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue recognised from prior year balance	–	–	518	194
Cash received in advance and not recognised as revenue	–	–	(167)	(345)
Changes in measurement of progress	987	1,257	–	–
Contract asset reclassified to trade receivables	(1,030)	(1,858)	–	–

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

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

18 OTHER INCOME

	Group	
	2020	**2019**
	$'000	**$'000**
Interest income	1,029	1,698
Rental income		
– Investment property	397	635
– Sub-lease of leasehold property	1,070	2,874
– Others	18	35
Gain on disposal of property, plant and equipment	1,672	277
Sale of scrap and raw materials	970	727
Government grants	2,801	191
Others	785	705
	8,742	7,142

Government grant income relates mainly to Job Support Scheme ("JSS"), Levy Waiver & Rebate, Special Employment Credit ("SEC") grants and Wage Credit Scheme ("WCS").

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

19 OTHER OPERATING EXPENSES

	Group	
	2020	**2019**
	$'000	**$'000**
Foreign exchange loss, net	(2,504)	(745)
Reversal of impairment loss on property, plant and equipment	–	186
Property, plant and equipment written off	(264)	(307)
Loss on liquidation of a subsidiary	–	(60)
	(2,768)	(926)

20 FINANCE COSTS

	Group	
	2020	**2019**
	$'000	**$'000**
Interest expense		
– lease liabilities	325	450

21 PROFIT BEFORE INCOME TAX

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

		Group	
	Note	**2020**	**2019**
		$'000	**$'000**
Directors of the Company			
– fees		303	354
– salaries, bonuses and other costs		4,185	3,776
– contributions to defined contribution plans		(8)	51
Directors of subsidiaries			
– fees		–	3
Audit fees paid or payable to			
– auditors of the Company		131	138
– overseas affiliates of the auditors of the Company		136	164
– other auditors		53	72
Non-audit fees paid or payable to			
– auditors of the Company		–	–
– overseas affiliates of the auditors of the Company		–	–
– other auditors		25	59
Depreciation of property, plant and equipment and investment property	4, 5	9,418	11,651
Staff costs, excluding directors of the Company and subsidiaries			
– salaries, bonuses and other costs		37,171	44,202
– contributions to defined contribution plans		2,486	5,733
Closure cost for Chongqing/Shanghai factories		1,016	5,615
Operating expenses incurred in relation to investment property		212	198

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

22 TAX EXPENSE

	Group	
	2020 $'000	2019 $'000
Current tax expense		
Current year	3,568	2,061
Withholding taxes	213	310
Over provision in prior years	(45)	(29)
	3,736	2,342
Deferred tax expense		
Movements in temporary differences	186	1,696
Recognition of tax effect of previously unrecognised tax losses	(1,105)	(394)
Over provision in prior years	(130)	(129)
	(1,049)	1,173
Tax expense	2,687	3,515
Reconciliation of effective tax rate		
Profit before income tax	19,602	16,205
Tax calculated using Singapore tax rate of 17% (2019: 17%)	3,332	2,755
Effect of different tax rates in foreign jurisdictions	1,210	741
Tax exempt income	(843)	(880)
Non-deductible expenses	721	279
Tax incentives	(81)	(17)
Recognition of tax effect of previously unrecognised tax losses	(1,105)	(394)
Utilisation of investment allowances and tax losses previously not recognised	(1,065)	(727)
Write down of deferred tax assets previously recognised	–	355
Over provision in prior years	(175)	(158)
Current year tax losses and capital allowances for which no deferred tax asset was recognised	480	1,195
Withholding taxes	213	310
Others	–	56
	2,687	3,515

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

22 TAX EXPENSE (CONT'D)

Income tax for the subsidiaries in Malaysia is calculated at the statutory rate of 24% (2019: 24%) during the year.

Income tax for the subsidiaries in China is calculated at the statutory rate of 25% (2019: 25%) during the year except for one of the subsidiaries in China operates in western China of which the industry it operates in enjoys preferential tax rate of 15% in 2019.

23 EARNINGS PER SHARE

	Group	
	2020	**2019**
	$'000	**$'000**
Basic and diluted earnings per share is based on profit attributable to ordinary shareholders	16,915	12,690

	Number of shares 2020	**Number of shares 2019**
Weighted average number of ordinary shares (basic and diluted)	752,994,775	752,994,775
Basic and diluted earnings per share (cents)	2.25	1.69

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

24 OPERATING SEGMENTS

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

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

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

Concentration of revenue

Revenue of approximately $17,035,000 (2019: $24,791,000) relates to one (2019: one) external customers with revenue in excess of 10% of Group's revenue. This revenue relates to Singapore, Malaysia and China segments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

24 OPERATING SEGMENTS (CONT'D)

Geographical segments

	Singapore		China		Malaysia		Total operations before adjustment		Group adjustment and eliminations		Total operations	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and expenses												
Total external revenue	48,056	46,316	69,216	105,559	36,170	42,253	153,442	194,128	–	–	153,442	194,128
Inter-segment revenue	236	72	2	62	154	351	392	485	(392)	(485)	–	–
Segment profit before income tax*	25,080	18,866	8,108	6,901	12,206	13,860	45,394	39,627	(13,519)	(10,369)	31,875	29,258
Depreciation of property, plant and equipment and investment property	(2,230)	(2,238)	(4,143)	(4,632)	(3,256)	(4,926)	(9,629)	(11,796)	211	145	(9,418)	(11,651)
Finance cost	(210)	(176)	(95)	(92)	(20)	(182)	(325)	(450)	–	–	(325)	(450)
Foreign exchange (loss)/gain (net)	(1,541)	(1,324)	775	(350)	(57)	(84)	(823)	(1,758)	(1,681)	1,013	(2,504)	(745)
	21,099	15,128	4,645	1,827	8,873	8,668	34,617	25,623	(14,989)	(9,211)	19,628	16,412
Share of loss of joint venture (net of tax)	–	–	–	–	(26)	(207)	(26)	(207)	–	–	(26)	(207)
Profit before income tax											19,602	16,205
Tax expense											(2,687)	(3,515)
Net profit for the year											16,915	12,690

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

24 OPERATING SEGMENTS (CONT'D)

Geographical segments (cont'd)

	Singapore		China		Malaysia		Total operations before adjustment		Group adjustment and eliminations		Total operations	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other segment information												
Non-current assets	67,640	65,291	14,461	16,946	25,345	26,702	107,446	108,939	(48,013)	(46,547)	59,433	62,392
Unallocated assets											972	178
Total non-current assets											60,405	62,570
Capital expenditure**	3,285	3,472	1,234	1,865	2,271	2,038	6,790	7,375	–	–	6,790	7,375
(Reversal of)/Impairment losses on investment in subsidiaries	(564)	741	–	–	–	–	(564)	741	564	(741)	–	–
Reversal of impairment losses on amount due from subsidiaries	(1,496)	–	–	–	–	–	(1,496)	–	1,496	–	–	–
Interest income	456	977	95	107	478	614	1,029	1,698	–	–	1,029	1,698
Segment reporting assets	146,394	131,356	69,190	74,650	58,402	61,486	273,986	267,492	(51,997)	(48,596)	221,989	218,896
Unallocated assets											975	181
Total assets											222,964	219,077
Segment reporting liabilities	17,234	14,446	27,248	32,423	8,536	9,290	53,018	56,159	(7,475)	(5,128)	45,543	51,031
Unallocated liabilities											5,132	4,412
Total liabilities											50,675	55,443

** Excluding addition on right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

The maximum exposure to credit risk from trade and other receivables+, and contract assets at the reporting date by geographical areas is as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Singapore	10,130	8,782	7,969	6,039
China	16,365	26,492	952	738
Malaysia	5,348	6,023	305	371
United States	3,913	3,475	953	1,021
Hong Kong	21	4	2	–
Others	5,541	4,590	1,442	1,445
	41,318	49,366	11,623	9,614

\+ Excludes prepayments and advances to suppliers.

At the reporting date, there is a concentration of credit risk relating to one at group and two at company (2019: one at group and two at company) major customers with outstanding receivable balance of approximately $4,856,000 (2019: $7,977,000) and $5,698,000 (2019: $4,040,000) at the Group and the Company respectively.

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables and other receivables+, and contract assets which comprise a large number of small balances.

Loss rates are estimated based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Expected credit loss assessment (cont'd)

The following table provides information about the exposure to credit risks and ECL of trade receivables and other receivables+, and contract assets as at 31 December.

	2020		2019	
	Gross carrying amount $'000	**Impairment loss allowance $'000**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
Group				
No credit terms	2,130	–	2,124	–
Not past due	30,268	–	39,504	–
Past due 1 to 30 days	7,141	–	5,752	–
Past due 31 to 90 days	1,463	–	1,474	–
Past due more than 90 days	359	43	604	92
	41,361	43	49,458	92
Company				
No credit terms	596	–	580	–
Not past due	6,539	–	5,917	–
Past due 1 to 30 days	3,934	–	2,395	–
Past due 31 to 90 days	410	–	310	–
Past due more than 90 days	144	–	412	–
	11,623	–	9,614	–

+ Excludes prepayments and advances to suppliers.

Movements in the allowance for impairment loss in respect of trade and other receivables, and contract assets during the year are as follows:

	Group $'000	**Company $'000**
At 1 January 2019	424	1
Impairment loss recognised	10	–
Allowance utilised	(338)	(1)
Currency realignment	(4)	–
At 31 December 2019	92	–
At 1 January 2020	92	–
Impairment loss recognised	78	–
Allowance utilised	(131)	–
Currency realignment	4	–
At 31 December 2020	43	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $106,561,000 and $59,616,000, respectively at 31 December 2020 (2019: $88,455,000 and $50,566,000). The cash and cash equivalents are held with bank and financial institution counterparties with high credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Non-trade amounts due from related companies and subsidiaries

The Company held non-trade receivables from its related companies and subsidiaries of $39,497,000 (2019: $38,184,000). These balances are amounts lent to related companies and subsidiaries to satisfy funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, and available press information, if available), these exposures are considered to have low credit risk. Therefore impairment on these balances has been measured on the 12-month expected credit loss basis and reversal of net impairment loss of $1,496,000 (2019: Nil) (note 11) was recognised in profit or loss.

Liquidity risk

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

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
Non-derivative financial liabilities					
Group					
2020					
Trade and other payables#	37,577	37,577	37,577	–	–
Lease liabilities	7,143	9,859	859	2,806	6,194
2019					
Trade and other payables#	40,697	40,697	40,697	–	–
Lease liabilities	9,396	12,519	2,468	3,273	6,778

Excludes advance billings.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
Non-derivative financial liabilities					
Company					
2020					
Trade and other payables#	11,272	11,272	11,272	–	–
Lease liabilities	5,447	8,009	363	1,452	6,194
2019					
Trade and other payables#	8,292	8,292	8,292	–	–
Lease liabilities	5,790	8,653	375	1,500	6,778

Excludes advance billings

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

Market risk

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

Interest rate risk

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fixed rate instruments				
Financial assets	55,147	63,661	35,504	44,457

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis

The Group does not account for any fixed rate financial assets at FVTPL. Therefore, in respect of fixed rate instruments, a change in interest rates at the reporting date would not affect profit and loss.

Foreign currency risk

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

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

	Group		Company	
	2020 US dollar $'000	2019 US dollar $'000	2020 US dollar $'000	2019 US dollar $'000
Trade and other receivables	66,707	95,271	44,018	42,081
Cash and cash equivalents	67,365	56,337	49,919	46,666
Trade and other payables	(45,789)	(67,831)	(2,509)	(1,846)
	88,283	83,777	91,428	86,901

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 $882,000 (2019: $837,000) and decrease the Company's profit before income tax by approximately $914,000 (2019: $869,000). 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 2019.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classification and fair values

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity or re-pricing. Further, the fair value disclosure of lease liabilities is also not required.

	Designated at FVTPL $'000	Amortised costs $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2020				
Trade and other receivables+	–	39,595	–	39,595
Cash and cash equivalents	–	106,561	–	106,561
Trade and other payables#	–	–	(37,577)	(37,577)
	–	146,156	(37,577)	108,579
31 December 2019				
Trade and other receivables+	–	47,644	–	47,644
Cash and cash equivalents	–	88,455	–	88,455
Trade and other payables#	–	–	(40,697)	(40,697)
	–	136,099	(40,697)	95,402

	Amortised costs $'000	Other financial liabilities $'000	Total carrying amount $'000
Company			
31 December 2020			
Trade and other receivables+	42,912	–	42,912
Cash and cash equivalents	59,616	–	59,616
Trade and other payables#	–	(11,272)	(11,272)
	102,528	(11,272)	91,256
31 December 2019			
Trade and other receivables+	38,110	–	38,110
Cash and cash equivalents	50,566	–	50,566
Trade and other payables#	–	(8,292)	(8,292)
	88,676	(8,292)	80,384

\+ Excludes prepayments and advances to suppliers

\# Excludes advance billings

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

26 COMMITMENTS

Capital expenditure commitments

	Group		Company	
	2020 **$'000**	**2019** **$'000**	**2020** **$'000**	**2019** **$'000**
Capital expenditure contracted for as at the reporting date but not recognised in the financial statements	12,880	10,514	12,685	8,436

27 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	
	2020 **$'000**	**2019** **$'000**
Directors' fees	303	354
Short term employee benefits	5,691	5,154
Contributions to defined contribution plans	64	125
	6,058	5,633
Comprise amounts paid/payable to:		
– directors of the Company	4,480	4,181
– key executives	1,578	1,452
	6,058	5,633

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

27 RELATED PARTIES (CONT'D)

Other related party transactions

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

	Group	
	2020	**2019**
	$'000	**$'000**
Rental income from a joint venture	–	237

28 DIVIDENDS

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

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Paid by the Company to owners of the Company		
An interim dividend of 0.35 cents (2019: 0.35 cents) per qualifying ordinary share	2,635	2,635
Second interim dividend of Nil cents (2019: 0.25 cents) per qualifying ordinary share	–	1,883
Final dividend of 1.0 cents (2019: 1.0 cents) per qualifying ordinary share	7,530	7,530
	10,165	12,048

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	
	2020	**2019**
	$'000	**$'000**
Proposed by the Company to owners of the Company		
A final dividend of 1.25 cents (2019: 1.0 cents) per qualifying ordinary share	9,412	7,530

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

29 LEASES

Leases as lessee (SFRS(I) 16)

The Group and the Company lease certain properties and IT equipment 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.

The leases were entered into many years ago as combined leases of land and buildings.

The Group leases IT equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 4).

	Land and buildings 2020 $'000	Production equipment 2020 $'000	Total 2020 $'000
Cost			
At 1 January	15,053	26	15,079
Additions to right-of-use assets	7	–	7
Derecognition of right-of-use assets*	(5,743)	(7)	(5,750)
Currency realignment	157	–	157
At 31 December	9,474	19	9,493
Accumulated depreciation			
At 1 January	4,961	17	4,978
Depreciation for the year	2,355	–	2,355
Write off	(5,588)	(7)	(5,595)
Currency realignment	53	–	53
At 31 December	1,781	10	1,791
Carrying amount at 31 December	7,693	9	7,702

* Derecognition of right-of-use assets as a result of expiry/early termination of leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

29 LEASES (CONT'D)

Right-of-use assets (cont'd)

	Land and buildings 2019 $'000	Production equipment 2019 $'000	Total 2019 $'000
Cost			
At 1 January	12,202	21	12,223
Additions to right-of-use assets	4,032	10	4,042
Derecognition of right-of-use assets*	(1,066)	(4)	(1,070)
Currency realignment	(115)	(1)	(116)
At 31 December	15,053	26	15,079
Accumulated depreciation			
At 1 January	350	–	350
Depreciation for the year	4,653	18	4,671
Write off	(5)	–	(5)
Currency realignment	(37)	(1)	(38)
At 31 December	4,961	17	4,978
Carrying amount at 31 December	10,092	9	10,101

* Derecognition of right-of-use assets as a result of expiry/early termination of leases.

Information about leases for which the Group is a lessee is presented below.

Amounts recognised in profit or loss

	$'000
2020	
Interest on lease liabilities	325
Income from sub-leasing right-of-use assets presented in 'other income'	(1,070)
Expenses relating to short-term leases	24
2019	
Interest on lease liabilities	450
Income from sub-leasing right-of-use assets presented in 'other income'	(2,874)
Expenses relating to short-term leases	38

Amounts recognised in statement of cash flows

	2020 $'000	2019 $'000
Total cash outflow for leases	2,535	5,008

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

29 LEASES (CONT'D)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has no potential exercisable option as at 31 December 2020.

Leases as lessor

The Group leases out its investment property consisting of its investment property (see note 5). All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment property (see note 5) and sub-lease a leasehold property to a third party. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risk and rewards incidental to the ownership of the assets.

Rental income from investment property and property sublease recognised by the Group during 2020 was $1,467,000 (2019: $3,509,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	$'000
2020	
Less than one year	398
After 1 year but within 5 year	696
Total	1,094
2019	
Less than one year	1,376
Total	1,376

STATISTICS OF SHAREHOLDINGS

As at 10 March 2021

Number of Issued and Paid-up Share Capital	:	**S$102,157,996.20**
Number of Issued and Paid-up Shares	:	**752,994,775**
Class of Shares	:	**Ordinary Shares**
Voting Rights	:	**One Vote per Ordinary Share**
Number and Percentage of Treasury Shares	:	**Nil**
Number and Percentage of Subsidiary Holdings Held	:	**Nil**

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	76	1.06	3,139	0.00
100 – 1,000	352	4.92	179,817	0.02
1,001 – 10,000	3,187	44.54	16,553,675	2.20
10,001 – 1,000,000	3,502	48.94	224,163,991	29.77
1,000,001 AND ABOVE	39	0.54	512,094,153	68.01
TOTAL	**7,156**	**100.00**	**752,994,775**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 10 MARCH 2021

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Pilgrim Partners Asia (Pte) Ltd.[(1)]	–	–	224,392,511	29.80
Wang Shao Ren (Wang Shaoren) @ Ong Shao Jin[(1)]	–	–	224,392,511	29.80
UBS AG[(2)]	974,100	0.13	224,927,211	29.87
UBS Group AG[(3)]	–	–	225,901,311	30.00

Notes:

(1) Pilgrim is a fund manager. The 224,392,511 shares are currently held by Pilgrim though nominee(s). It is intended for the 224,392,511 shares to eventually be held by a variable capital company ("VCC") with Pilgrim as fund manager. It is intended for the VCC to be structured as a closed end fund with Wang Shao Ren (Wang Shaoren) @ Ong Shao Jin as a member holding an 85% shareholding interest.

(2) Deemed interests arising by virtue of (a) UBS AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act (Chapter 50) ("Act") in units over which subsidiaries/affiliates of UBS AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.

(3) Deemed interests arising by virtue of (a) UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Act in units over which subsidiaries/affiliates of UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.

STATISTICS OF SHAREHOLDINGS

As at 10 March 2021

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	246,012,911	32.67
2	DBS NOMINEES (PRIVATE) LIMITED	56,017,200	7.44
3	HO NEE KIT	23,568,388	3.13
4	TAM WAI	23,284,638	3.09
5	RAFFLES NOMINEES (PTE.) LIMITED	21,634,050	2.87
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	16,517,202	2.19
7	CHING HENG YANG	15,534,638	2.06
8	PHILLIP SECURITIES PTE LTD	10,797,225	1.43
9	IFAST FINANCIAL PTE. LTD.	9,945,050	1.32
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,958,055	1.19
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,471,897	0.86
12	HENG SIEW ENG	6,166,000	0.82
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,791,110	0.77
14	LOH TEE YANG	5,500,000	0.73
15	LIEW CHOON FONG	4,882,000	0.65
16	HEW LIEN LEE	4,000,000	0.53
17	DBSN SERVICES PTE. LTD.	3,559,900	0.47
18	ABN AMRO CLEARING BANK N.V.	3,228,050	0.43
19	LIM & TAN SECURITIES PTE LTD	3,073,200	0.41
20	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,923,000	0.39
	TOTAL	**477,864,514**	**63.45**

As at 10 March 2021, 60.54% of the issued and paid-up shares of the Company were held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Fu Yu Corporation Limited (the "Company") will be held by way of electronic means on Tuesday, 27 April 2021 at 3.00 p.m. (Singapore time) for the purpose of transacting the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2020 together with the Auditors' Report thereon.

   (Resolution 1)

2. To approve the payment of a final tax exempt (one-tier) dividend of 1.25 Singapore cents per ordinary share for the financial year ended 31 December 2020.

   (Resolution 2)

3. To re-elect the following Directors who will be retiring by rotation pursuant to Regulation 110 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Dr John Chen Seow Phun **(Resolution 3)**
   [see explanatory note (i)]

   (b) Mr Tan Yew Beng **(Resolution 4)**
   [see explanatory note (i)]

4. To re-elect the following Directors who will be retiring pursuant to Regulation 115 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr Seow Jun Hao David **(Resolution 5)**
   [see explanatory note (ii)]

   (b) Mr Haytham T KH S Al Essa **(Resolution 6)**
   [see explanatory note (ii)]

5. To approve the payment of Directors' fees of S$288,167 for the financial year ending 31 December 2021, payable quarterly in arrears (2020: S$303,000).

   (Resolution 7)

6. 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 8)

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

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

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

That authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercising share options or vesting of share awards, provided the share options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING

provided further that adjustments in accordance with sub-paragraphs (2)(i) and (ii) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(3) in this Resolution, "subsidiary holdings" shall have the meaning ascribed to it in the Listing Manual of the SGX-ST;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(5) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[see explanatory note (iii)]

(Resolution 9)

8. **Ordinary Resolution: Approval for the Continued Appointment of Dr John Chen Seow Phun as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders**

That, subject to and contingent upon the passing of Ordinary Resolution 3 by shareholders and the passing of Ordinary Resolution 11 by shareholders (excluding the directors, chief executive officer of the Company, and their associates) and in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST ("Listing Manual") (which will take effect from 1 January 2022):

(a) the continued appointment of Dr John Chen Seow Phun as an Independent Director be and is hereby approved; and

(b) the authority conferred by this resolution shall continue in force until the earlier of: (i) the retirement or resignation of Dr John Chen Seow Phun as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[see explanatory note (iv)]

(Resolution 10)

9. **Ordinary Resolution: Approval for the Continued Appointment of Dr John Chen Seow Phun as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders excluding the directors and the chief executive officer of the Company and their associates**

That, subject to and contingent upon the passing of Ordinary Resolutions 3 and 10 by shareholders and in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual (which will take effect from 1 January 2022):

(a) the continued appointment of Dr John Chen Seow Phun as an Independent Director be and is hereby approved; and

(b) the authority conferred by this resolution shall continue in force until the earlier of: (i) the retirement or resignation of Dr John Chen Seow Phun as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

[see explanatory note (iv)]

(Resolution 11)

NOTICE OF ANNUAL GENERAL MEETING

10. **Ordinary Resolution: Approval for the Continued Appointment of Mr Tan Yew Beng as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders**

    That, subject to and contingent upon the passing of Ordinary Resolution 4 by shareholders and the passing of Ordinary Resolution 13 by shareholders (excluding the directors, chief executive officer of the Company, and their associates) and in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual (which will take effect from 1 January 2022):

    (a) the continued appointment of Mr Tan Yew Beng as an Independent Director be and is hereby approved; and

    (b) the authority conferred by this resolution shall continue in force until the earlier of: (i) the retirement or resignation of Mr Tan Yew Beng as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

    [see explanatory note (iv)]

    (Resolution 12)

11. **Ordinary Resolution: Approval for the Continued Appointment of Mr Tan Yew Beng as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders excluding the directors and the chief executive officer of the Company and their associates**

    That, subject to and contingent upon the passing of Ordinary Resolutions 4 and 12 by shareholders and in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual (which will take effect from 1 January 2022):

    (a) the continued appointment of Mr Tan Yew Beng as an Independent Director be and is hereby approved; and

    (b) the authority conferred by this resolution shall continue in force until the earlier of: (i) the retirement or resignation of Mr Tan Yew Beng as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

    [see explanatory note (iv)]

    (Resolution 13)

By Order of the Board

Kong Wei Fung
Cheok Hui Yee
Joint Company Secretaries

Singapore
5 April 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) **Ordinary Resolutions 3 and 4** are to re-elect Dr John Chen and Mr Tan who will be retiring by rotation pursuant to Regulation 110 of the Constitution of the Company.

Dr John Chen will, upon re-election, remain as Independent Director, Chairman of the Board, Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. The Board considers him independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Tan will, upon re-election, remain as Independent Director, Chairman of the Remuneration Committee and member of the Nominating and Audit Committees. The Board considers him independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) **Ordinary Resolutions 5 and 6** are to re-elect Mr David Seow and Mr Haytham Al Essa who will be retiring pursuant to Regulation 115 of the Constitution of the Company.

Mr David Seow will, upon re-election, continue to serve as the Executive Director.

Mr Haytham Al Essa will, upon re-election, remain as Independent Director.

Detailed information on all retiring directors as mentioned under explanatory notes (i) and (ii) (including information as set out in Appendix 7.4.1. of the Listing Manual) can be found under “Board of Directors”, “Corporate Governance Report”, “Directors’ Statement” and “Additional Information on Directors Seeking Re-election” sections of the Company’s Annual Report.

(iii) **Ordinary Resolution 9**, if passed, will authorise and empower the Directors of the Company from the date of the AGM to issue Shares and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be allotted and issued would not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, of which the total number of Shares that may be issued other than on a pro-rata basis to shareholders shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time the resolution is passed. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

(iv) **Ordinary Resolutions 10, 11, 12 and 13** are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual which will take effect on 1 January 2022. Rule 210(5)(d)(iii) of the Listing Manual provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer, and their respective associates.

Dr John Chen and Mr Tan have served for more than nine years on the Board of the Company. The Company is seeking two-tier shareholders’ approval for the continued appointment of Dr John Chen and Mr Tan as Independent Directors prior to 1 January 2022. Directors and Chief Executive Officer of the Company, and their associates (as defined under the Listing Manual) are required to abstain from voting on proposed Ordinary Resolutions 11 and 13.

Ordinary Resolutions 10 and 11, if passed, will remain in force until the earlier of: (i) Dr John Chen’s retirement or resignation as Director of the Company; or (ii) the conclusion of the third AGM of the Company following the passing of such resolutions.

Ordinary Resolutions 12 and 13, if passed, will remain in force until the earlier of: (i) Mr Tan’s retirement or resignation as Director of the Company; or (ii) the conclusion of the third AGM of the Company following the passing of such resolutions.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to members. Instead, this Notice of AGM will be sent to members by electronic means via publication on the Company's website at the URL http://www.fuyucorp.com/AGM and on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("**Live Webcast**") or "live" audio-only stream ("**Live Audio Stream**"), submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to, or at, the AGM and voting by appointing the Chairman of the AGM as proxy, are set out in the accompanying Company's announcement dated 5 April 2021 ("**AGM Alternative Arrangements Announcement**"). The AGM Alternative Arrangements Announcement, this Notice of AGM, the Annual Report of the Company and the proxy form may be accessed at the Company's website at the URL http://www.fuyucorp.com/annual-reports/ and http://www.fuyucorp.com/AGM, as well as at the SGX website at the URL https://www.sgx.com/securities/company-announcements.

3. The proceedings of the AGM will be broadcasted "live" through an audio-and-video webcast and an audio-only feed. Members and investors holding shares in the Company through the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to follow the proceedings through a Live Webcast via their mobile phones, tablets or computers or listen to the proceedings through a Live Audio Stream must pre-register at https://conveneagm.com/sg/fuyu no later than 3.00 p.m. on 24 April 2021 ("**Registration Cut-Off Time**"). Following verification, an email containing instructions on how to access the Live Webcast and Live Audio Stream of the proceedings of the AGM will be sent to authenticated members and CPF/SRS investors by 12.00 p.m. on 26 April 2021. Members and CPF/SRS investors who do not receive any email by 12.00 p.m. on 26 April 2021, but have registered by the Registration Cut-Off Time, should contact the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at +65 6536 5355 during office hours for assistance.

   Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act) ("**Investors**") (other than CPF/SRS investors) will not be able to pre-register at https://conveneagm.com/sg/fuyu for the "live" broadcast of the AGM. An Investor (other than CPF/SRS investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order for the relevant intermediary to make the necessary arrangements to pre-register. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to the Company, via email to agm2021@fuyucorp.com no later than 3.00 p.m. on 24 April 2021.

4. **As the AGM will be held by way of electronic means, members will not be able to attend the AGM in person. A member (whether individual or corporate) will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

   The instrument appointing the Chairman of the AGM as proxy ("proxy form") may be accessed at the Company's website, pre-registration website and SGX website. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

5. The Chairman of the AGM, as proxy, need not be a member of the Company.

6. The proxy form is not valid for use by Investors (including CPF/SRS investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify his/her voting instructions. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions by 5.00 p.m. on 15 April 2021, being seven (7) working days before the date of the AGM.

7. The proxy form must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675; or

   (b) if submitted electronically, be submitted via email to the Company at agm2021@fuyucorp.com.

   in either case, not less than seventy-two (72) hours before the time appointed for holding the AGM.

   A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **Members are strongly encouraged to submit completed proxy forms electronically via email.**

NOTICE OF ANNUAL GENERAL MEETING

8. The proxy form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the proxy form 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 proxy form, failing which the proxy form may be treated as invalid.

9. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register, as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

10. **Members will not be able to ask questions "live" during the broadcast of the AGM. Members and CPF/SRS investors may submit questions relating to the business of the AGM no later than 3.00 p.m. on 24 April 2021:**

    (a) via the pre-registration website at https://conveneagm.com/sg/fuyu;

    (b) by email to agm2021@fuyucorp.com; or

    (c) by post to the registered office of the Company at 8 Tuas Drive 1, Singapore 638675.

    In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, members and Investors are strongly encouraged to submit their questions via the pre-registration website. The Company will endeavour to answer all substantial and relevant questions prior to, or at, the AGM.

    Investors (other than CPF/SRS investors) will not be able to submit questions relating to the business of the AGM via the above means. Instead, they should approach their relevant intermediaries as soon as possible in order for the relevant intermediaries to make the necessary arrangements for them to submit questions in advance of the AGM.

11. All documents (including the Annual Report, this Notice of AGM and the proxy form) or information relating to the business of the AGM have been, or will be, published on the Company's website and SGX website. **Printed copies of the documents will not be despatched to members.** Members and Investors are advised to check the Company's website or SGX website regularly for updates.

NOTICE OF RECORD DATE

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders of the Company (the "Shareholders") for the proposed final tax exempt (one-tier) dividend ("Final Dividend") of 1.25 Singapore cents per ordinary share in the capital of the Company for the financial year ended 31 December 2020 at the AGM, the Share Transfer Books and Register of Members of the Company will be closed on 17 May 2021 for the purpose of determining the entitlement of Shareholders to the Final Dividend.

Duly completed registrable transfers of ordinary shares of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 17 May 2021 will be registered to determine Shareholders' entitlements to the Final Dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company at 5.00 p.m. on 17 May 2021 will be entitled to the proposed Final Dividend.

Payment of the Final Dividend, if approved by Shareholders, will be made on 28 May 2021.

Personal data privacy

By (a) submitting a proxy form appointing the Chairman of the AGM to vote at the AGM and/or any adjournment thereof, (b) submitting any question prior to the AGM or (c) submitting the pre-registration form in accordance with this Notice, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof); processing the pre-registration forms for purposes of granting access to members for the Live Webcast or Live Audio Stream and providing viewers with any technical assistance, when necessary; addressing selected substantive questions from members received before or during the AGM; the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines, and (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Dr John Chen Seow Phun, Mr Tan Yew Beng, Mr Seow Jun Hao David and Mr Haytham T KH S Al Essa are the Directors seeking re-election at the forthcoming annual general meeting of the Company ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in the Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:–

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR SEOW JUN HAO DAVID	MR HAYTHAM T KH S AL ESSA
Date of Appointment	27 November 2007	22 May 1995	18 January 2021	18 January 2021
Date of last re-appointment	24 April 2019	24 April 2019	N.A.	N.A.
Age	67	64	36	47
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this re-appointment	The Nominating Committee ("**NC**"), having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Dr John Chen Seow Phun ("**Dr John Chen**"), recommended to the Board that Dr John Chen be nominated for re-election at the forthcoming AGM. The Board accepted the NC's recommendation and recommends shareholders to approve the re-election of Dr John Chen as Director of the Company.	The NC, having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Mr Tan Yew Beng ("**Mr Tan**"), recommended to the Board that Mr Tan be nominated for re-election at the forthcoming AGM. The Board accepted the NC's recommendation and recommends shareholders to approve the re-election of Mr Tan as Director of the Company.	The NC, having reviewed and considered the qualification, expertise, past experience and overall contribution of Mr Seow Jun Hao David ("**Mr David Seow**"), recommended to the Board that Mr David Seow be nominated for re-election at the forthcoming AGM. The Board accepted the NC's recommendation and recommends shareholders to approve the re-election of Mr David Seow as Director of the Company.	The NC, having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Mr Haytham T KH S Al Essa ("**Mr Haytham Al Essa**"), recommended to the Board that Mr Haytham Al Essa be nominated for re-election at the forthcoming AGM. The Board accepted the NC's recommendation and recommends shareholders to approve the re-election of Mr Haytham Al Essa as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Executive, Mr David Seow is responsible for the formulation and implementation of business plans and strategies. He works closely with senior management to enhance operational efficiency and processes, and optimise financial position of the Group.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman, AC Chairman, NC and RC member	Independent Non-Executive Director, RC Chairman, AC and NC member	Executive Director	Independent Director

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR SEOW JUN HAO DAVID	MR HAYTHAM T KH S AL ESSA
Professional Qualifications	PhD in Electrical Engineering from the University of Waterloo, Canada	1) Bachelor of Commerce Degree from Nanyang University 2) Graduate Diploma in Marketing Management from the Singapore Institute of Management 3) Diploma in Marketing from the Institute of Marketing, United Kingdom	Bachelor of Economics, 2nd Major in Finance from Singapore Management University	1) MBA from the University of Chicago 2) Bachelor of Science in Business Management from Kuwait University
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No	No
Conflict of interests (including any competing business)	No	No	No	No
Working experience and occupation(s) during the past 10 years	Dr John Chen was a member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. Dr John Chen was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, Dr John Chen was the Minister of State for National Department. Dr John Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. Dr John Chen taught at the National University of Singapore from 1983 to 1991. Presently, he is the Executive Chairman of Pavillon Holdings Ltd and Chairman of SAC Capital Private Limited	Mr Tan is the Chairman and Managing Director of several companies in Singapore and Malaysia. Mr Tan has more than 31 years of experience in business management.	Mr David Seow was a Senior Banker, Vice President, Structured Trade & Commodity Finance of Societe Generale, Singapore Branch from February 2011 to March 2020. Mr David Seow was the Managing Partner of Noir Asia Pte. Ltd., a post which he assumed from May 2020. He is also serves as a Director for Navitas Commodities Pte Ltd and Social Capital Partners Pte Ltd.	Mr Haytham Al Essa was the Distillates Trading Manager of Gunvor Singapore Pte Ltd, and Managing Director of Gunvor Middle East DMCC from 2008 to 2020. Presently, he is the Director of Long Gamma Pte. Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	DR JOHN CHEN SEOW PHUN	MR TAN YEW BENG	MR SEOW JUN HAO DAVID	MR HAYTHAM T KH S AL ESSA
Undertaking has been submitted to the listed issuer in the form of Appendix 7.7 under Rule 720(1)	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Direct: 1,000,000 ordinary shares (representing 0.13% shareholding interest) in Fu Yu Corporation Limited	Direct: 2,562,500 ordinary shares (representing 0.34% shareholding interest) in Fu Yu Corporation Limited	None	Direct: 1,000,000 ordinary shares (representing 0.13% shareholding interest) in Fu Yu Corporation Limited
Other Principal Commitments Including Directorships: Past (for the last 5 years)	1) National University Health System Pte Ltd 2) Exeterstar Holdings Pte Ltd 3) MHC Asia Holdings Pte Ltd	1) SA-Koyo Pte Ltd 2) Locker & Lock Solutions Sdn Bhd	Societe Generale, Singapore Branch	1) Gunvor Singapore Pte Ltd 2) Gunvor Middle East DMCC
Present	Directorships: 1) Pavillon Holdings Ltd 2) OKP Holdings Limited 3) Hiap Seng Engineering Ltd 4) Hanwell Holdings Ltd 5) Matex International Limited 6) Tat Seng Packaging Group Ltd 7) Hong Lai Huat Group Limited (previously known as HLH Group Ltd) Other Principal Commitments: 1) JCL Business Development Pte Ltd 2) SAC Capital Private Limited 3) SAC Advisors Pte Ltd 4) JLM Foundation Ltd 5) Unigold Asia Limited 6) Pavillon Financial Leasing Co. Ltd 7) Pavillon Business Development (Shanghai) Co. Ltd. 8) Fengchi IOT Management Co., Ltd	Directorships: 1) Accord Corporation Pte Ltd 2) Locker & Lock Pte Ltd 3) Locker & Lock Solutions Pte Ltd 4) Locker & Lock Placement Pte Ltd 5) Accord Corporation (2006) Sdn Bhd 6) Locker & Lock Sdn Bhd 7) Locker & Lock Placement Sdn Bhd Other Principal Commitments: 1) Joo Chiat Citizens' Consultative Committee 2) Joo Chiat Inter-Racial & Religious Confidence Circle 3) Singapore Buddhist Federation 4) Maha Bodhi School Management Committee 5) Manjusri Secondary School Management Committee 6) Singapore Hui Hwa Pugilistic Art Association 7) Singapore Hui Ann Association 8) The Association of Nanyang University Graduates 9) The Tan Lark Sye Professorship in Chinese Language and Culture Advisory Committee, NTU	Directorships: 1) Noir Asia Pte. Ltd. 2) Navitas Commodities Pte Ltd 3) Social Capital Partners Pte Ltd Other Principal Commitments: None	Directorships: Long Gamma Pte. Ltd. Other Principal Commitments: None

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

Dr John Chen Seow Phun, Mr Tan Yew Beng, Mr Seow Jun Hao David and Mr Haytham T KH S Al Essa have answered "No" to all the following questions.

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?

(c) Whether there is any unsatisfied judgment against him?

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–

  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

  (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or

  (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

  (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

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

IMPORTANT

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by way of electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to, or at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM and the accompanying Company's announcement dated 5 April 2021 ("**AGM Alternative Arrangements Announcement**").
3. The AGM Alternative Arrangements Announcement, the Notice of AGM and this proxy form have been made available on the Company's website at the URL http://www.fuyucorp.com/AGM and at the SGX website at the URL https://www.sgx.com/securities/company-announcements. Printed copies of the Notice of AGM and this proxy form will not be sent to members.
4. **A member will not be able to attend the AGM in person. A member will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.**
5. This proxy form is not valid for use by investors holding shares in the Company through relevant intermediaries ("**Investors**") (including investors holding through Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**")) and shall be ineffective for all intents and purposes if used or purported to be used by them. An investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks and SRS Operators to submit their voting instructions by 5.00 p.m. on 15 April 2021, being seven (7) working days before the AGM.

PROXY FORM

I/We, ______________________________ (Name) ____________________ (NRIC/Passport/Registration No.)

of ____ (Address)

being a member/members of Fu Yu Corporation Limited (the "**Company**"), hereby appoint the Chairman of the AGM as my/our proxy to attend, speak and to vote for me/us on my/our behalf at the AGM to be held by way of electronic means on **Tuesday, 27 April 2021 at 3.00 p.m. (Singapore time)** and at any adjournment thereof. I/We direct the Chairman of the AGM, being my/our proxy, to vote for or against, or to abstain from voting, on the resolutions to be proposed at the AGM as indicated under.

No.	Ordinary Resolutions relating to:	No. of votes For*	No. of votes Against*	No. of votes Abstain*
Ordinary Business				
1	Approval of Directors' Statement and Audited Financial Statements for the year ended 31 December 2020			
2	Approval of final tax exempt (one-tier) dividend of 1.25 Singapore cents per ordinary share for the financial year ended 31 December 2020			
3	Re-election of Dr John Chen Seow Phun as Director			
4	Re-election of Mr Tan Yew Beng as Director			
5	Re-election of Mr Seow Jun Hao David as Director			
6	Re-election of Mr Haytham T KH S Al Essa as Director			
7	Approval of Directors' fees of S$288,167 for the financial year ending 31 December 2021, payable quarterly in arrears			
8	Re-appointment of Messrs KPMG LLP as Auditors			
Special Business				
9	Authority to allot and issue new shares			
10	Approval of Dr John Chen Seow Phun's continued appointment as an Independent Director by shareholders			
11	Approval of Dr John Chen Seow Phun's continued appointment as an Independent Director by shareholders (excluding the Directors and the Chief Executive Officer of the Company and their associates)			
12	Approval of Mr Tan Yew Beng's continued appointment as an Independent Director by shareholders			
13	Approval of Mr Tan Yew Beng's continued appointment as an Independent Director by shareholders (excluding the Directors and the Chief Executive Officer of the Company and their associates)			

* Voting will be conducted by poll. Please indicate with a "X" in the spaces whether you wish your vote(s) to be cast for or against, or abstain from voting, in respect of all your Shares for each Resolution as set out in the Notice of AGM. Alternatively, you may indicate the number of Shares that you wish to vote for or against, and/or abstain from voting, for each Resolution in the relevant box. In the absence of specific directions in respect of a Resolution, the appointment of the Chairman as your proxy for that Resolution will be treated as invalid.

Dated this __________ day of ______________________ 2021

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

____
Signature(s) or Common Seal of Shareholders

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members.
2. **A member will not be able to attend the AGM in person. A member will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** This proxy form may be accessed from the Company's website at the URL http://www.fuyucorp.com/AGM, the pre-registration website at the URL https://conveneagm.com/sg/fuyu and the SGX website at the URL https://www.sgx.com/securities/company-announcements.

   Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the AGM as proxy must be submitted in the following manner:

   (a) if submitted by post, be lodged at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675; or

   (b) if submitted electronically, be submitted via email to the Company at agm2021@fuyucorp.com,

   in either case, no later than 3.00 p.m. on 24 April 2021, being not less than seventy-two (72) hours before the time appointed for holding the AGM.

   A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **Members are strongly encouraged to submit completed proxy forms electronically via email.**

Fold here

Affix Postage Stamp

FU YU CORPORATION LIMITED
8 Tuas Drive 1
Singapore 638675

Fold here

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing the Chairman of the AGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. For Investors (including CPF/SRS investors), this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks and SRS Operators to submit their voting instructions by 5.00 p.m. on 15 April 2021, being seven (7) working days before the AGM.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy). In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such members are not shown to have Shares entered against his/her 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.

Personal data privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 5 April 2021.

Fold along this line and glue overleaf.

FU YU CORPORATION LIMITED

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