富裕
FuYu

FU YU CORPORATION LIMITED

ANNUAL REPORT 2013

CORPORATE INFORMATION

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

EXECUTIVE DIRECTORS
Ching Heng Yang
Tam Wai
Ho Nee Kit
Ho Kang Peng
Hew Lien Lee

NON-EXECUTIVE DIRECTORS
Dr John Chen Seow Phun
Tan Yew Beng
Foo Say Tun

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

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

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

COMPANY SECRETARY
Low Siew Tian
Liaw Chun Huan

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Singapore Land Tower
Singapore 048623

EXTERNAL AUDITORS
KPMG LLP
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Hong Leong Building
Singapore 048581
Audit Partner: Ang Fung Fung
Since financial year 2009

BANKERS
DBS Bank Ltd
Malayan Banking Berhad

CORPORATE PROFILE

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

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

MISSION STATEMENT

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

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CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

We are heartened to round up financial year 2013 with a stronger bottom line. The Group achieved a net profit of S$8.7 million, compared to a net loss of S$7.0 million in FY2012. This was largely due to a S$6.7 million gain arising from the disposal of non-current assets held by our Malaysia Group, LCTH Corporation Berhad (LCTH), a net reversal of impairment loss on property, plant and equipment amounting to S$5.6 million, as well as foreign exchange gain of S$2.5 million.

The assets disposal of Classic Advantage – one of the two subsidiaries of LCTH, was part of a restructuring exercise by our Malaysian operations, where we aimed to right-size the business to protect its long-term viability. Our efforts paid off on two fronts. We successfully reduced Classic Advantage's operating costs with the asset disposal and thereafter, sub-letting a large part of the factory to the purchaser. At the same time, we narrowed Classic Advantage's losses by moving away from low margin projects, and implementing strict cost-cutting measures.

Another highlight in 2013 was the commencement of our Chongqing plant in the second quarter, which will provide us with a platform to penetrate western China. To ensure optimal efficiency across our China operations and to keep start-up costs to the minimum, excess capacity from our existing plants were shifted to Chongqing for immediate use. At present, the plant serves a major customer and we are working hard to secure new ones. We see opportunities in Chongqing because of China's Western Development Strategy where the government encourages enterprises to set up operations in western China. The Chinese government has implemented several pro-business policies to accelerate western China's economic development to level the playing field with the more developed eastern China. Despite the initial start-up losses, we have seen our Chongqing plant performing better now and we are happy to note that it has achieved monthly breakeven after nine months of operations.

In Singapore, our two subsidiaries were consolidated within the same location in Tuas in FY2012. One year after, we are beginning to see positive results in the form of cost savings, better utilisation of facilities and greater synergies.

FINANCIAL HIGHLIGHTS

During the year under review, our revenue declined by 9.5% to S$283.4 million as our Malaysian operations were affected by the restructuring and the change in procurement strategy of a major customer. Overall gross profit margin dipped slightly from 8.7% in FY2012 to 7.2% due to intense competition in China, coupled with the newly-opened Chongqing plant which has yet to achieve full operational efficiency.

We are happy to have improved our cash position. The Group repaid a substantial amount of bank borrowings in the first quarter of FY2013, resulting in a 75.3% decline in finance costs. Our statement of financial position showed that cash and cash equivalents rose by S$28.0 million to S$77.1 million as at 31 December 2013, due mainly to the proceeds from the disposal of Malaysian assets and net cash inflows from operating activities.

CHAIRMAN'S MESSAGE

The stronger war chest will equip us with financial resources to act swiftly on future business opportunities that can further add value to the Group.

STRATEGY AND OUTLOOK

Looking ahead, we will continue to assess our performance closely and rationalise our business, as and when the need arises, to ensure that the Group operates at an optimal level.

In today's highly competitive market, it is important that we focus on what we do best – high-precision injection moulding and manufacturing of plastic injection parts which Fu Yu is well-known for in the market. We believe that by staying the course, we can build on our 35 years of experience and form stronger partnerships with our customers.

To alleviate the impact of rising labour and raw materials costs, we will continue with our tight capital and cost management by limiting expenditure to only what is necessary and concurrently look at other ways to boost operational efficiency.

While the manufacturing sector in our three key markets is expected to remain challenging in FY2014, we will nonetheless continue to look for growth opportunities.

In Singapore, we enjoy a strong customer base of multinational corporations and we will continue to work closely with them to support their product development efforts. Additionally, there is a growing trend for green products which we will work hard to leverage on.

In recent years, we have witnessed more companies moving their production facilities to Malaysia due to its cheaper cost of operations, vis a vis China which has seen soaring labour costs. This trend can potentially bode well for our Malaysian operations in the longer term as we step up our marketing efforts. Our immediate focus, however, is to improve the performance in Malaysia while we continue to right-size the business.

The operating landscape in China will remain challenging. Manufacturers are bracing themselves for greater cost pressure amidst keener competition. We will work towards scaling up our Chongqing operations and improve its operational efficiency. At the same time, we will cast a wider sales and marketing network to attract smaller local customers whose modest sales orders may provide us with higher margins.

WORDS OF APPRECIATION

I would like to thank all our staff for their hard work and commitment. Special appreciation also goes to our business partners for their continued support. Most importantly, I would like to thank our valued shareholders for their continued trust in Fu Yu.

There is no doubt that the road ahead of us will be challenging. As the Chairman of the Group, let me assure you that we will strive to do what we can to improve our business performance.

DR JOHN CHEN SEOW PHUN
Chairman

OPERATIONS REVIEW

REVENUE

For the financial year ended 31 December 2013 (FY2013), the Group recorded revenue of S$283.4 million, compared to S$313.2 million in FY2012. The 9.5% decline in revenue, which was partially offset by higher sales in Singapore and China, was largely due to a change in procurement strategy by a major customer that resulted in significantly lower revenue contributions from our Malaysian operations. In FY2012, this particular customer provided the Malaysia entity with contract manufacturing business which carried high revenue as the final products produced consisted of high value components purchased from third parties.

GROSS PROFIT AND GROSS MARGIN

In line with lower revenue, cost of sales decreased 8.0% from S$285.8 million to S$262.9 million in FY2013. Gross profit dipped by a larger extent at 25.2% from S$27.3 million to S$20.5 million while gross profit margin was 7.2%, down from 8.7% a year ago. The lower gross profit and gross margin was due to two main reasons. During the year under review, we had to deliberately adjust our product prices to keep them competitive amidst the growing competition in China. At the same time, gross margin was impacted by the start up of our new Chongqing plant, which has yet to achieve optimal operational efficiency. The decrease in gross profit margin was partially offset by a reduction in depreciation charge arising from FY2012's provision for impairment loss on property, plant and equipment.

OTHER INCOME

Driven by a gain of S$6.7 million from the disposal of our Malaysian assets, a reversal of impairment loss on property plant and equipment amounting to S$5.6 million, as well as a foreign exchange gain of S$2.5 million, Other income rose from S$6.0 million to S$21.0 million.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses decreased by 4.1% to S$31.7 million, compared to S$33.1 million last year, due to a decline in outward freight charges, in line with lower revenue.

OTHER OPERATING EXPENSES

During the year under review, there was a reversal of impairment on property, plant and equipment of S$5.6 million, reflected in Other Income. In contrast, a net impairment loss of S$3.0 million was recorded last year. Coupled with the absence of a S$4.3 million loss in foreign exchange reflected in FY2012's results, Other operating expenses declined 96.1% to S$0.3 million.

FINANCE COSTS

Finance costs in FY2013 dropped by 75.3% as the Group repaid all bank borrowings as at 31 December 2012 during the first quarter of 2013. As our existing bank loan drawdown was only carried out in September 2013 to fund the working capital for our new Chongqing plant, no significant finance costs were charged during the year under review.

PROFITABILITY

Driven by gains from the disposal of our Malaysian assets, favourable foreign exchange versus an exchange loss of S$4.3 million last year, as well as a net reversal of impairment loss, the Group recorded a profit before income tax of S$9.7 million, reversing the S$6.3 million pre-tax loss in FY2012. Taking into account income tax amounting to S$1.0 million due to our profitable China operations and Malaysian subsidiary Fu Hao (M) Manufacturing Sdn Bhd and offset against the recognition of deferred tax assets for unabsorbed losses and unutilised capital allowance, net profit attributable to shareholders stood at S$6.6 million in FY2013, from a loss of S$4.4 million previously.

OPERATIONS REVIEW

CASH POSITION

Our cash and cash equivalents increased significantly due to proceeds of S$11.1 million from the disposal of non-current assets held for sale in a Malaysian subsidiary, as well as net cash inflows from operating activities of S$20.3 million which was attributed to improvement in changes in working capital and net proceeds from short term borrowings and financial liabilities amounting to S$2.1 million. Correspondingly, as at 31 December 2013, cash and cash equivalents in the consolidated statement of cash flows stood at S$73.0 million, up from S$46.1 million last year. The stronger cash position lays a foundation for our future growth as it equips us with the financial resources to pursue business opportunities promptly, as and when they arise.

GEOGRAPHICAL SEGMENT REVIEW

SINGAPORE

Despite the stiff competition, revenue inched up 5.4% to S$36.9 million, representing 13.0% of Group revenue. The improvement was due to higher demand for tooling.

Including a foreign exchange gain of S$1.2 million and net reversal of impairment loss on property, plant and equipment of S$2.2 million, losses for Singapore were narrowed by S$2.7 million in FY2013. Singapore segment incurred a foreign exchange loss of S$2.2 million last year. If foreign-exchange gains and losses, as well as impairments and reversals were stripped off, Singapore's operational loss in FY2013 widened to S$3.4 million, from S$0.6 million last year, mainly due to accruals for incentive bonus for existing employees and settlement sum for an ex-employee in the fourth quarter of FY2013.

CHINA

Contributing 58.3% of total revenue, China continued to be our biggest revenue generator. Revenue improved 1.7% to S$165.2 million.

Nonetheless, segment profit decreased by 66.7% to S$2.2 million due to the start-up losses of our Chongqing plant and weaker gross profit margin as the Group faced intense price competition and rising operating costs in China. The lower profit was partially offset by a net reversal of impairment loss on property, plant and equipment of S$3.9 million, as well as an exchange gain of S$1.1 million.

MALAYSIA

The change in procurement strategy by a major customer impacted our revenue in Malaysia, which declined 29.8% to S$81.3 million, representing 28.7% of the Group's total revenue in FY2013. This segment benefited from the gain on disposal of non-current assets held for sale, lower rental expenses and provision for impairment loss, as well as the shift away from low margin projects. All these factors had led Malaysia to record a segment profit of S$7.2 million in the current financial year, as compared to a loss of S$11.4 million last year.

AWARDS AND CERTIFICATIONS

AWARDS RECEIVED BY FU YU GROUP IN YEAR 2013	
COMPANY	AWARDS
Fu Yu Corporation Limited	Singapore 1000 Company 2013
Fu Hao Manufacturing (M) Sdn Bhd	Preferred Supplier Award from Bosch Germany
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	Best Support Awards 2013 from Jabil JHPG

CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2013				
COMPANY	ISO 9001:2008	ISO 13485:2003	ISO 14001:2004	TS 16949:2009
Fu Yu Corporation Limited	^		^	
Classic Advantage Sdn Bhd	^		^	^
Fu Hao Manufacturing (M) Sdn Bhd	^		^	^
SolidMicron Technologies Pte Ltd	^			^
NanoTechnology Manufacturing Pte Ltd	^	^	^	
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	^		^	^
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	^		^	^
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	^	^	^	^
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	^		^	^

2014 CORPORATE CERTIFICATION PLAN	
Company	Plan
Fu Yu Corporation Limited	ISO13485:2003
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd.	ISO9001:2008

GROUP STRUCTURE

富裕 FuYu

FU YU CORPORATION LIMITED

- 80% NANOTECHNOLOGY MANUFACTURING PTE LTD
- 100% SOLIDMICRON TECHNOLOGIES PTE LTD
- 100% CHANG FU RESOURCES PTE LTD
- 100% FU YU MOULDING & TOOLING (SUZHOU) CO., LTD.
- 100% FU YU MOULDING & TOOLING (WUJIANG) CO., LTD.
- 100% FU YU MOULDING & TOOLING (DONGGUAN) CO., LTD.
- 100% FU YU MOULDING & TOOLING (ZHUHAI) CO., LTD.
- 100% FU YING MOULDING & TOOLING (SHENZHEN) CO., LTD.#
- 100% FU YU ELECTRONICS (DONGGUAN) CO., LTD.
- 100% FU YU TRADING LIMITED
- 100% FU YU INTERNATIONAL ENTERPRISE LIMITED

- 100% FU YU INVESTMENT PTE LTD
  - 70.64% LCTH CORPORATION BERHAD
    - 100% CLASSIC ADVANTAGE SDN BHD
    - 100% FU HAO MANUFACTURING (M) SDN BHD
    - 40% BERRY PLASTICS MALAYSIA SDN BHD (FORMERLY KNOWN AS REXAM MALAYSIA SDN BHD)

- 100% FU YU MOULDING & TOOLING (SHANGHAI) CO., LTD.
  - 100% FU YU MOULDING & TOOLING (CHONGQING) CO., LTD.

Ceased production
* Do* Dormant

BOARD OF DIRECTORS

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

Dr John Chen Seow Phun, 60, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007 and was last re-elected on 30 April 2013. Dr Chen was a Member of Parliament from 1998 to 2006. He was the Assistant Secretary General of the NTUC from 1991 to 1997. From March 1997 to June 1999, he was the Minister of State, Ministry of Communications. He also served as the Deputy Chairman and Managing Director of NTUC Healthcare Co-op Ltd from 1992 to 1997. And from June 1999 to November 2001, he was the Minister of State, Ministry of Communications & Information Technology as well as Ministry of National Development. Prior to joining the Government in 1997, Dr Chen has served as a Board Member of the Economic Development Board, the Housing and Development Board, the Port of Singapore Authority and Singapore Power Ltd.

Dr Chen is presently the 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.

CHING HENG YANG *Vice Chairman, Executive Director*

Mr Ching, 63, one of the co-founders of Fu Yu, is the Vice Chairman and Executive Director of the Group. Mr Ching was appointed as the Executive Director on 10 December 1980 and was last re-elected on 30 April 2013. Mr Ching oversees the plastic injection moulding, finishing and sub-assembly operations of the Group. He is also responsible for the investment in factory buildings and machinery of the Group. Mr Ching has over 39 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2013, Mr Ching holds 12.14% direct interest in the Company.

HO KANG PENG *Executive Director, Chief Executive Officer (CEO)*

Mr Ho Kang Peng, 59, was appointed as our Chief Executive Officer and Executive Director on 31 March 2008. He was last re-elected on 28 April 2011. He will stand for re-election as a Director in the forthcoming Annual General Meeting. Mr Ho is responsible for the charting out of new corporate direction, including formulating business strategy, corporate restructuring and management alignment and to meet the new challenges faced by the Company. Mr Ho was the executive director of Fu Yu since 1995. He was responsible for its IPO exercise and regional expansion program of the Company. Mr Ho assisted the Company in setting up overseas subsidiaries covering Malaysia, China and Mexico. He was also responsible for marketing and new investment until he left the Company in 2004. Mr Ho was appointed executive director of Watson Plastics Industries in June 2005 and later of the year being appointed as CEO of Scintronix Corporation Ltd (formerly known as TTL Holding Limited). He was responsible for the corporate restructuring, strengthening management by introducing cost analysis and performance measurement for the two companies. Mr Ho was an independent director of Plastoform Holding Limited from August 2006 to May 2013 and is currently the independent director of Fuxing China Group Limited. On 15 September 2010, Mr Ho was appointed as the Non-Independent Non-Executive Director of LCTH Corporation Berhad, a subsidiary listed on the Main Market of Bursa Malaysia

Mr Ho has more than 31 years of experience in the plastics industries. He holds a Bachelor of Business and Commerce Degree from Nanyang University of Singapore.

At 31 December 2013, Mr Ho holds 0.50% direct interest in the Company.

BOARD OF DIRECTORS

HO NEE KIT *Executive Director*

Mr Ho, 60, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 26 April 2012. Mr Ho will stand for re-election as a Director in the forthcoming Annual General Meeting. Mr Ho jointly oversees the mould fabrication, plastic injection moulding, finishing and sub-assembly operations of the Group. Prior to joining Fu Yu, Mr Ho worked for a plastic injection company as a tool maker. Realising the potential of the precision mould making industry in the 1970s, together with the other 3 partners who also shared the same vision of the industry, they founded Fu Yu in 1978.

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

At 31 December 2013, Mr Ho holds 13.24% direct interest in the Company.

TAM WAI *Executive Director*

Mr Tam, 63, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 30 April 2013. Mr Tam oversees the mould design and fabrication operations of the Group. Prior to joining Fu Yu, he involved in mould design and fabrication for 10 years in Hong Kong specializing in high precision moulds for the electronics and electrical industries. Mr Tam has over 44 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2013, Mr Tam holds 13.20% direct and 0.04% deemed interests in the Company.

HEW LIEN LEE *Executive Director, Chief Operating Officer*

Mr Hew, 57, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. He was last re-elected on 26 April 2012. Mr Hew is also the Managing Director of LCTH Corporation Berhad ("LCTH"), the Malaysia subsidiary of Fu Yu Group, listed on the Main Market of Bursa Malaysia Securities Berhad, Malaysia on 8 November 2004. Mr Hew joined Fu Yu in 1984 and holds a Diploma in Electrical Engineering. With 34 years of experience in the plastic injection moulding industry, he has played an instrumental role in the successful listing of LCTH. He is responsible for the overall strategic direction and management of the Company and LCTH Group.

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

As at 31 December 2013, Mr Hew holds 0.01% direct interest in the Company.

BOARD OF DIRECTORS

TAN YEW BENG *Non-Executive Director, Independent Director*

Mr Tan, 57, is a Non-Executive and Independent Director of Fu Yu. He was appointed as Director on 22 May 1995 and was last re-elected on 26 April 2012. Mr Tan is the Chairman of the Remuneration and member of the Audit and Nominating Committees. He is also a director of several Singapore and Malaysia companies.

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

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

At 31 December 2013, Mr Tan holds 0.21% direct interest in the Company.

FOO SAY TUN *Non-Executive Director, Independent Director*

Mr Foo, 48, is a Non-Executive and Independent Director of Fu Yu. He was appointed as Director on 27 November 2007 and was last re-elected on 28 April 2011. Mr Foo will stand for re-election as a Director in the forthcoming Annual General Meeting. He is presently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

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

KEY EXECUTIVES

YEO SEE JOO *Group Business Development Director*

Mr Yeo, 50, joined Fu Yu Corporation Ltd as Group Business Development Director. He is responsible for formulating the Group's business development strategy, developing new business/market opportunities, growing existing business and proposing direction for product development. He has over 29 years of business development experience in the plastics industry holding middle to senior management positions. He joined Philips Machine Factory in 1983 as a mold maker and later joined Tritech Manufacturing Pte Ltd as mold designer and project engineer in 1986, and in 1994 joined Thomson Multi Media as a Tooling Engineer. In 1995 he joined TTL Holding Ltd (currently known as Scintronix Corporation Ltd) and in-charge of the Sales and Marketing and Programs Management in the company till 2005. He later joined Watson Plastics Manufacturing Pte Ltd as the Corporate Business Development Director. He holds an Advance Diploma in Business Management from University of Bradford.

TAN LAY KHENG *Group Human Resource Director*

Madam Tan, 60, was the Group Human Resource Manager before she is promoted to Group Human Resource Director in October 2008. She oversees the management and development of the human resources across the Group. She is also responsible for the administrative function of the Group. Madam Tan has 29 years of experience in Industrial Relations Management. She holds a Bachelor of Art Degree from Nanyang University of Singapore.

TAN CHEE KIAN *Acting CFO, General Manager of Fu Yu Dongguan*

Mr Tan, 58, joined the Group in August 2008 as Financial Controller of Southern China in charge of the finance and accounting functions of that region. In September 2010, he was appointed Acting CFO to assist on the Group's financial reporting. In July 2012, Mr Tan was appointed as General Manager of one of our subsidiaries in Southern China, Fu Yu Dongguan and responsible for the entire operations of the plant.

Mr Tan has more than 17 years of experience working as financial controller for various listed companies in Singapore. He graduated from Nanyang University of Singapore in 1980 with a bachelor degree in accountancy. He is a fellow member of the Institute of Certified Public Accountant of Singapore since 1987.

CHEAH NGOOK WAH *Group Financial Controller*

Ms Cheah, 40, is the Group Financial Controller of Fu Yu Group. She is responsible for the Group's accounting and finance functions. Prior to joining Fu Yu, she was an auditor with two of the international accounting firms for five years. Ms Cheah is a member of Certified Public Accountant Australia and graduated from the University of Western Australia. She holds a Bachelor of Commerce Degree.

OUR NETWORK

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CORPORATE MILESTONE

2012
— Set up Fu Yu Moulding & Tooling (Chongqing) Co., Ltd by Fu Yu Moulding & Tooling (Shanghai) Co., Ltd in China
— Obtained ISO 13485:2003 certification for our plants in Johor, Malaysia and Suzhou in China
— Obtained TS 16949:2009 certification for our plant in Penang, Malaysia
— Completion of member's voluntary liquidation of Fu Yu Moulding & Tooling (Tianjin) Co., Ltd
— Completion of member's voluntary liquidation of Fu Yu Moulding & Tooling (Wuxi) Co., Ltd

2011
— Set up Senawang plant by Classic Advantage Sdn Bhd
— Completion of disposal of properties in Tianjin plant, China

2010
— Entered into sale and purchase agreement to dispose properties in Tianjin plant, China
— Disposal of 100% interest in QingDao Fu Qiang Electronics Co., Ltd
— Sale and leaseback of Fu Yu Moulding & Tooling (Shanghai) Co., Ltd's properties
— Completion of member's voluntary liquidation of Fu Yu Guadalajara S.A.De C.V.
— Obtained ISO 14001:2004 and OHSAS 18001:2007 certification for our plant in Johor, Malaysia
— Obtained TS16949:2009 certification for our plants in Dongguan, Zhuhai and Suzhou in China
— Conversion of ISO 9001:2000 to ISO 9001:2008 certification for our plants in Johor, Malaysia and Dongguan, Zhuhai, Shanghai, Suzhou, Wujiang in China and SolidMicron in Singapore

2009
— Incorporation of Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd in Shenzhen, China
— Obtained ISO 14001:2004 certification for our plant in Penang, Malaysia
— Obtained TS 16949 certification for our plant in Johor, Malaysia
— Conversion of ISO 9001:2000 to ISO 9001:2008 certification for the Company and our plant in Penang, Malaysia

2008
— Grant of Options pursuant to Fu Yu Employees Share Option Scheme
— Completion of sale and leaseback of property located at 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, Senai, Johor, Malaysia
— Completion of Capital Repayment and Shares Consolidation of LCTH Corporation Berhad
— Obtained ISO 9001:2000, ISO 14001 and TS 16949 certification for our plant in Shanghai

2007
— Placement of 117 million new ordinary shares at S$0.18 each in the capital of the Company
— Signed Sale and Purchase Agreement for sale and leaseback of property located at 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, Senai, Johor, Malaysia
— Set up Fu Yu Moulding & Tooling (Wuxi) Co., Ltd, China
— Disposal of Kodon (Tianjin) Electronics & Electrical Apparatus Co., Ltd, China
— Implemented SAP Enterprise Resource Planning System at Fu Yu Moulding & Tooling (Suzhou) Co., Ltd, China
— Obtained ISO 9001:2000 certification for SolidMicron Technologies Pte Ltd
— Obtained ISO 13485:2003 certification for NanoTechnology Manufacturing Pte Ltd

2006
— Completion of sale and leaseback of property at 2 Serangoon North Avenue 5, Singapore
— Joint venture by LCTH Corporation Bhd (Malaysia) with Owens-Illinois Plastics Pte Ltd on the set up of a new company, O-I Plastics Malaysia Sdn Bhd in Malaysia
— Set up SolidMicron Technologies Pte. Ltd., Singapore
— Achieved ISO 14001 certification for our plants at Suzhou and Qingdao, China

CORPORATE MILESTONE

2005

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

2004

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

2003

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

2002

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

2001

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

CORPORATE GOVERNANCE REPORT

Introduction

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

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

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

1. oversee the management of the Group;

2. approve corporate and strategic direction and policies;

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

4. monitor management performance;

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

6. assume responsibility for corporate governance.

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

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Director	Board Meetings		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Ching Heng Yang	5	5	–	–	–	–	–	–
Tam Wai	5	5	–	–	–	–	–	–
Ho Nee Kit	5	5	–	–	–	–	–	–
Ho Kang Peng	5	4	–	–	–	–	–	–
Hew Lien Lee	5	5	–	–	–	–	–	–
Dr John Chen Seow Phun	5	5	4	4	2	2	2	2
Foo Say Tun	5	5	4	4	2	2	2	2
Tan Yew Beng	5	5	4	4	2	2	2	2

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

(a) allotment and issue of new shares and additional listing application;

(b) banking matters such as opening of bank accounts and acceptance of bank facilities;

(c) material acquisition and disposal of subsidiaries and other assets;

(d) announcements for public release, quarterly and full year results announcement;

(e) any major agreements to be entered into whether in the ordinary or outside of ordinary business of the Group;

(f) dividend recommendations and payment; and

(g) appointments and resignations of directors.

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

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board comprises eight Directors of whom five are executive and three are independent and non-executive. The Board has examined its size, taking into account the scope and nature of the operations of the Group, and is satisfied that the present size is appropriate in facilitating effective decision-making. Board members comprise of professionals with financial, accounting, legal and industry backgrounds. Its composition enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board. No individual or group of individuals dominates the Board's decision making.

The Nominating Committee (NC) is satisfied that Mr Tan Yew Beng, who has served on the Board for almost 19 years, is independent as he is capable of exercising independent business judgment in the best interest of the Company.

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

Principle 3: Chairman and Chief Executive Officer

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

Dr John Chen Seow Phun is the Non-Executive Chairman of the Company and Mr Ho Kang Peng is the CEO of the Company.

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

Principle 4: Board Membership

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

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

The duties of the NC are as follows:

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

2. Reviews all nominations for the appointments and re-elections of Director for the purpose of proposing such nominations to the Board for approval;

3. Conducts a review to determine the independence of each Director;

CORPORATE GOVERNANCE REPORT

4. Decides whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Group, particularly when he has multiple board representations;

5. Decides how the Board's performance may be evaluated and propose objective performance criteria;

6. Conducts a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board;

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

8. Recommend to the Board the maximum number of listed company representations which any Director may hold.

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

The NC determines that the appropriate maximum number of the listed company board representations which an Executive Director may hold is three and for Independent Non-Executive Director is nine.

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

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independence. The NC has recommended the re-election of Mr Ho Kang Peng, Mr Ho Nee Kit and Mr Foo Say Tun as Directors of the Company at the forthcoming AGM. In making its recommendation, the NC evaluates such Directors' contribution and performance, such as their attendance at the meetings of the Board and Board Committees, where applicable, participation, candour and any special contribution. Save for Mr Ho Nee Kit who is also a substantial shareholder holding 13.24% of the Company's share capital, there are no relationships including immediate family relationships between these directors submitted for re-election and the other Directors, the Company or its 10% shareholders. The Board accepted the NC's recommendation and accordingly, the three Directors will stand for re-election at the forthcoming AGM.

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

CORPORATE GOVERNANCE REPORT

Table for Appointment and Re-election

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Dr John Chen Seow Phun	27/11/2007	30/04/2013	Independent Non-Executive Chairman	1. Chairman of Audit Committee 2. Member of Nominating and Remuneration Committees	Present:– 1. Pavillon Holdings Ltd (formerly known as Thai Village Holdings Ltd) 2. OKP Holdings Limited 3. Hiap Seng Engineering Ltd 4. Hanwell Holdings Ltd 5. Matex International Limited 6. Tat Seng Packaging Group Ltd 7. HLH Group Limited Preceding three years:– NIL
Mr Ching Heng Yang	10/12/1980	30/04/2013	Executive Director	–	–
Mr Tam Wai	10/12/1980	30/04/2013	Executive Director	–	–
Mr Ho Nee Kit	10/12/1980	26/04/2012	Executive Director	–	–
Mr Hew Lien Lee	22/03/2007	26/04/2012	Executive Director	–	–

CORPORATE GOVERNANCE REPORT

Table for Appointment and Re-election (cont'd)

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Mr Ho Kang Peng	31/03/2008	28/04/2011	Executive Director	–	Present: 1. Fuxing China Group Limited Preceding three years:– 1. Plastoform Holding Limited
Mr Tan Yew Beng	22/05/1995	26/04/2012	Independent Non-Executive Director	1. Chairman of Remuneration Committee 2. Member of Audit and Nominating Committees	–
Mr Foo Say Tun	27/11/2007	28/04/2011	Independent Non-Executive Director	1. Chairman of Nominating Committee 2. Member of Audit and Remuneration Committees	Present: 1. Jubilee Industries Holdings Limited 2. Qingmei Group Holdings Limited 3. Sino Techfibre Limited 4. Moneymax Financial Services Limited Preceding three years:– NIL

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

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

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

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

Principle 6: Access to Information
Principle 10: Accountability

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

The Directors have separate and independent access to the Executive Directors, the Management and the Company Secretary at all times, and vice versa. The Company Secretary or its nominee attends to the corporate secretarial administration matters, attends meetings of the Board and Board Committees and assists the Board in ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board also has access to independent professional advice, where necessary, at the Company's expenses to enable them to discharge their duties. The Group Financial Controller also assists the Board in obtaining such advice.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

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

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

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

Principle 8: Level and Mix of Remuneration

In setting the remuneration package for the Executive Directors and key management personnel, the RC takes into consideration the pay and employment conditions within the industry and comparable companies, the individual performance and that of the Company and subsidiary companies. As part of its review, the RC ensures that the performance-related elements of remuneration would form a certain proportion of the total remuneration package of Executive Directors and key management personnel. The remuneration for the three founding Executive Directors comprises a base fee, a base salary, an annual wage supplement (AWS) and a profit sharing bonus. The remuneration for the other Executive Directors comprises a base fee, a base salary, allowances, annual and profit sharing bonuses. The remuneration for the key management personnel comprises a basic salary, allowances and variable components which is the annual bonus and performance bonus based on the performance of the Company and subsidiary companies as well as individual contribution and performance.

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

In view that the Directors' fees for the Non-Executive Directors have not been adjusted for a long time, RC has proposed and the Board has approved to increase the Non-Executive Directors' fees by S$10,000 for each Non-Executive Director for the financial year ending 31 December 2014, subject to shareholders' approval in the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

All the five Executive Directors have service contracts for a fixed period of one year which are subject to renewal annually. The RC had reviewed and recommended to the Board the renewal of the contracts of the five Executive Directors for a further term of one year, from 1 January 2014 to 31 December 2014. The service contracts for two of the Executive Directors are renewed under the same terms and conditions as in 2013 while the service contracts for the three founding Executive Directors are renewed with an increment in their monthly basic salary with effect from 1 January 2014. The Board had approved the renewal.

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

In May 2010, an incentive scheme was given to Mr Ho Kang Peng who is one of the Executive Directors. Under this scheme, the Company will pay Mr Ho an incentive bonus provided that the following milestones are achieved:

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

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

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

The First Milestone was achieved and the incentive bonus had been paid out in accordance with the incentive scheme in the financial year ended 31 December 2012.

The Fu Yu Employees Share Option Scheme (the "Scheme") was approved and adopted by the shareholders at the Extraordinary General Meeting held on 29 April 2008. The Scheme is administered by a committee that comprises all the Executive Directors from time to time. Further details of the Scheme can be found in pages 33 and 34 of the Directors' Report.

The Fu Yu Employees Share Option Scheme will expire on 05 October 2014.

Save for the contributions to defined contribution plans as disclosed in Note 29 of the Audited Financial Statements for FY2013, the Company does not provide any other termination, retirement and post-employment benefits to the Directors, the CEO and Key Executives.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

Remuneration of Board of Directors

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

Name of Director	Fees %	Salary %	Bonus %	Other Benefits %	Total %
Executive Directors					
S$500,000 to S$750,000					
Ching Heng Yang	3.9	86.6	7.2	2.3	100.0
Tam Wai	3.9	86.6	7.2	2.3	100.0
Ho Nee Kit	4.3	85.8	7.2	2.7	100.0
S$250,000 to S$499,999					
Ho Kang Peng	5.4	81.7	10.9	2.0	100.0
Hew Lien Lee	5.4	72.7	10.5	11.4	100.0
Below S$250,000					
Ng Hock Ching *	2.3	67.6	28.5	1.6	100.0
Non-Executive Directors					
Below S$250,000					
Tan Yew Beng	100.0	–	–	–	100.0
Dr John Chen Seow Phun	100.0	–	–	–	100.0
Foo Say Tun	100.0	–	–	–	100.0

* Resigned on 29 January 2013.

The aggregate amount of remuneration paid or payable to the Company's Directors is S$3,016,423.

CORPORATE GOVERNANCE REPORT

Remuneration of Key Executives

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

Name of Key Executive	Salary %	Bonus %	Other Benefits %	Total %
Below S$250,000				
Yeo See Joo *Group Business Development Director*	72.5	9.3	18.2	100.0
Tan Lay Kheng *Group Human Resource Director*	85.0	11.0	4.0	100.0
Tan Chee Kian *Acting CFO,* General Manager, Fu Yu Dongguan	85.7	1.5	12.8	100.0
Cheah Ngook Wah *Group Financial Controller*	69.9	21.7	8.4	100.0

The aggregate amount of remuneration paid to the top 4 Key Executives is S$803,580.

No employee of the Group was an immediate family member (as defined in the Listing Manual of SGX-ST) of a Director or Chief Executive Officer and whose remuneration exceeded S$50,000 during the financial year ended 31 December 2013.

ACCOUNTABILITY AND AUDIT & COMMUNICATION WITH SHAREHOLDERS

Principle 12: Audit Committee

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

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

CORPORATE GOVERNANCE REPORT

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

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

2. Reviews the quarterly and annual financial statements and the auditors' report of the Company before their submission to the Board;

3. Reviews with the Management on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology;

4. Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

5. Reviews arrangements by which employees of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions;

6. Reviews the cost effectiveness, independence and objectivity of the external auditors;

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

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

9. Nominates the external auditors;

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The audit fees paid/payable to the external auditors of the Company and other auditors for the audit of FY2013 amounted to S$149,300 and S$375,969 respectively. Non-audit fees paid to other auditors amounted to S$58,496. The AC is satisfied with the independence of KPMG LLP.

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

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

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

Principle 11: Risk Management and Internal Controls

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

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

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

CORPORATE GOVERNANCE REPORT

During the year 2012, the Board appointed KPMG Services Pte Ltd to conduct a review to further enhance its risk management framework over financial, operational and compliance risks. KPMG Services Pte Ltd had also been engaged to assist the Company in formulating and formalising its fraud risk management framework to further enhance its existing framework to prevent improprieties. The Management continued to adopt the risk management framework established in year 2013. Based on the framework established and reports submitted by the external and internal auditors, the Board opines, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational and compliance and information technology controls and risk management systems.

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

Principle 13: Internal Audit

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

Principle 10: Accountability
Principle 15: Communication with Shareholders

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

When opportunities arise, the Directors will solicit and try to understand the views of shareholders before and/or after general meeting of the Company.

CORPORATE GOVERNANCE REPORT

The Group does not have a policy on payment of dividends at present.

There is no dividend to be declared for FY2013 as the Company (at company level) is in accumulated losses position.

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

Principle 14: Shareholder Rights
Principle 16: Conduct of Shareholder Meetings

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

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

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

The Company has yet to conduct the voting of all its resolutions by poll at all its AGM and Extraordinary General Meeting. The Company may consider employing electronic polling in future. The Company's Articles of Association allow a shareholder to appoint one or two proxies to attend and vote at general meetings in his/her stead.

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

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2013.

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ching Heng Yang		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	88,965,475	88,965,475
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	300,000	300,000
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	14,400,000	14,400,000

DIRECTORS' REPORT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Tam Wai		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	96,715,475	96,715,475
– deemed interests	300,000	300,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	366,000	366,000
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	14,400,000	14,400,000
Ho Nee Kit		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	96,999,225	96,999,225
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	369,120	369,120
– deemed interests	254,295,643	254,295,643
NanoTechnology Manufacturing Pte Ltd		
– ordinary shares		
– deemed interests	14,400,000	14,400,000
Tan Yew Beng		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	1,562,500	1,562,500
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	1,000,000	1,000,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	300,000	300,000

DIRECTORS' REPORT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Hew Lien Lee		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	100,000	100,000
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	8,000,000	8,000,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	3,031,524	3,031,524
Ho Kang Peng		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	3,630,000	3,630,000
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	11,000,000	11,000,000
John Chen Seow Phun		
Fu Yu Corporation Limited		
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	1,000,000	1,000,000
Foo Say Tun		
Fu Yu Corporation Limited		
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	1,000,000	1,000,000

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

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

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014.

DIRECTORS' REPORT

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 23 and 29 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

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

Other information regarding the Scheme is set out below:

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

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

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2013	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2013	Exercise period
5 October 2008	$0.09	53,040,000	1,000,000	17,980,000	34,060,000	6 October 2009 to 5 October 2014

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

DIRECTORS' REPORT

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

	Options granted for financial year ended 31 December 2013	Aggregate options granted since commencement of Scheme to 31 December 2013	Aggregate options exercised since commencement of Scheme to 31 December 2013	Aggregate options outstanding as at 31 December 2013
Tan Yew Beng	–	1,000,000	–	1,000,000
Hew Lien Lee	–	8,000,000	–	8,000,000
John Chen Seow Phun	–	1,000,000	–	1,000,000
Foo Say Tun	–	1,000,000	–	1,000,000
Ho Kang Peng	–	11,000,000	–	11,000,000

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

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

	Aggregate options granted since commencement of Scheme to 31 December 2013	Aggregate options exercised since commencement of Scheme to 31 December 2013	Aggregate options outstanding as at 31 December 2013
Directors			
Hew Lien Lee	8,000,000	–	8,000,000
Ho Kang Peng	11,000,000	–	11,000,000
Employee			
Tang Bee Yian	5,000,000	–	5,000,000

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

AUDIT COMMITTEE

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

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

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

DIRECTORS' REPORT

The Audit Committee has held four meetings since the date of the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

In appointing our auditors for the Company, subsidiaries and an associated company, we have complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

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

On behalf of the Board of Directors

Ho Nee Kit
Director

Ching Heng Yang
Director

4 April 2014

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 39 to 93 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Ho Nee Kit
Director

Ching Heng Yang
Director

4 April 2014

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
FU YU CORPORATION LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and of the Company as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 93.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
FU YU CORPORATION LIMITED

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
4 April 2014

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Non-current assets					
Property, plant and equipment	4	**67,508,304**	70,584,139	**13,013,479**	13,373,949
Investment property	5	**9,024,872**	9,563,176	**–**	–
Subsidiaries	6	**–**	–	**43,979,215**	45,622,846
Associate	7	**4,063,727**	4,326,608	**–**	–
Deferred tax assets	8	**2,216,503**	1,170,082	**–**	–
		82,813,406	85,644,005	**56,992,694**	58,996,795
Current assets					
Inventories	9	**18,566,950**	24,958,249	**2,344,219**	2,571,157
Trade and other receivables	10	**78,194,430**	82,753,702	**46,982,332**	46,264,196
Tax recoverable		**147,641**	1,911,042	**–**	–
Cash and cash equivalents	13	**77,070,263**	49,079,612	**11,471,760**	6,600,393
		173,979,284	158,702,605	**60,798,311**	55,435,746
Total assets		**256,792,690**	244,346,610	**117,791,005**	114,432,541
Equity attributable to equity holders of the Company					
Share capital	14	**119,362,343**	119,272,343	**119,362,343**	119,272,343
Reserves	15	**43,771,417**	36,576,517	**(13,470,269)**	(14,135,706)
		163,133,760	155,848,860	**105,892,074**	105,136,637
Non-controlling interests		**19,367,646**	17,960,191	**–**	–
Total equity		**182,501,406**	173,809,051	**105,892,074**	105,136,637
Non-current liabilities					
Trade and other payables	18	**562,500**	–	**562,500**	–
Financial liabilities	17	**84,640**	138,184	**68,614**	106,906
Deferred tax liabilities	8	**1,115,583**	1,066,251	**809,060**	734,060
		1,762,723	1,204,435	**1,440,174**	840,966
Current liabilities					
Trade and other payables	18	**68,151,890**	66,735,327	**10,420,464**	7,418,155
Financial liabilities	17	**3,239,713**	1,050,279	**38,293**	1,036,783
Tax payable		**1,136,958**	1,547,518	**–**	–
		72,528,561	69,333,124	**10,458,757**	8,454,938
Total liabilities		**74,291,284**	70,537,559	**11,898,931**	9,295,904
Total equity and liabilities		**256,792,690**	244,346,610	**117,791,005**	114,432,541

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	2012 $
Revenue	19	**283,396,425**	313,166,229
Cost of sales		**(262,933,009)**	(285,819,244)
Gross profit		**20,463,416**	27,346,985
Other income	20	**21,008,057**	5,970,601
Selling and administrative expenses		**(31,748,094)**	(33,096,997)
Other operating expenses	21	**(288,615)**	(7,387,497)
Results from operating activities		**9,434,764**	(7,166,908)
Finance costs	22	**(58,717)**	(238,747)
Share of profit of associate (net of tax)		**367,761**	1,136,587
Profit/(loss) before income tax	23	**9,743,808**	(6,269,068)
Tax expense	24	**(1,000,750)**	(718,014)
Profit/(loss) for the year		**8,743,058**	(6,987,082)
Profit/(loss) for the year attributable to:			
Owners of the Company		**6,639,963**	(4,352,892)
Non-controlling interests		**2,103,095**	(2,634,190)
Profit/(loss) for the year		**8,743,058**	(6,987,082)
Earnings/(loss) per share			
Basic earnings/(loss) per share	25	**0.91 cents**	(0.59) cents
Diluted earnings/(loss) per share	25	**0.91 cents**	(0.59) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2013

	2013 $	2012 $
Profit/(loss) for the year	**8,743,058**	(6,987,082)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	**(140,703)**	(4,243,035)
Other comprehensive income for the year (net of tax)	**(140,703)**	(4,243,035)
Total comprehensive income for the year	**8,602,355**	(11,230,117)
Total comprehensive income attributable to:		
Owners of the Company	**7,194,900**	(8,087,244)
Non-controlling interests	**1,407,455**	(3,142,873)
Total comprehensive income for the year	**8,602,355**	(11,230,117)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Share option reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$	$	$
At 1 January 2012	119,272,343	140,256	9,243,851	788,607	1,627,055	(3,353,760)	36,217,752	163,936,104	21,103,064	185,039,168
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(4,352,892)	(4,352,892)	(2,634,190)	(6,987,082)
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	–	(3,734,352)	–	(3,734,352)	(508,683)	(4,243,035)
Total comprehensive income for the year	–	–	–	–	–	(3,734,352)	(4,352,892)	(8,087,244)	(3,142,873)	(11,230,117)
Transfers between reserves										
Transfer to statutory reserve	–	–	527,928	–	–	–	(527,928)	–	–	–
At 31 December 2012	119,272,343	140,256	9,771,779	788,607	1,627,055	(7,088,112)	31,336,932	155,848,860	17,960,191	173,809,051

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	Share capital $	Capital reserve $	Statutory reserve $	Revaluation reserve $	Share option reserve $	Foreign currency translation reserve $	Retained earnings $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2013	119,272,343	140,256	9,771,779	788,607	1,627,055	(7,088,112)	31,336,932	155,848,860	17,960,191	173,809,051
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	6,639,963	6,639,963	2,103,095	8,743,058
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	–	554,937	–	554,937	(695,640)	(140,703)
Total comprehensive income for the year	–	–	–	–	–	554,937	6,639,963	7,194,900	1,407,455	8,602,355
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owners										
Share options exercised	90,000	–	–	–	–	–	–	90,000	–	90,000
Total transactions with owners	90,000	–	–	–	–	–	–	90,000	–	90,000
Transfers between reserves										
Transfer to statutory reserve	–	–	118,547	–	–	–	(118,547)	–	–	–
At 31 December 2013	119,362,343	140,256	9,890,326	788,607	1,627,055	(6,533,175)	37,858,348	163,133,760	19,367,646	182,501,406

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Profit/(loss) before income tax		**9,743,808**	(6,269,068)
Adjustments for:			
Depreciation of investment property	5	**206,023**	210,348
Depreciation of property, plant and equipment	4	**13,323,447**	15,455,859
Finance costs	22	**58,717**	238,747
Interest income	20	**(732,425)**	(497,314)
Gain on disposal of non-current assets classified as held for sale	20	**(6,711,832)**	–
(Gain)/loss on disposal of property, plant and equipment	20, 21	**(1,007,753)**	8,940
(Reversal of)/impairment on property, plant and equipment	20, 21	**(5,616,326)**	2,985,835
Property, plant and equipment written off	21	**264,270**	110,126
Share of profit of associate (net of tax)		**(367,761)**	(1,136,587)
Unrealised foreign exchange (gain)/loss		**(3,107,633)**	2,145,989
		6,052,535	13,252,875
Changes in working capital:			
Inventories		**6,879,270**	2,322,936
Trade and other receivables		**7,757,515**	4,093,770
Trade and other payables		**275,866**	(13,379,162)
Cash from operating activities		**20,965,186**	6,290,419
Tax paid		**(662,141)**	(2,473,391)
Net cash from operating activities		**20,303,045**	3,817,028
Cash flows from investing activities			
Dividend from associate		**480,808**	486,214
Interest income received		**732,425**	497,314
Proceeds from disposal of non-current assets classified as held for sale		**11,066,466**	–
Proceeds from disposal of property, plant and equipment		**1,291,932**	417,296
Purchase of property, plant and equipment		**(7,990,549)**	(5,350,244)
Net cash from/(used in) investing activities		**5,581,082**	(3,949,420)
Balance carried forward		**25,884,127**	(132,392)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	2012 $
Balance brought forward		**25,884,127**	(132,392)
Cash flows from financing activities			
Finance costs paid		**(58,717)**	(238,747)
Proceeds from issue of share capital		**90,000**	–
Proceeds from short term borrowings		**7,045,426**	8,814,454
Repayment of short term borrowings and finance lease liabilities		**(4,984,555)**	(10,148,560)
Deposits pledged		**(1,146,503)**	–
Net cash from/(used in) financing activities		**945,651**	(1,572,853)
Net increase/(decrease) in cash and cash equivalents		**26,829,778**	(1,705,245)
Cash and cash equivalents at 1 January		**46,066,629**	49,438,010
Effect of exchange rate fluctuations on cash held		**100,027**	(1,666,136)
Cash and cash equivalents at 31 December	13	**72,996,434**	46,066,629

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 April 2014.

1 DOMICILE AND ACTIVITIES

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

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

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in an associate.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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

- Notes 3.7 and 27 – allowance for impairment of doubtful receivables
- Note 4 – measurement of recoverable amounts of property, plant and equipment
- Notes 6 and 11 – recoverability of investments in and amounts due from subsidiaries
- Note 8 – provision for income tax and recoverability of deferred tax assets
- Note 24 – determining the amount of income tax expense

There are no critical judgements made in applying accounting policies that would have a significant effect on the amounts recognised in the financial statements.

2.5 Changes in accounting policies

The Group adopted new and revised FRS and INT FRS that became effective during the year. The initial adoption of these FRS and INT FRS has no significant impact on the Group's financial statements.

(i) Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 Financial Instruments: Disclosures.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosures necessary as a result of the adoption of this standard has been included in notes 5 and 27.

(ii) Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Foreign currency (Continued)

(ii) Foreign operations (Continued)

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

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

3.2 Basis of consolidation

(i) Business combinations

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (Continued)

(i) *Business combinations* (Continued)

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

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

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

(iii) *Loss of control*

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (Continued)

(iv) Associate

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

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

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

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

(v) Transactions eliminated on consolidation

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

(vi) Accounting for subsidiaries and associate

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

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

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

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

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

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

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

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	5 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Investment property

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the investment property. The estimated useful life is 57 years. The depreciation method, the useful life and the residual value of investment property are reassessed at the balance sheet date.

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

3.5 Financial instruments

(i) Non-derivative financial assets

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

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

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

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and short term investments with maturities of three months or less. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Financial guarantees

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

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

(iv) Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases

When entities within the Group are lessees of a finance lease

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

When entities within the Group are lessees of an operating lease

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

3.7 Impairment

Financial assets

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

Non-financial assets

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

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

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

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

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

3.8 Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits

Defined contribution plans

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

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

Short-term benefits

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

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

Share-based payment transactions

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

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

3.10 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition

Sale of goods

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

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

Tooling contracts

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

Rental income

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

3.12 Finance income and expenses

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Tax (Continued)

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

3.14 Earnings per share

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

3.15 Segment reporting

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

3.16 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, and furniture and fittings $	Other assets $	Construction in progress $	Total $
Cost							
At 1 January 2012	74,235,746	285,653,330	3,541,240	15,548,320	12,386,008	250,258	391,614,902
Currency realignment	(2,020,060)	(7,262,333)	(87,664)	(313,372)	(292,971)	(6,012)	(9,982,412)
Additions	–	4,200,281	384,582	386,055	1,300,771	–	6,271,689
Reclassification	(28,433)	1,067	(5,701)	33,067	–	–	–
Disposals/Write-off	(352,669)	(2,046,075)	(665,721)	(516,474)	(435,969)	(21,321)	(4,038,229)
At 31 December 2012	71,834,584	280,546,270	3,166,736	15,137,596	12,957,839	222,925	383,865,950
At 1 January 2013	71,834,584	280,546,270	3,166,736	15,137,596	12,957,839	222,925	383,865,950
Currency realignment	2,221,487	5,858,579	33,823	241,046	85,725	(7,866)	8,432,794
Additions	2,878	3,835,767	313,702	621,004	2,432,807	32,844	7,239,002
Disposals/Write-off	(120,480)	(13,173,451)	(787,915)	(1,501,645)	(908,197)	–	(16,491,688)
Disposals of non-current assets held for sale	–	(28,427,730)	–	(522,280)	(1,752,732)	–	(30,702,742)
At 31 December 2013	**73,938,469**	**248,639,435**	**2,726,346**	**13,975,721**	**12,815,442**	**247,903**	**352,343,316**
Accumulated depreciation and accumulated impairment losses							
At 1 January 2012	33,023,743	247,634,750	2,543,919	14,167,781	8,045,641	–	305,415,834
Currency realignment	(779,352)	(5,782,075)	(71,830)	(267,384)	(173,209)	–	(7,073,850)
Depreciation for the year	3,029,539	10,474,512	285,755	479,928	1,186,125	–	15,455,859
Impairment loss for the year	–	2,985,835	–	–	–	–	2,985,835
Disposals/Write-off	(254,204)	(1,801,305)	(504,007)	(516,054)	(426,297)	–	(3,501,867)
At 31 December 2012	35,019,726	253,511,717	2,253,837	13,864,271	8,632,260	–	313,281,811
At 1 January 2013	35,019,726	253,511,717	2,253,837	13,864,271	8,632,260	–	313,281,811
Currency realignment	1,082,748	4,834,724	14,696	195,271	9,989	–	6,137,428
Depreciation for the year	2,831,402	8,336,307	291,176	513,194	1,351,368	–	13,323,447
(Reversal of)/impairment loss for the year	–	(6,304,263)	19,784	7,996	660,157	–	(5,616,326)
Disposals/Write-off	(60,172)	(12,742,927)	(736,527)	(1,498,264)	(905,350)	–	(15,943,240)
Disposals of non-current assets held for sale	–	(24,491,934)	–	(490,164)	(1,366,010)	–	(26,348,108)
At 31 December 2013	**38,873,704**	**223,143,624**	**1,842,966**	**12,592,304**	**8,382,414**	**–**	**284,835,012**
Carrying amount							
At 1 January 2012	41,212,003	38,018,580	997,321	1,380,539	4,340,367	250,258	86,199,068
At 31 December 2012	36,814,858	27,034,553	912,899	1,273,325	4,325,579	222,925	70,584,139
At 31 December 2013	**35,064,765**	**25,495,811**	**883,380**	**1,383,417**	**4,433,028**	**247,903**	**67,508,304**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, and furniture and fittings $	Other assets $	Total $
Cost						
At 1 January 2012	29,526,150	31,323,462	1,080,074	5,466,947	3,662,691	71,059,324
Additions	–	20,710	335,817	83,203	183,801	623,531
Disposals/Write-off	–	(963,473)	(383,672)	(221,318)	(31,601)	(1,600,064)
Transferred to subsidiaries	–	(1,609,329)	–	(4,356)	–	(1,613,685)
At 31 December 2012	29,526,150	28,771,370	1,032,219	5,324,476	3,814,891	68,469,106
At 1 January 2013	29,526,150	28,771,370	1,032,219	5,324,476	3,814,891	68,469,106
Additions	–	168,900	153,257	215,297	211,560	749,014
Disposals/Write-off	–	(2,261,070)	(164,911)	(1,044,058)	(662,124)	(4,132,163)
Transferred to subsidiaries	–	(482,100)	–	–	–	(482,100)
At 31 December 2013	**29,526,150**	**26,197,100**	**1,020,565**	**4,495,715**	**3,364,327**	**64,603,857**
Accumulated depreciation and accumulated impairment losses						
At 1 January 2012	16,971,065	30,304,431	507,344	5,398,131	3,496,117	56,677,088
Depreciation for the year	713,186	383,563	171,604	44,143	81,479	1,393,975
Reversal of impairment	–	(139,306)	–	–	–	(139,306)
Disposals/Write-off	–	(939,961)	(222,015)	(221,319)	(24,624)	(1,407,919)
Transferred to subsidiaries	–	(1,424,325)	–	(4,356)	–	(1,428,681)
At 31 December 2012	17,684,251	28,184,402	456,933	5,216,599	3,552,972	55,095,157
At 1 January 2013	17,684,251	28,184,402	456,933	5,216,599	3,552,972	55,095,157
Depreciation for the year	713,186	273,054	164,869	93,243	114,400	1,358,752
Reversal of impairment	–	(364,267)	–	–	–	(364,267)
Disposals/Write-off	–	(2,240,572)	(115,117)	(1,041,683)	(659,700)	(4,057,072)
Transferred to subsidiaries	–	(442,192)	–	–	–	(442,192)
At 31 December 2013	**18,397,437**	**25,410,425**	**506,685**	**4,268,159**	**3,007,672**	**51,590,378**
Carrying amount						
At 1 January 2012	12,555,085	1,019,031	572,730	68,816	166,574	14,382,236
At 31 December 2012	11,841,899	586,968	575,286	107,877	261,919	13,373,949
At 31 December 2013	**11,128,713**	**786,675**	**513,880**	**227,556**	**356,655**	**13,013,479**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold properties of the Group and the Company, with carrying amounts of $11,128,713 (2012: $11,841,899) were pledged as security for bank facilities. The secured bank loan denominated in Singapore dollar was repaid during the year.

Disposal of non-current assets held for sale

In April 2013, a subsidiary entered into an agreement to dispose certain plant and machineries, office equipment, furniture and fittings and other assets to a third party. The sale was completed in June 2013 and a gain of disposal of non-current assets held for sale of $6,711,832 was recognised in other income.

Assets held under finance leases

The carrying amount of motor vehicles held under finance leases as at 31 December 2013 for the Group and the Company was $145,919 (2012: $208,473) and $122,417 (2012: $175,416) respectively.

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of $7,239,002 (2012: $6,271,689) and $749,014 (2012: $623,531) respectively, of which $ Nil (2012: $136,241) and $ Nil (2012: $110,000) was acquired under finance leases.

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

Impairment loss

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

The recoverable amounts of the CGUs were estimated based on the higher of fair value less cost to sell and their value-in-use. Based on the assessment, reversal of impairment loss of $5,616,326 (2012: additional impairment loss of $2,985,835) was recognised. As the operations of the CGUs located within the same country are similar in nature, therefore, the assumptions used in projecting the value-in-use are disclosed below by such geographical locations.

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

- CGUs that are loss-making and are not expected to generate any economic benefits in the period of forecast. The recoverable amounts of such CGUs has been determined to be the fair value of its monetary asset and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment loss (Continued)

- CGUs, that are loss-making but is expected to be able to generate economic benefits through liquidation of its leasehold properties and plant and machineries. The recoverable amounts of the CGU have been determined based on the fair value less cost to sell of the assets. The fair value less cost to sell approach was determined based on independent valuation obtained during the current year.

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

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

		2013			2012	
Value-in-use assumptions:	**Singapore**	**Malaysia**	**China**	Singapore	Malaysia	China
Average growth rate in revenue	**Nil% to 11%**	**-61% to 21%**	**-25% to 41%**	Nil% to 57%	4% to 7%	-32% to 34%
Number of years projected in the discounted cash flow	**5 years**	**5 years**	**5 years**	5 years	3 years	3 to 5 years
Gross profit margin	**29% to 30%**	**Nil% to 4%**	**6% to 18%**	18% to 36%	-1% to 3%	8% to 28%
Terminal value of property, plant and equipment	**5%**	**3%**	**2%**	5%	3%	2%
Terminal value of leasehold property	**–**	**–**	**29,482,000**	–	–	26,688,000
Pre-tax discount rate	**12%**	**15%**	**15% to 21%**	12% to 16%	15%	13% to 21%

The high projected revenue growth rate in the Singapore and Malaysia segments are due to additional forecasted customer contracts. The high growth rate in China can be explained mainly by the commencement of operations of a subsidiary. The negative growth rate in the China segment is due to the transfer of assets and operations of a subsidiary to another entity as part of the Group's streamlining and resource optimisation exercises. The negative growth rate in the Malaysia segment is a result of changes in procurement strategy of a major customer. If any of the CGUs is not able to meet the forecasted results, the Group may be required to record additional impairment loss.

Fair value less cost to sell assumptions:

The fair value less cost to sell is based on market valuation performed by independent valuers with experience in the location and category of the properties and machineries being valued.

The net reversal of impairment loss and impairment in relation to the plant and equipment was recognised and presented as "Other income" and "Other operating expense" respectively in the consolidated income statement for the year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

5 INVESTMENT PROPERTY

Group	2013 $	2012 $
Cost		
At 1 January	**10,720,813**	10,994,467
Currency realignment	**(378,287)**	(273,654)
At 31 December	**10,342,526**	10,720,813
Accumulated depreciation		
At 1 January	**1,157,637**	973,660
Depreciation for the year	**206,023**	210,348
Currency realignment	**(46,006)**	(26,371)
At 31 December	**1,317,654**	1,157,637
Carrying amount	**9,024,872**	9,563,176

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

The fair value of investment properties (fair value hierarchy of level 3) as at 31 December 2013 is approximately $9,444,750 (2012: $9,790,200) which has been determined based on valuations performed by accredited independent valuers with recent experience in the location and category of investment properties being valued. The valuations are based on the depreciated replacement cost method that makes reference to the cost of replacing the buildings as new and allowing for depreciation. Key unobservable inputs correspond to replacement costs having regard to asset life, physical deterioration, functional and economic obsolescence.

6 SUBSIDIARIES

	Company 2013 $	2012 $
Equity investments, at cost	**123,027,114**	123,027,114
Impairment losses	**(84,464,263)**	(89,765,263)
	38,562,851	33,261,851
Amounts due from subsidiary	**17,028,178**	16,660,809
Impairment losses	**(11,611,814)**	(4,299,814)
	43,979,215	45,622,846

Certain amounts due from a subsidiary were in substance part of the shareholders' net investments in the entity as the settlement of these amounts are neither planned nor likely to occur in the foreseeable future. Accordingly, this balance is classified as quasi-equity investment in the subsidiary.

During the financial year, certain subsidiaries in China and Singapore continued to incur operating losses. Accordingly, the Company performed an assessment of the recoverable amount of its investments in subsidiaries and its receivables from these subsidiaries. The recoverable amounts of investments and receivables from these subsidiaries were estimated based on the higher of fair value less cost to sell and value-in-use.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

6 SUBSIDIARIES (CONTINUED)

Based on management's assessment, a reversal of impairment loss of $800,000 (2012: additional impairment loss of $5,279,000) was therefore recognised in profit or loss in the year. The assumptions used for projecting the value-in-use are disclosed below.

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

- Investments and receivables from subsidiaries that are loss-making and are not expected to generate any economic benefits in the period of forecast, including investments and receivables from subsidiaries that are considered for their potential liquidation. The recoverable amount of such investments and receivables from subsidiaries has been determined to be the fair value of its monetary assets and liabilities.

- The recoverable amount of investments and receivables from the remaining subsidiaries have been determined based on the calculation of their value-in-use derived from management's cash flows projections. Key assumptions used in the calculation of the value-in-use are presented below. 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.

	2013 Singapore	**2013 China**	2012 Singapore	2012 China
Average growth rate in revenue	**Nil to 11%**	**-25% to 41%**	Nil to 57%	-32% to 34%
Number of years projected in the discounted cash flow	**5 years**	**5 years**	5 years	3 to 5 years
Gross profit margin	**29% to 30%**	**6% to 18%**	18% to 36%	8% to 28%
Pre-tax discount rate	**12%**	**15% to 21%**	12% to 16%	13% to 21%

If any of the subsidiaries is not able to achieve the forecasted results, 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	
	2013	2012
	$	$
At 1 January	**94,065,077**	90,825,677
Impairment loss during the year	**2,011,000**	6,423,000
Impairment written off	**–**	(3,183,600)
At 31 December	**96,076,077**	94,065,077

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

6 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest held by the Group 2013 %	2012 %
Chang Fu Resources Pte Ltd	Singapore	**100**	100
Fu Yu Investment Pte Ltd	Singapore	**100**	100
NanoTechnology Manufacturing Pte Ltd	Singapore	**80**	80
SolidMicron Technologies Pte Ltd	Singapore	**100**	100
Fu Yu Electronics (Dongguan) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	**100**	100
Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd.	People's Republic of China	**100**	100
Classic Advantage Sdn. Bhd.	Malaysia	**70.64**	70.64
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	**70.64**	70.64
LCTH Corporation Berhad	Malaysia	**70.64**	70.64
Fu Yu International Enterprise Limited	Hong Kong	**100**	100
Fu Yu Trading Limited	Hong Kong	**100**	100

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

7 ASSOCIATE

	Group	
	2013	**2012**
	$	**$**
Unquoted investment, at cost	**2,692,880**	2,692,880
Share of post-acquisition reserves	**4,960,848**	4,593,087
Dividends from associate	**(3,278,574)**	(2,797,766)
Currency realignment	**(311,427)**	(161,593)
At 31 December	**4,063,727**	4,326,608

Details of the associate are as follows:

Name of company	**Country of incorporation**	**Effective equity interest held by the Group**	
		2013	**2012**
		%	**%**
Berry Plastics Malaysia Sdn Bhd *	Malaysia	**28.26**	28.26

* Audited by PricewaterhouseCoopers, Malaysia.

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

	2013	**2012**
	$	**$**
Assets and liabilities		
Non-current assets	**5,177,264**	6,626,838
Current assets	**6,052,790**	5,171,852
Total assets	**11,230,054**	11,798,690
Total liabilities	**1,070,737**	982,170
Results		
Revenue	**7,307,470**	9,149,565
Profit after income tax	**919,403**	1,976,228

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

8 DEFERRED TAX ASSETS AND LIABILITIES

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

	At 1/1/2012 $	Recognised in profit or loss (Note 24) $	Exchange differences $	At 31/12/2012 $	Recognised in profit or loss (Note 24) $	Exchange differences $	At 31/12/2013 $
Group							
Deferred tax assets							
Property, plant and equipment	(86,326)	(127,267)	999	(212,594)	(531,669)	(1,568)	**(745,831)**
Employee benefits	(46,174)	5,998	–	(40,176)	10,988	–	**(29,188)**
Provision	(25,804)	19,373	–	(6,431)	(4,219)	–	**(10,650)**
Others	(39,608)	36,409	503	(2,696)	(200)	–	**(2,896)**
Tax loss carry-forward	(3,383,686)	2,209,240	86,254	(1,088,192)	(313,879)	(67,492)	**(1,469,563)**
	(3,581,598)	2,143,753	87,756	(1,350,089)	(838,979)	(69,060)	**(2,258,128)**
Deferred tax liabilities							
Property, plant and equipment	3,710,458	(2,423,526)	(40,674)	1,246,258	(77,687)	(11,363)	**1,157,208**
	3,710,458	(2,423,526)	(40,674)	1,246,258	(77,687)	(11,363)	**1,157,208**

	Company 2013 $	2012 $
Deferred tax assets		
Employee benefits	**(29,188)**	(40,176)
Provision	**(10,650)**	(6,431)
Others	**(1,787)**	(133,400)
	(41,625)	(180,007)
Deferred tax liabilities		
Property, plant and equipment	**850,685**	914,067

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

8 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Deferred tax assets	**2,216,503**	1,170,082	**–**	–
Deferred tax liabilities	**1,115,583**	1,066,251	**809,060**	734,060

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

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

	2013	2012
	$	$
Unutilised capital allowances	**1,375,776**	4,637,505
Unutilised tax losses	**60,237,592**	67,300,212
Unutilised export and reinvestment allowances	**3,737,563**	5,347,143
Temporary differences	**180,224**	1,730,059
	65,531,155	79,014,919

Other than tax losses arising from China subsidiaries which will expire five years from the year the losses have incurred, the tax losses, capital allowances, export and reinvestment allowances and temporary differences do not expire under current tax legislation. Unutilised tax losses of $15 million (2012: $12 million) expired during the financial year.

9 INVENTORIES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Raw materials	**9,146,740**	13,448,435	**1,437,957**	1,347,790
Work-in-progress	**998,468**	1,494,608	**59,728**	184,144
Finished goods	**8,421,742**	10,015,206	**846,534**	1,039,223
	18,566,950	24,958,249	**2,344,219**	2,571,157

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

9 INVENTORIES (CONTINUED)

Movements in the allowance for stock obsolescence are as follows:

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
At 1 January	**1,663,728**	1,788,564	**103,423**	151,788
Allowance made	**575,737**	478,964	**–**	–
Allowance written-back	**(71,463)**	(322,674)	**(37,772)**	(48,365)
Allowance utilised	**(276,591)**	(213,990)	**–**	–
Currency realignment	**8,712**	(67,136)	**–**	–
At 31 December	**1,900,123**	1,663,728	**65,651**	103,423

In 2013, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $186,493,220 (2012: $194,203,928) and $15,763,037 (2012: $15,845,119) for the Group and the Company respectively.

10 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2013	2012	2013	2012
		$	$	$	$
Trade receivables		**78,839,979**	82,536,191	**8,022,262**	5,540,352
Allowance for impairment of doubtful receivables		**(7,633,430)**	(7,220,204)	**(9,576)**	(26,346)
Net trade receivables		**71,206,549**	75,315,987	**8,012,686**	5,514,006
Other receivables		**1,937,589**	1,432,325	**488,748**	525,662
Allowance for impairment of doubtful other receivables		**(8,084)**	(78,875)	**–**	(70,791)
Net other receivables		**1,929,505**	1,353,450	**488,748**	454,871
Amounts due from subsidiaries	11	**–**	–	**36,479,693**	39,207,880
Deposits		**1,315,361**	907,631	**476,895**	520,085
Loans and receivables		**74,451,415**	77,577,068	**45,458,022**	45,696,842
Prepayments		**808,349**	1,058,878	**64,631**	72,667
Advances to suppliers		**896,840**	2,464,243	**–**	22,000
Amounts due from customers for contract work	12	**2,037,826**	1,653,513	**1,459,679**	472,687
		78,194,430	82,753,702	**46,982,332**	46,264,196

Trade receivables of a subsidiary, with carrying amount of $15,703,056 (2012: $ Nil), were pledged as security for bank facilities.

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

11 AMOUNTS DUE FROM SUBSIDIARIES

	Note	Company 2013 $	Company 2012 $
Amounts due from subsidiaries			
– trade		**80,534**	186,676
– non-trade		**44,302,253**	49,735,298
		44,382,787	49,921,974
Allowance for impairment of doubtful receivables		**(7,903,094)**	(10,714,094)
	10	**36,479,693**	39,207,880

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

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

	Company 2013 $	Company 2012 $
At 1 January	**10,714,094**	11,858,094
Allowance written-back	**(2,811,000)**	(1,144,000)
At 31 December	**7,903,094**	10,714,094

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

12 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Contract costs incurred to date		**7,960,387**	3,358,549	**6,920,477**	1,620,509
Recognised profits less recognised losses to date		**572,399**	747,262	**6,894**	(90,368)
		8,532,786	4,105,811	**6,927,371**	1,530,141
Progress billings		**(7,501,303)**	(3,449,169)	**(5,617,942)**	(1,087,971)
Amounts due from customers, net		**1,031,483**	656,642	**1,309,429**	442,170
Gross amounts due from customers for contract work	10	**2,037,826**	1,653,513	**1,459,679**	472,687
Gross amounts due to customers for contract work	18	**(1,006,343)**	(996,871)	**(150,250)**	(30,517)
		1,031,483	656,642	**1,309,429**	442,170

13 CASH AND CASH EQUIVALENTS

	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Cash at bank and in hand	**36,327,037**	35,020,294	**5,147,260**	1,713,193
Deposits with banks	**36,862,434**	10,537,786	**6,324,500**	4,887,200
Short-term investments	**3,880,792**	3,521,532	**–**	–
Cash and cash equivalents	**77,070,263**	49,079,612	**11,471,760**	6,600,393
Deposits pledged	**(4,073,829)**	(3,012,983)		
Cash and cash equivalents in the consolidated statement of cash flows	**72,996,434**	46,066,629		

Fixed deposits of $4,073,829 (2012: $3,012,983) were pledged as security deposit for the lease of factory buildings by a subsidiary and bank guarantee issued by bank.

Fixed deposits with financial institutions mature on varying periods within 12 months (2012: 12 months) from the financial year end. Effective interest rates range from 0.12% to 3.5% (2012: 0.17% to 3.13%) per annum.

The short-term investments refer to funds deposited with trust funds and money market funds. Short term investments earn a interest rate of 0.82% to 3.09% (2012: 2.30% to 3.05%) per annum during the year.

Cash and bank balances totalling the equivalent of $62,798,491 (2012: $39,668,410) are held in two countries which operate foreign exchange controls.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

14 SHARE CAPITAL

	2013	2012
	No. of shares	
Fully paid ordinary shares, with no par value:		
On issue at 1 January	**731,834,775**	731,834,775
Exercise of share options	**1,000,000**	–
On issue at 31 December	**732,834,775**	731,834,775

During the year, ordinary shares of 1,000,000 (2012: Nil) were issued as a result of the exercise of vested share options arising from the Fu Yu Employees Share Option Scheme granted on 5 October 2008. Options were exercised at an exercise price of $0.09 per option. All issued shares are fully paid.

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

Capital management

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

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

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

– Gearing ratio

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

14 SHARE CAPITAL (CONTINUED)

Capital management (Continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
Net equity ($)	**168,878,328**	162,148,365	**105,103,467**	104,348,030
Gearing ratio	**44.0%**	43.5%	**11.3%**	8.9%

The Group and the Company have complied with the externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

In addition, as disclosed in Note 15, 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 2013 and 2012.

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.

15 RESERVES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Capital reserve	**140,256**	140,256	**–**	–
Statutory reserve	**9,890,326**	9,771,779	**–**	–
Revaluation reserve	**788,607**	788,607	**788,607**	788,607
Share option reserve	**1,627,055**	1,627,055	**1,153,055**	1,153,055
Foreign currency translation reserve	**(6,533,175)**	(7,088,112)	**–**	–
Retained earnings/(accumulated losses)	**37,858,348**	31,336,932	**(15,411,931)**	(16,077,368)
	43,771,417	36,576,517	**(13,470,269)**	(14,135,706)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

15 RESERVES (CONTINUED)

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

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

16 SHARE-BASED PAYMENT ARRANGEMENT

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

Information regarding the Scheme is as follows:

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

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

	2013		2012	
	Weighted average exercise price $	No. of options	Weighted average exercise price $	No. of options
At 1 January	0.09	53,040,000	0.09	54,190,000
Forfeited during the year	0.09	(17,980,000)	0.09	(1,150,000)
Exercised during the year	0.09	(1,000,000)	0.09	–
At 31 December	0.09	34,060,000	0.09	53,040,000

The weighted average share price at the date of exercise for share options exercised in 2013 was $0.08.

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YEAR ENDED 31 DECEMBER 2013

16 SHARE-BASED PAYMENT ARRANGEMENT (CONTINUED)

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

Date of grant of options	Expiry date	Exercise price	Options outstanding	
		$	2013	2012
5 October 2008	5 October 2014	0.09	**34,060,000**	53,040,000

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

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

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

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

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

17 FINANCIAL LIABILITIES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Non-current liabilities				
Finance lease liabilities	**84,640**	138,184	**68,614**	106,906
Current liabilities				
Secured bank loans	**3,187,546**	1,000,000	**–**	1,000,000
Finance lease liabilities	**52,167**	50,279	**38,293**	36,783
	3,239,713	1,050,279	**38,293**	1,036,783
	3,324,353	1,188,463	**106,907**	1,143,689

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

17 FINANCIAL LIABILITIES (CONTINUED)

Terms and debt repayment schedule

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

	Currency	Nominal interest rate	Year of maturity	2013 Face value	2013 Carrying amount	2012 Face value	2012 Carrying amount
Group							
Secured bank loans	SGD	3.16%	2013	–	–	1,000,000	1,000,000
Secured bank loans	USD	4.5%	2014	**3,187,546**	**3,187,546**	–	–
Finance lease liabilities	SGD	1.88% to 2.28%	2014 to 2018	**106,907**	**106,907**	143,689	143,689
Finance lease liabilities	MYR	2.30% to 2.55%	2014 to 2019	**29,900**	**29,900**	44,774	44,774
				3,324,353	**3,324,353**	1,188,463	1,188,463
Company							
Secured bank loans	SGD	3.16%	2013	–	–	1,000,000	1,000,000
Finance lease liabilities	SGD	1.88% to 2.28%	2014 to 2018	**106,907**	**106,907**	143,689	143,689
				106,907	**106,907**	1,143,689	1,143,689

Secured bank loans

The secured bank loans are secured by:

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

(ii) Pledges over the Company's subsidiary, Fu Yu Moulding & Tooling (Chongqing) Co., Ltd's trade receivables in year 2013.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

17 FINANCIAL LIABILITIES (CONTINUED)

Finance lease liabilities

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

	2013 Principal $	2013 Interest $	2013 Payments $	2012 Principal $	2012 Interest $	2012 Payments $
Group						
Payable:						
Within 1 year	**52,167**	**4,358**	**56,525**	50,279	6,468	56,747
After 1 year but within 5 years	**84,640**	**6,002**	**90,642**	138,184	10,538	148,722
	136,807	**10,360**	**147,167**	188,463	17,006	205,469
Company						
Payable:						
Within 1 year	**38,293**	**3,277**	**41,570**	36,783	4,797	41,580
After 1 year but within 5 years	**68,614**	**4,466**	**73,080**	106,906	7,743	114,649
	106,907	**7,743**	**114,650**	143,689	12,540	156,229

The effective interest rates implicit in the leases range from 1.88% to 2.55% (2012: 1.88% to 2.55%) per annum.

The finance lease liabilities are secured by the leased assets.

18 TRADE AND OTHER PAYABLES

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Trade payables		**38,527,241**	39,814,521	**2,626,016**	2,972,850
Accrued expenses		**9,938,834**	7,791,372	**3,596,613**	1,418,518
Amounts payable for purchase of property, plant and equipment		**704,125**	1,463,042	**48,027**	–
Other payables		**15,486,996**	13,701,674	**1,702,561**	584,101
Amounts due to subsidiaries					
– trade		**–**	–	**512,606**	1,321,035
– non-trade		**–**	–	**1,854,645**	486,974
Deposits		**1,582,308**	1,616,405	**408,829**	600,169
Financial liabilities measured at amortised cost		**66,239,504**	64,387,014	**10,749,297**	7,383,647
Advance billings		**1,468,543**	1,351,442	**83,417**	3,991
Amounts due to customers for contract work	12	**1,006,343**	996,871	**150,250**	30,517
		68,714,390	66,735,327	**10,982,964**	7,418,155

Included in other payables are sales and withholding taxes payable and other payables arising from non-inventorised purchases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

18 TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2013	2012	2013	2012
Trade and other payables	$	$	$	$
Non-current	**562,500**	–	**562,500**	–
Current	**68,151,890**	66,735,327	**10,420,464**	7,418,155
	68,714,390	66,735,327	**10,982,964**	7,418,155

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

19 REVENUE

	Group	
	2013	2012
	$	$
Sale of goods	**262,428,639**	292,017,199
Revenue from tooling contracts	**20,967,786**	21,149,030
	283,396,425	313,166,229

20 OTHER INCOME

	Group	
	2013	2012
	$	$
Interest income	**732,425**	497,314
Rental income	**1,745,978**	1,925,782
Write-back of doubtful trade receivables	**–**	548,626
Gain on disposal of property, plant and equipment	**1,007,753**	–
Sale of scrap and raw materials	**1,476,186**	1,280,448
Foreign exchange gain (net)	**2,524,823**	–
Gain on disposal of assets held for sale	**6,711,832**	–
Write-back of accruals	**119,423**	759,676
Reversal of impairment loss of property, plant and equipment	**5,616,326**	–
Others	**1,073,311**	958,755
	21,008,057	5,970,601

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

21 OTHER OPERATING EXPENSES

	Group	
	2013 $	2012 $
Property, plant and equipment written off	**264,270**	110,126
Allowance made for doubtful trade receivables	**21,423**	–
Bad debts written off	**2,922**	–
Loss on disposal of property, plant and equipment	**–**	8,940
Foreign exchange loss (net)	**–**	4,282,596
Impairment loss of property, plant and equipment	**–**	2,985,835
	288,615	7,387,497

22 FINANCE COSTS

	Group	
	2013 $	2012 $
Interest expense		
– bank loans	**51,234**	231,043
– finance leases	**7,483**	7,704
	58,717	238,747

23 PROFIT/(LOSS) BEFORE INCOME TAX

The following items have been included in arriving at profit/(loss) before income tax:

	Group	
	2013 $	2012 $
Directors of the Company		
– fees	**306,241**	330,722
– salaries, bonuses and other costs	**2,650,565**	3,572,446
– contributions to defined contribution plans	**59,617**	57,578
Directors of subsidiaries		
– fees	**77,498**	79,125
– salaries, bonuses and other costs	**8,303**	–
Audit fees paid or payable to		
– auditors of the Company	**149,300**	146,250
– other auditors	**375,969**	347,841
Non-audit fees paid or payable to		
– auditors of the Company	**–**	355,000
– other auditors	**58,496**	74,703
Staff costs, excluding directors of the Company and subsidiaries		
– salaries, bonuses and other costs	**55,433,647**	55,740,640
– contributions to defined contribution plans	**5,716,709**	4,567,447
Operating lease expenses	**5,070,746**	5,191,082
Operating expenses incurred in relation to investment property	**249,660**	254,900

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

24 TAX EXPENSE

	Group	
	2013	2012
	$	$
Tax recognised in profit or loss		
Current tax expense		
Current year	**1,622,966**	2,468,895
Under/(over) provision of prior years	**294,450**	(1,471,108)
	1,917,416	997,787
Deferred tax credit		
Movements in temporary differences	**(403,666)**	324
Overprovision in prior years	**(513,000)**	(280,097)
	(916,666)	(279,773)
Tax expense	**1,000,750**	718,014

Reconciliation of effective tax rate

	Group	
	2013	2012
	$	$
Profit/(loss) before income tax	**9,743,808**	(6,269,068)
Tax calculated using Singapore tax rate of 17% (2012: 17%)	**1,656,447**	(1,065,742)
Effect of different tax rates in foreign jurisdictions	**547,703**	(263,857)
Income not subject to tax	**(3,020,891)**	(1,705,039)
Expenses not deductible for tax purposes	**1,741,099**	2,034,311
Utilisation of capital allowances, reinvestment allowances and tax losses previously not recognised	**(1,528,025)**	(472,575)
Overprovision in prior years	**(218,550)**	(1,751,205)
Deferred tax assets not recognised	**1,845,789**	3,955,182
Others	**(22,822)**	(13,061)
	1,000,750	718,014

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 2013

25 EARNINGS/(LOSS) PER SHARE

	Group 2013 $	Group 2012 $
Basic and diluted earnings/(loss) per share is based on:		
Net earnings/(loss) attributable to ordinary shareholders	**6,639,963**	(4,352,892)

	Number of shares	Number of shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**731,834,775**	731,834,775
Effect of shares issued during the year	**32,877**	–
Weighted average number of ordinary shares (basic)	**731,867,652**	731,834,775
Effect of share options on issue	**–**	–
Weighted average number of ordinary shares (diluted)	**731,867,652**	731,834,775
Basic earnings/(loss) per share (cents)	**0.91**	(0.59)
Diluted earnings/(loss) per share (cents)	**0.91**	(0.59)

There is no difference between the basic and diluted earnings/(loss) per share for 2013 and 2012 as the Company has no potential dilutive securities as at 31 December 2013 and 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

26 OPERATING SEGMENTS

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

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other items comprise mainly interest income, finance costs, other income/(expenses) and tax expense and credit.

Performance is measured based on profit before tax, interest income, finance costs and other income/(expenses), as included in internal management reports that are reviewed by the Group's chief operating decision maker. Profit before tax, interest income, finance costs and other income/(expenses) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the Group's industry. Inter-segment pricing is based on the terms agreed by the counterparties.

Concentration of revenue

Revenues of approximately $96,910,937 (2012: $106,498,727) relate to 2 (2012: 2) external customers with revenue in excess of 10% of Group revenue. This revenue relates to Singapore, Malaysia and China segments.

NOTES TO THE FINANCIAL STATEMENTS

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26 OPERATING SEGMENTS (CONTINUED)

Geographical segments

	Singapore		China		Malaysia		Total operations	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$
Revenue and expenses								
Total external revenue	**36,882,553**	35,027,649	**165,221,582**	162,375,906	**81,292,290**	115,762,674	**283,396,425**	313,166,229
Inter-segment revenue	**2,057,891**	1,813,567	**6,736,658**	10,415,870	**399,667**	275,851	**9,194,216**	12,505,288
(Loss)/profit before income tax*	**(1,460,900)**	1,152,983	**6,736,526**	18,134,658	**2,776,910**	(3,758,658)	**8,052,536**	15,528,983
Depreciation of property, plant and equipment and investment property	**(1,956,454)**	(1,791,020)	**(9,547,616)**	(9,912,819)	**(2,025,400)**	(3,962,368)	**(13,529,470)**	(15,666,207)
Net reversal of/(impairment loss) on property, plant and equipment	**2,212,267**	142,559	**3,928,744**	181,946	**(524,685)**	(3,310,340)	**5,616,326**	(2,985,835)
Gain on disposal of non-current assets held for sale	**–**	–	**–**	–	**6,711,832**	–	**6,711,832**	–
Foreign exchange gain/(loss)	**1,199,254**	(2,174,055)	**1,111,954**	(1,771,021)	**213,615**	(337,520)	**2,524,823**	(4,282,596)
	(5,833)	(2,669,533)	**2,229,608**	6,632,764	**7,152,272**	(11,368,886)	**9,376,047**	(7,405,655)
Share of profit of associate (net of tax)	**–**	–	**–**	–	**367,761**	1,136,587	**367,761**	1,136,587
Profit/(loss) before income tax							**9,743,808**	(6,269,068)
Tax expense							**(1,000,750)**	(718,014)
Net profit/(loss) for the year							**8,743,058**	(6,987,082)
Other segment information								
Segment non-current assets	**18,383,211**	17,039,912	**41,453,363**	39,531,076	**20,760,329**	27,902,935	**80,596,903**	84,473,923
Unallocated assets							**2,216,503**	1,170,082
Total non-current assets							**82,813,406**	85,644,005
Capital expenditure	**1,188,442**	2,844,923	**5,065,883**	860,633	**984,677**	2,566,133	**7,239,002**	6,271,689
Interest income	**21,490**	5,014	**149,974**	172,713	**560,961**	319,587	**732,425**	497,314
Finance cost	**(6,961)**	(34,084)	**(50,022)**	(202,367)	**(1,734)**	(2,296)	**(58,717)**	(238,747)

* After excluding the effect of foreign exchange gain/(loss), share of profit of associate, depreciation of property, plant and equipment and investment property, net reversal of/(impairment loss) on property, plant and equipment and gain on disposal of non-current assets held for sale. The adjusted segment profits are used to measure performance as management believes that such information is most relevant in evaluating the results of the reportable segments. The corresponding items of segment information for earlier periods have similarly been restated.

NOTES TO THE FINANCIAL STATEMENTS

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27 FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Singapore	**7,944,625**	8,219,764	**10,206,832**	8,311,708
China	**49,798,771**	48,274,945	**14,715,479**	17,901,041
Malaysia	**9,155,088**	14,356,884	**1,854,773**	1,891,767
United States	**1,848,628**	1,696,452	**388,534**	387,704
Hong Kong	**845,570**	2,282,617	**15,900,650**	17,078,051
Others	**4,858,733**	2,746,406	**2,391,754**	126,571
	74,451,415	77,577,068	**45,458,022**	45,696,842

At the balance sheet date, there is a concentration of credit risk relating to two major customers with outstanding receivable balance of approximately $27,786,306 (2012: two major customers with outstanding receivable balance of approximately $17,663,753). These customers relate to Singapore, Malaysia and China segments.

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

The ageing analysis of the loans and receivables is as follows:

	2013		2012	
	Gross	Impairment loss	Gross	Impairment loss
	$	$	$	$
Group				
Not past due	**53,566,970**	–	**57,454,944**	–
Past due 1 to 30 days	**10,479,900**	–	**13,885,197**	8,672
Past due 31 to 90 days	**5,633,257**	5,689	**3,942,842**	–
Past due more than 90 days	**10,587,148**	7,635,825	**8,091,989**	7,290,407
No credit terms	**1,825,654**	–	**1,501,175**	–
	82,092,929	7,641,514	**84,876,147**	7,299,079

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

	2013		2012	
	Gross $	Impairment loss $	Gross $	Impairment loss $
Company				
Not past due	**20,479,211**	–	**21,036,469**	–
Past due 1 to 30 days	**2,819,378**	–	**2,775,789**	–
Past due 31 to 90 days	**459,553**	–	**835,257**	–
Past due more than 90 days	**21,232,561**	9,576	**20,626,379**	97,137
No credit terms	**476,895**	–	**520,085**	–
	45,467,598	9,576	**45,793,979**	97,137

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

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
At 1 January	**7,220,204**	9,837,955	**26,346**	64,685
Allowance made/(written back)	**21,423**	(548,626)	**(16,770)**	24,986
Allowance utilised	**(70,628)**	(1,605,329)	**–**	(63,325)
Currency realignment	**462,431**	(463,796)	**–**	–
At 31 December	**7,633,430**	7,220,204	**9,576**	26,346

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

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
At 1 January	**78,875**	310,929	**70,791**	70,791
Allowance utilised	**(70,791)**	(220,570)	**(70,791)**	–
Currency realignment	**–**	(11,484)	**–**	–
At 31 December	**8,084**	78,875	**–**	70,791

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

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YEAR ENDED 31 DECEMBER 2013

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

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

	Carrying amount $	Contractual cash flows $	Less than 1 year $	Between 1 and 5 years $	More than 5 years $
Group					
2013					
Non-derivative financial liabilities					
Trade and other payables(1)	**66,239,504**	**66,239,504**	**65,677,004**	**562,500**	**–**
Financial liabilities					
– Finance lease liabilities	**136,807**	**147,167**	**56,525**	**90,642**	**–**
– Secured bank loans	**3,187,546**	**3,204,867**	**3,204,867**	**–**	**–**
	69,563,857	**69,591,538**	**68,938,396**	**653,142**	**–**
2012					
Non-derivative financial liabilities					
Trade and other payables(1)	64,387,014	64,387,014	64,387,014	–	–
Financial liabilities					
– Finance lease liabilities	188,463	205,469	56,747	143,622	5,100
– Secured bank loans	1,000,000	1,001,039	1,001,039	–	–
	65,575,477	65,593,522	65,444,800	143,622	5,100
Company					
2013					
Non-derivative financial liabilities					
Trade and other payables(1)	**10,749,297**	**10,749,297**	**10,186,797**	**562,500**	**–**
Financial liabilities					
– Finance lease liabilities	**106,907**	**114,650**	**41,570**	**73,080**	**–**
	10,856,204	**10,863,947**	**10,228,367**	**635,580**	**–**
2012					
Non-derivative financial liabilities					
Trade and other payables(1)	7,383,647	7,383,647	7,383,647	–	–
Financial liabilities					
– Finance lease liabilities	143,689	156,229	41,580	114,649	–
– Secured bank loans	1,000,000	1,001,039	1,001,039	–	–
	8,527,336	8,540,915	8,426,266	114,649	–

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

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

Market risk

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

Interest rate risk

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Variable rate instrument				
Financial liabilities	**3,187,546**	1,000,000	–	1,000,000

Sensitivity analysis

	Profit or loss			
	Group		Company	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	$	$	$	$
2013				
Variable rate instruments	**(31,875)**	**31,875**	–	–
2012				
Variable rate instruments	(10,000)	10,000	(10,000)	10,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

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

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

	Group		Company	
	2013	2012	2013	2012
	US dollar	US dollar	US dollar	US dollar
	$	$	$	$
Trade and other receivables	**149,545,387**	124,979,203	**27,645,357**	27,916,351
Cash and cash equivalents	**17,119,452**	14,681,685	**7,414,133**	6,394,882
Trade and other payables	**(109,284,659)**	(93,143,567)	**(4,363,988)**	(3,547,700)
Financial liabilities	**(3,187,546)**	–	**–**	–
	54,192,634	46,517,321	**30,695,502**	30,763,533

Sensitivity analysis

A one percentage point strengthening of the Singapore dollar against the US dollar at the balance sheet date would decrease the Group's profit before income tax by approximately $541,926 (2012: increase the Group's loss before income tax by $465,173) and decrease the Company's profit before income tax by approximately $306,955 (2012: increase the Company's loss before income tax by approximately $307,635). 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 balance sheet 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 2012.

Accounting classification and fair values

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents, financial liabilities and trade and other payables) carried at cost or amortised cost are assumed to approximate their fair values as at 31 December 2013 and 31 December 2012 given the short period to maturity or re-pricing.

Fair value of other long term liabilities is calculated based on the present value of future principal cash flows, discounted at the market rate of interest at the measurement date. The fair value measurement of the long term liabilities is categorised under level 3. Key inputs correspond to variability of cash outflows and the prime lending rate adjusted for credit spread.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classification and fair values (Continued)

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

Group	Loans and receivables $	Other financial liabilities $	Total carrying amount $
2013			
Trade and other receivables+	74,451,415	–	74,451,415
Cash and cash equivalents	77,070,263	–	77,070,263
Trade and other payables*	–	(66,239,504)	(66,239,504)
Financial liabilities	–	(3,324,353)	(3,324,353)
	151,521,678	(69,563,857)	81,957,821
2012			
Trade and other receivables+	77,577,068	–	77,577,068
Cash and cash equivalents	49,079,612	–	49,079,612
Trade and other payables*	–	(64,387,014)	(64,387,014)
Financial liabilities	–	(1,188,463)	(1,188,463)
	126,656,680	(65,575,477)	61,081,203

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

* Excludes advance billings and amounts due to customers for contract work

Company	Loans and receivables $	Other financial liabilities $	Total carrying amount $
2013			
Trade and other receivables+	45,458,022	–	45,458,022
Cash and cash equivalents	11,471,760	–	11,471,760
Trade and other payables*	–	(10,749,297)	(10,749,297)
Financial liabilities	–	(106,907)	(106,907)
	56,929,782	(10,856,204)	46,073,578
2012			
Trade and other receivables+	45,696,842	–	45,696,842
Cash and cash equivalents	6,600,393	–	6,600,393
Trade and other payables*	–	(7,383,647)	(7,383,647)
Financial liabilities	–	(1,143,689)	(1,143,689)
	52,297,235	(8,527,336)	43,769,899

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

* Excludes advance billings and amounts due to customers for contract work

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

28 COMMITMENTS

Capital expenditure commitments

	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Capital expenditure contracted for as at balance sheet date but not recognised in the financial statements	**9,480,268**	1,132,469	**866,742**	819,761

Operating lease commitments

Leases as lessee

As at 31 December 2013, the Group and the Company lease certain properties and land under lease arrangements that are non-cancellable within one year. Other leases, which include the renewal options, expire at various dates till 2044 and contain provisions for rental adjustments and restrictions to further sub-lease the properties. At 31 December, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Payable:				
Within 1 year	**5,034,386**	4,777,865	**775,527**	793,701
After 1 year but within 5 years	**15,839,454**	16,355,670	**2,248,029**	2,180,204
After 5 years	**10,489,126**	14,190,441	**6,002,744**	6,052,108
	31,362,966	35,323,976	**9,026,300**	9,026,013

Leases as lessor

At 31 December 2013, the Group entered into cancellable and non-cancellable commercial property leases to lease out its surplus space. The cancellable commercial property leases can be cancelled by way of the lessees giving notice in advance to the Group and vice versa. The non-cancellable leases have remaining non-cancellable lease terms of between 2 to 7 years as follows:

	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Receivable:				
Within 1 year	**4,982,988**	2,171,656	**1,347,330**	1,175,813
After 1 year but within 5 years	**15,431,410**	2,633,235	**1,333,385**	762,387
After 5 years	**4,487,870**	–	**–**	–
	24,902,268	4,804,891	**2,680,715**	1,938,200

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

29 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

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

Key management personnel compensation comprises:

	Group	
	2013	**2012**
	$	**$**
Directors' fees	**306,241**	330,722
Short-term employee benefits	**3,421,753**	4,521,182
Contributions to defined contribution plans	**92,009**	87,818
	3,820,003	4,939,722
Comprise amounts paid/payable to:		
– directors of the Company	**3,016,423**	3,960,746
– key executives	**803,580**	978,976
	3,820,003	4,939,722

Other related party transactions

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

	Group	
	2013	**2012**
	$	**$**
Rental income from an associate	**507,100**	517,745
Dividend from associate	**480,808**	486,214

30 SUBSEQUENT EVENTS

In March 2014, the Company ceased the production of one of its China subsidiaries, Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd, and will commence member's voluntary liquidation process of this subsidiary in due course.

ADDITIONAL INFORMATION
REQUIRED BY THE LISTING MANUAL

RISK MANAGEMENT (LISTING RULE 1207(4) (b)(iv))

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

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

The main risks arising from the Group's financial assets and liabilities are credit risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. The Board reviews and agrees on policies to manage its exposure to financial risks. Details of the various financial risk factors are outlined in Note 27 to the Financial Statements on pages 86 to 91.

MATERIAL CONTRACTS (LISTING RULE 1207(8))

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

INTERESTED PERSON TRANSACTIONS (LISTING RULE 1207(17))

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

There were no interested person transactions for the year ended 31 December 2013.

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

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

ADDITIONAL INFORMATION
REQUIRED BY THE LISTING MANUAL

LAND AND BUILDINGS (LISTING RULE 1207 (11))

No	Company Name	Location of the properties	Existing Use	Year of acquisition	Land Area/ Built-up Area	Percentage interest in property	Tenure
1	Fu Yu Corporation Limited	5 Tuas Drive 1 Singapore 638672	Warehouse, factory and office	1981	Land: 4,756 sq m Building: 5,179 sq m	100%	Leasehold for 60 years expiring on 15 Nov 2041
		7 Tuas Drive 1 Singapore 638674	Warehouse, factory and office	1981	Land: 4,756 sq m Building: 2,646 sq m	100%	Leasehold for 40 years expiring on 15 Nov 2021
		8 Tuas Drive 1 Singapore 638675	Warehouse, factory and office	1988	Land: 5,000 sq m Building: 3,606 sq m	100%	Leasehold for 56 years expiring on 31 Oct 2044
		9 Tuas Drive 1 Singapore 638676	Warehouse, factory and office	1981	Land: 4,755 sq m Building: 2,572 sq m	100%	Leasehold for 40 years expiring on 15 Nov 2021
		10 Tuas Drive 1 Singapore 638677	Warehouse, factory and office	1988	Land: 3,366 sq m Building: 3,334 sq m	100%	Leasehold for 56 years expiring on 31 Oct 2044
		43 Senoko Drive Singapore 758227	Warehouse, factory and office	1982	Land: 6,445 sq m Building: 6,961 sq m	100%	Leasehold for 38 years expiring on 15 Sep 2020
2	Classic Advantage Sdn Bhd	21, Jalan Tecknologi 2 Taman Teknologi Johor, 81400 Senai, Johor Darul Ta'zim Malaysia	Warehouse, factory and office	2004	Land: 54,054 sq m Building: 11,427 sq m	100%	Leasehold for 60 years expiring on 31 Mar 2066
3	Fu Hao Manufacturing (M) Sdn Bhd	Plot 562 Mukim 1 Jalan Perusahaan Baru 1, Perai III Perai Industrial Estate 13600 Perai, Penang Malaysia	Warehouse, factory and office	1995	Land: 5,807 sq m Building: 4,865 sq m	100%	Leasehold for 60 years expiring on 11 Dec 2050

ADDITIONAL INFORMATION
REQUIRED BY THE LISTING MANUAL

No	Company Name	Location of the properties	Existing Use	Year of acquisition	Land Area/ Built-up Area	Percentage interest in property	Tenure
4	Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	89 Xing Nan Road Wuzhong Economic Skill Development Zone Suzhou, China 215128	Warehouse, factory and office	2006	Land: 58,847 sq m Building: 47,800 sq m	100%	Leasehold for 50 years expiring on 18 Mar 2054
5	Fu Yu Moulding & Tooling (Dongguan) Co., Ltd	Jing Fu Road, Xin Cheng Industry Area Heng Li Town, Dongguan, Guangdong, China 523477	Warehouse, factory and office	1997	Land: 15,000 sq m Building: 21,110 sq m	100%	Leasehold for 50 years expiring on 14 Dec 2047
				2001	Land: 10,000 sq m Building: 18,890 sq m	100%	Leasehold for 50 years expiring on 17 May 2051

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2014

Class of equity securities	:	Ordinary Shares
Number of equity securities	:	732,834,775 ordinary shares
Voting rights	:	one vote per share

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	309	4.75	129,289	0.02
1,000 – 10,000	3,415	52.52	16,689,255	2.28
10,001 – 1,000,000	2,743	42.19	147,801,383	20.17
1,000,001 and above	35	0.54	568,214,848	77.53
TOTAL	6,502	100.00	732,834,775	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2014

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Ho Nee Kit	96,999,225	13.24	–	0.00
Tam Wai	96,715,475	13.20	300,000[1]	0.04
Ching Heng Yang	88,965,475	12.14	–	0.00
Lui Choon Hay	42,074,475	5.74	–	0.00
Ng Hock Ching	829,000	0.11	50,443,000[2]	6.88

Note:

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

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

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2014

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HO NEE KIT	96,999,225	13.24
2	TAM WAI	96,715,475	13.20
3	CHING HENG YANG	88,965,475	12.14
4	DBS NOMINEES (PRIVATE) LIMITED	46,141,474	6.30
5	LUI CHOON HAY	42,074,475	5.74
6	CITIBANK NOMINEES SINGAPORE PTE LTD	32,076,000	4.38
7	RAFFLES NOMINEES (PTE) LIMITED	28,173,500	3.84
8	HSBC (SINGAPORE) NOMINEES PTE LTD	24,346,500	3.32
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	16,579,279	2.26
10	LIM & TAN SECURITIES PTE LTD	9,309,500	1.27
11	UOB KAY HIAN PRIVATE LIMITED	9,255,250	1.26
12	PHILLIP SECURITIES PTE LTD	9,000,500	1.23
13	OCBC SECURITIES PRIVATE LIMITED	8,182,989	1.12
14	HONG LEONG FINANCE NOMINEES PTE LTD	5,837,000	0.80
15	NG CHUNG MING	5,797,000	0.79
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,506,946	0.75
17	DBSN SERVICES PTE. LTD.	5,216,250	0.71
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,927,010	0.54
19	HO KANG PENG	3,630,000	0.50
20	CITIBANK CONSUMER NOMINEES PTE LTD	3,500,500	0.48
	TOTAL	541,234,348	73.87

As at 21 March 2014, 47.93% of the issued share capital of the Company were held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fu Yu Corporation Limited ("the Company") will be held at Bridge Rooms, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Tuesday, 29 April 2014 at 11:30 a.m. for the purposes of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

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

   (a) Mr Foo Say Tun **(Resolution 2)**

   (Mr Foo Say Tun, upon re-election as a Director of the Company, remains as Chairman of the Nominating Committee; and a member of the Audit and Remuneration Committees. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.) [see explanatory note (i)]

   (b) Mr Ho Kang Peng **(Resolution 3)**
   [see explanatory note (i)]

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

3. To approve the payment of Directors' fees of S$270,000 for the financial year ending 31 December 2014, payable quarterly in arrears (2013: S$241,000). **(Resolution 5)**

4. To re-appoint Messrs KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

6. Authority to issue shares

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

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

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

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

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

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

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

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

[see explanatory note (ii)] **(Resolution 7)**

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

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

[see explanatory note (iii)] **(Resolution 8)**

By Order of the Board

Low Siew Tian
Liaw Chun Huan
Joint Company Secretaries
Singapore
Dated: 14 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The detailed information of Mr Foo Say Tun, Mr Ho Kang Peng and Mr Ho Nee Kit can be found under the section entitled 'Board of Directors' on pages 8 to 10 of the Annual Report. There are no relationships (including immediate family relationships) between these Directors and the other Directors and the Company.

(ii) **Ordinary Resolution 7** proposed under Agenda 6 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

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

Notes:

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

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Tuas Drive 1, Singapore 638675 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

FU YU CORPORATION LIMITED

Company Registration No. 198004601C

(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

I/We, ____

of ____

being a member/members of Fu Yu Corporation Limited (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Bridge Rooms, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Tuesday, 29 April 2014 at 11.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2013		
2	Re-election of Mr Foo Say Tun as a Director		
3	Re-election of Mr Ho Kang Peng as a Director		
4	Re-election of Mr Ho Nee Kit as a Director		
5	Approval of Directors' fees of S$270,000 for the financial year ending 31 December 2014, payable quarterly in arrears		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the Fu Yu Employees Share Option Scheme		

Dated this ____________ day of ____________ 2014

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

____

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

Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

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

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

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

富裕
FuYu

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