富裕
FuYu

FU YU CORPORATION LIMITED

ANNUAL REPORT 2010

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.

富裕 FuYu

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 11 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.

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Corporate Information

Board of Directors
Dr John Chen Seow Phun, Chairman
Ching Heng Yang, Vice Chairman
Tam Wai
Ho Nee Kit
Ho Kang Peng
Hew Lien Lee
Ng Hock Ching (appointed on 1 January 2010)
Tan Yew Beng
Foo Say Tun

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

Non-Executive Directors
Dr John Chen Seow Phun
Tan Yew Beng
Foo Say Tun

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

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

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

Company Secretary
Low Geok Eng Susie

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

External Auditors
KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Audit Partner: Ang Fung Fung
With effect from financial year 2009

Bankers
DBS Bank Ltd
Malayan Banking Berhad

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Group's Annual Report for the financial year ended 31 December 2010 ("FY2010").

It was a year of remarkable recovery for the global economy. Led by the economies of Asia, there was a resurgence in financial flows, higher commodity prices and healthier consumer demand. These factors, coupled with proactive steps taken by governments worldwide to spur growth after the unprecedented economic downturn of 2008-2009, led to growth trends returning to and in some cases, exceeding pre-crisis levels. While the developed countries continued to be weighed down by subdued consumer sentiment, financial sector restructuring and high consumer debt, the pace of growth in the developing countries, particularly Asia, propelled the world economy forward. The manufacturing sector led the growth globally as well as in Singapore, which had a positive direct impact on the Group's performance.

Riding on this strong momentum of the global economic recovery, the Group's turnover for FY2010 increased by 11.4 % to S$258.9 million, from S$232.4 million in FY2009. The improved sales translated into higher gross profit of S$25.0 million in FY2010 (FY2009: S$8.7 million) which allowed for better absorption of overhead costs. This, in turn, led to gross margin improvement to 9.6% as compared to the previous year's 3.7%. Nevertheless, the robust turnover was undermined by foreign exchange loss due to translations of receivables, cash, payables and borrowings denominated in foreign currencies to the functional currencies of the respective companies in the Group. Notably the weakening of the US dollar vis-à-vis the Singapore dollar and Malaysian ringgit affected Group performance as our Singapore and Malaysian companies were at net US dollar positions. If not for the foreign exchange loss recorded, the Group would have registered other income of S$10.6 million which would have contributed to a positive bottom line.

Net profit after tax stood at S$1.3 million after taking into account the write-back of the provision for impairment of property, plant and equipment of S$6.1 million. This write-back was as a result of an improvement in utilisation of certain plant and equipment in China subsidiaries.

HIGHLIGHTS OF THE YEAR

We had set up a factory at the end of 2009 in Shenzhen, China, incorporating a wholly-owned subsidiary, Fu Ying Moulding & Tooling (Shenzhen) Co.,Ltd. This was to serve a new large customer which we had secured in southern China as well as to seize growth opportunities in this fast growing region. We are happy to report that this plant is already operating at full capacity as at the time of reporting and has been profitable in its first year of operations.

Our consolidation exercise was largely completed in 2009, with unprofitable subsidiaries being closed and geographical operations aligned more closely with our growth strategies. As part of our ongoing review process, we continued to keep a close watch on our existing centres of production. This was to ensure continued profitability at each of these centres. Consequently, in November 2010, after careful consideration, we disposed of our interest in our wholly-owned subsidiary, QingDao Fu Qiang Electronics Co., Ltd, China, which had been incorporated in August 2004 to serve a major customer in QingDao. This subsidiary had been sustaining losses as the business from its major customer was insufficient to sustain operations profitably. The cessation of our business there has enabled us to further streamline our operations in China and

Chairman's Message

re-allocate resources as well as improve Group performance overall. While the performances of our China companies on the whole were encouraging, one of our Malaysian subsidiaries was negatively impacted by a loss of a major customer which had relocated its operations to China. This led to it sustaining a loss during the year under review.

STABILITY AS A PLATFORM FOR FUTURE GROWTH

Our Group restructuring exercise had been undertaken over the recent years, with a view to bringing greater financial stability to the company and positioning ourselves for growth. We are pleased to report that this exercise has been successfully concluded. Our Singapore operations are now largely operating out of our Tuas premises with greater efficiency and economies of scale. Only SolidMicron Technologies Pte Ltd continues to operate from a different location. There are no plans to move this subsidiary to our Tuas location due to the high cost of relocation and disruption to the operations. With the pick-up in business activities, we have reverted to operating at a full work week with most employees' salaries reinstated to pre-crisis levels.

Improving operational efficiency and sustaining a high level of customer service requires sustained effort. Hence continuous improvement in internal systems and controls, enhancement of engineering process, ongoing maintenance and repair work to existing machinery, and skills training and upgrading for our personnel formed an integral part of our daily operations in FY2010. Correspondingly, on the financial front, we maintained a healthy balance sheet with a strong cash position of S$69.4 million and positive cash flow of S$14.4 million from operating activities.

The year 2011 should see us making further headway in the China market as we see great opportunities in Southern China and in the interior regions of China. In Malaysia, we will step up efforts to grow our customer base and further strengthen our position there. The Group will continue to balance any expansion initiatives with containing operating and other associated costs.

DIVIDEND

In light of the need to maintain financial prudence and to conserve cash to better position ourselves to take advantage of future growth opportunities, the Board of Directors has decided not to declare a dividend this year.

OUTLOOK FOR THE COMING YEAR

While there is optimism for the coming year, there are external factors which the Group will have to monitor carefully. Chief among these is the rising costs especially in countries in which we have operations, in particular China. The upward spiral of crude oil prices is also another factor which may impact profits as margins are squeezed on the back of intense competition. Although business activity has picked up and orders are coming in pursuant to healthy consumer demand, excess manufacturing capacity from the downturn still exists. Manufacturers are still attempting to fully utilise such capacity, further compounding pricing pressures.

The foreign exchange situation, particularly the US dollar vis-à-vis other currencies in the coming months, will necessitate close monitoring, as will the situation in Europe with the peripheral economies in the European Union facing painful economic restructuring. These twin factors, among others, could dampen consumer demand and hence manufacturing growth. We will thus pursue a prudent approach in our financial matters. In particular, with the foreign exchange situation requiring careful consideration, we will need to undertake a comprehensive cost-benefit analysis of entering into any hedging strategy to manage our risks from foreign exchange exposure.

On the whole, we are cautiously optimistic bearing in mind the positive outlook for the global economy. The regional economies are still expected to perform strongly with Asian economies predicted to lead the growth. Manufacturing is set to continue its strong run with factories in the United States and Europe reporting increases in outputs. While the industry in which we operate is very competitive, we are confident that our sound business fundamentals, strong customer base and proven operational capabilities will be a successful formula in dealing with the challenges of the coming months.

APPRECIATION

Together with the Board of Directors, I wish to record my sincere appreciation to our valued customers, suppliers and business associates for their stalwart commitment and support. I would like to thank the management and staff for their unwavering dedication and hard work which saw us through the challenges of the financial crisis and paved the way for our current stability and future growth. I would also like to personally extend my heartfelt appreciation to the members of the Board of Directors for their invaluable contributions and leadership during the past year.

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

Dr John Chen Seow Phun
Chairman

Operations Review

OVERVIEW

2010 was a year of recovery for the global economy after the economic downturn in 2008. Riding on the momentum of this recovery, the Group turned in strong sales and robust gross profit with a consequent marked improvement in gross profit margin. The Group's cash position remained healthy as did our balance sheet.

REVENUE AND GROSS MARGIN

For the financial year ended 31 December 2010 ("FY2010") the Group reported a total revenue of S$258.9 million, a 11.4% increase as compared with FY2009's revenue of S$232.4 million, in tandem with the buoyant economic climate which had begun improving since the second half of FY2009.

Flowing from the increased revenue, cost of sales rose by S$10.2 million or 4.5% to S$233.9 million from S$223.8 million. Consequently, gross profit increased by 188.2% or S$16.3 million from S$8.7 million registered in the previous financial year. The Group's gross profit margin improved to 9.6% from 3.7% in FY2009 on account of better absorption of overheads on the back of improved revenue.

OTHER INCOME

The Group's other income decreased by S$3.6 million or 55.7% to S$2.9 million from S$6.5 million in FY2009 on account of foreign currency loss of S$7.7 million as compared to foreign currency loss of S$3.0 million in the previous financial year. The underlying items which contributed to the foreign exchange loss were the translations of receivables, cash, payables and borrowings denominated in currencies other than the functional currencies of the companies within the Group. In particular, as the Group's Singapore and Malaysian companies are at net US dollar assets positions, the weakening of that currency vis-à-vis the Singapore dollar and Malaysian Ringgit negatively impacted the financials of the Group.

SELLING AND ADMINSTRATIVE EXPENSES

Despite the increase in revenue, selling and administrative expense declined marginally by S$1.4 million or 3.9% from S$36.1 million in FY2009 to S$34.7 million due to the S$1.4 million expenditure relating to the Employee Share Options Scheme and S$0.7 million in SAP licence fees which were expensed in FY2009. The Group's continued efforts at costs management were effective in keeping selling and administrative expenses to its current levels.

OTHER EXPENSES

With better utilisation of certain plant and equipment on account of the improved revenue, the Group wrote back S$6.1 million for impairment provisions for plant and machinery previously made. This resulted in exceptional other income of S$6.1 million being recorded in FY2010 which further contributed to our bottomline.

We recorded a tax credit of S$2.2 million due to recognition of deferred tax assets for unabsorbed losses carried forward to set-off future profit as well as the timing difference arising from provision for impairment of plant and machinery. Our net tax position thus stood at S$1.3 million.

GROUP PROFITABILITY

The Group turned in a net profit of S$1.3 million against the previous year's net loss of S$25.3 million. If not for the foreign exchange losses recorded during the year, the Group would have turned in a net profit of S$9.0 million contributed by increased revenue and gross profit margin as well as the write back of impairment of plant and machinery of S$6.1 million.

Operations Review

GEORGRAPHICAL SEGMENT REVIEW

Singapore

In terms of revenue contribution, Singapore contributed 18.4% or S$47.7 million to total Group revenue. This marks a 22.1% or S$8.6 million increase from the S$39.1 million revenue contribution in FY2009. The rebound in performance from this segment was due to an increase in order book for two major customers in this segment.

The revenue increase from Singapore also contributed to the improvement in segment results. Singapore segment's loss decreased by $5.3 million or 69.6%, from a loss of S$7.7 million in FY2009 to a loss of S$2.4 million in FY2010. The reduction in loss in the Singapore segment was also partially attributed to lower selling and administrative expenses in FY2010.

China

China as a whole recorded economic growth of 10.3% in 2010, as Asian economies led the rapid recovery from the crisis of 2008. Riding on this strong performance and increased orders from our major customers in China, China contributed 60.7% or S$157.2 million to total Group revenue, a 48.7% increase from the low base of S$105.7 million in FY2009.

Despite relatively steep increases in costs of raw materials and labour in China, our plant in Shenzhen, China, which we established only at the end of 2009, has been profitable in its first year of operations. At the same time, we ceased operations in Tianjin, disposed of our interest in our wholly-owned subsidiary, QingDao Fu Qiang Electronics Co., Ltd as there was insufficient business to sustain the plant profitably.

Malaysia

Malaysia contributed 20.9% or S$54.0 million to total Group revenue, a 38.3% or S$33.6 million decrease from S$87.6 million in FY2009. Our revenue performance in this geographical segment was impacted by the relocation of a major customer to China. Despite this, one of our two plants in Malaysia continues to operate profitably. We will be aggressively seeking to expand our customer base in the coming year. One of our immediate projects is the setting up of a plant in the central region of Peninsular Malaysia in order to capture and service the potential customers in that region. The Malaysia Group will also continue to focus on managing its cash flow and costs through efforts in optimising its operations in the existing plants.

Awards and Certifications

Awards received by Fu Yu Group in Year 2010

Company	Awards
Fu Yu Corporation Limited	Singapore 1000 Company 2010
Classic Advantage Sdn Bhd	Supplier Six Sigma Green Belt Project: Reduce RMA From Customer by Flextronics
Classic Advantage Sdn Bhd	Industry Excellent Award by MITI Malaysia
Fu Hao Manufacturing (M) Sdn. Bhd.	Preferred Supplier of the Bosch Group by Robert Bosch GmbH
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	2010 Kodak Approved Supplier (GCG Purchasing Recognition Award)
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	Environment Friendly Corporate Certificate by Fuji Xerox Co Ltd

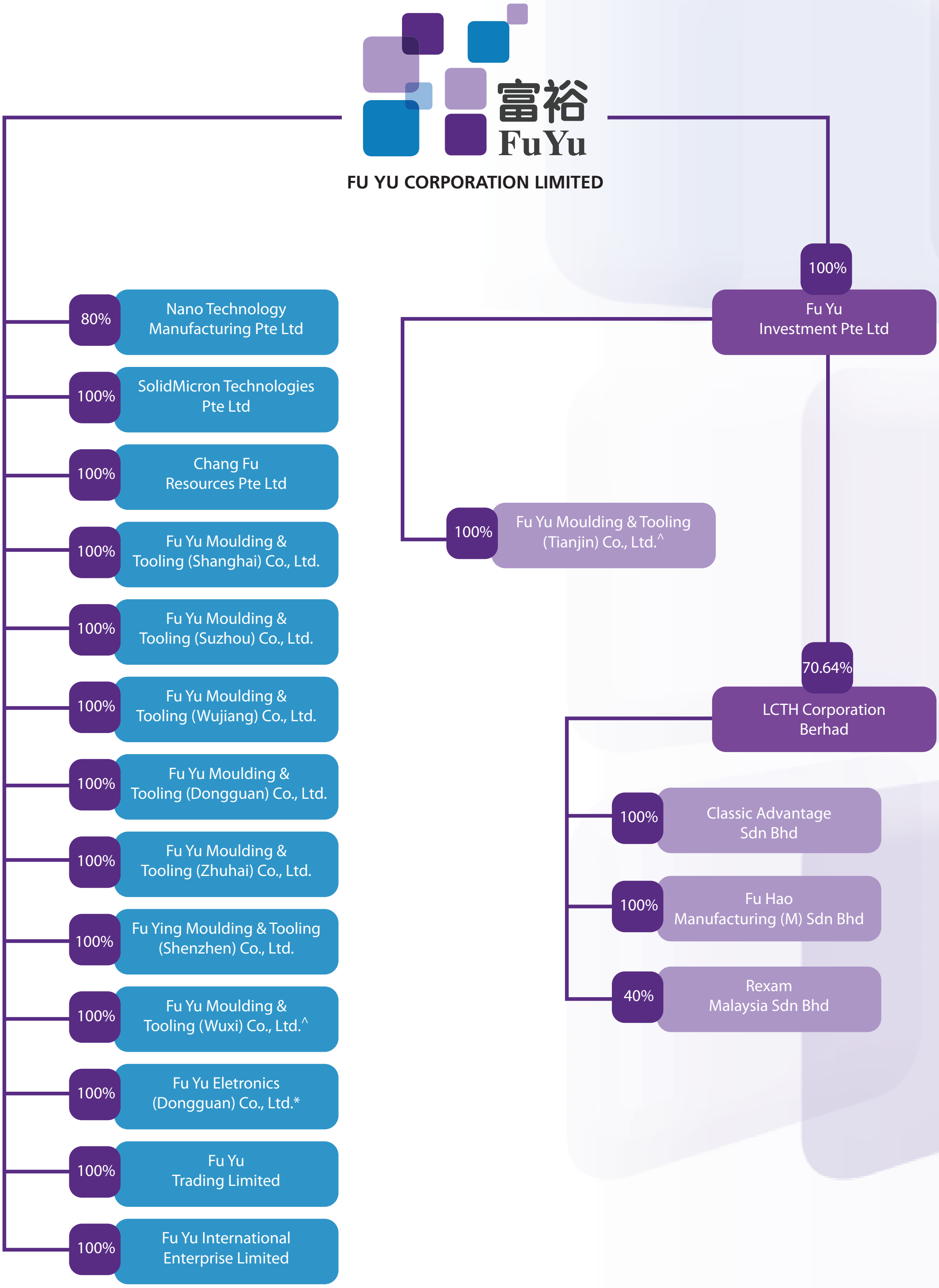
Corporate ISO and QS Certification for Fu Yu Group as at end of Year 2010

Company	ISO 9001:2008	ISO 13485:2003	ISO 14001:2004	TS 16949:2009	OHSAS 18001:2007
Fu Yu Corporation Limited	^		^		
Classic Advantage Sdn Bhd	^		^	^	^
Fu Hao Manufacturing (M) Sdn Bhd	^		^		
SolidMicron Technologies Pte Ltd	^			^	
NanoTechnology Manufacturing Pte Ltd	^	^	^		
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	^		^	^	
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	^		^	^	
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	^		^	^	
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	^		^	^	
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	^				
Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd.	^				

2011 Corporate Certification Plan

Company	Plan
Fu Hao Manufacturing (M) Sdn Bhd	ISO13485:2003

Group Structure



^ Ceased production
* Dormant

Board of Directors

Dr John Chen Seow Phun
Non-Executive Chairman
Independent Director

Dr John Chen Seow Phun, 57, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007 and was last re-elected on 29 April 2010. Dr Chen was a Member of Parliament from 1988 to 2006. He was the Assistant Secretary General of the NTUC from 1991 to 1997. He also served as the Deputy Chairman and Managing Director of NTUC Healthcare Co-op Ltd from 1992 to 1997. From March 1997 to June 1999, he was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Prior to joining the Government in 1997, Dr Chen has served as a Board Member of the Economic Development Board, the Housing and Development Board, the Port of Singapore Authority and Singapore Power Ltd.

Dr Chen is presently the Managing Director of JCL Business Development Pte Ltd and the Chairman of SAC Capital Pte Ltd. He also sits on the board of a number of publicly listed companies.

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

Ching Heng Yang
Vice Chairman
Executive Director

Mr Ching, 60, one of the co-founders of Fu Yu, is the Vice Chairman and Executive Director of the Company. Mr Ching was appointed as the Executive Director on 10 December 1980 and was last re-elected on 29 April 2008. He will stand for re-election as a Director at the forthcoming Annual General Meeting. 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 37 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 2010, Mr Ching holds 12.26% direct interest in the Company.

Ho Kang Peng
Executive Director
Chief Executive Officer (CEO)

Mr Ho Kang Peng, 56, is appointed as our Chief Executive Officer and Executive Director on 31 March 2008. He was last re-elected on 29 April 2008 and will stand for re-election as a Director at 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 is currently the Independent Director of Fuxing China Group Limited and Plastoform Holding Limited. On 15 September 2010, Mr Ho is appointed as the Non-Independent Non-Executive Director of LCTH Corporation Berhad, a subsidiary listed on the Main Market of Bursa Malaysia.

Mr Ho has more than 28 years of experience in the plastics industries. He holds a Bachelor of Business and Commerce Degree from Nanyang University of Singapore.

At 31 December 2010, Mr Ho holds 0.16% direct interest in the Company.

Board of Directors

Mr Ho, 57, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 30 April 2009. 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 2010, Mr Ho holds 13.36% direct interest in the Company.

Ho Nee Kit
Executive Director

Mr Tam, 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 29 April 2008. He will stand for re-election as a Director at the forthcoming Annual General Meeting. Mr Tam oversees the mould design and fabrication operations of the Group. Prior to joining Fu Yu, he was involved in mould design and fabrication for 10 years in Hong Kong specializing in high precision moulds for the electronics and electrical industries. Mr Tam has over 41 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 2010, Mr Tam holds 13.32% direct and 0.04% deemed interests in the Company.

Tam Wai
Executive Director

Mr Hew, 54, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. He was last re-elected on 29 April 2010. Apart from overseeing the Group business activities, he 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 31 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 Fu Yu and LCTH Group.

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

As at 31 December 2010, Mr Hew holds 0.01% direct interest in the Company.

Hew Lien Lee
Executive Director
Chief Operating Officer

Board of Directors

Ng Hock Ching
Executive Director

Mr Ng, 50, was the corporate advisor for the Group prior to being appointed as the Executive Director of the Company on 1 January 2010. He was last re-elected on 29 April 2010. His area of responsibilities includes charting the Group's corporate finance direction as well as corporate affairs of the Company. Mr Ng was a director in Scintronix Corporation Ltd (formerly known as TTL Holding Ltd) from September 2005 to April 2007 and a director in Adventus Holdings Ltd (formerly known as SNF Corporation Ltd) from February 2003 to April 2007. On 15 September 2010, Mr Ng is appointed as Non-Independent Non-Executive Director of LCTH Corporation Berhad, a subsidiary listed on Main Market of Bursa Malaysia.

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

At 31 December 2010, Mr Ng holds 2.32% direct and 2.76% indirect interests in the Company.

Tan Yew Beng
Non-Executive Director
Independent Director

Mr Tan, 54, is a non-executive and independent director of Fu Yu. He was appointed as Director on 22 May 1995 and was last re-elected on 30 April 2009. Mr Tan is the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees. He is also a director of several Singapore and Malaysia companies.

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

Mr Tan is serving actively in several social, education and community organisations. He is also a member of Singapore Institute of Directors.

At 31 December 2010, Mr Tan holds 0.22% indirect interest in the Company.

Foo Say Tun
Non-Executive Director
Independent Director

Mr Foo, 45, is a non-executive and independent director of Fu Yu. He was appointed as Director on 27 November 2007 and was last re-elected on 29 April 2008. He 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. At present, he is a partner in the law firm of Wee, Tay & Lim. His area of practice is civil and commercial litigation.

Key Executives

Chow Weng Fook
Advisor

Mr Chow, 55, is the operational advisor for Fu Yu Corporation Ltd and its Group of companies. He advises and helps the Group in the area of operational efficiency, global procurement and resource deployment. Mr Chow has over 20 years of experience in global supply chain management in the electronics industry with more than ten years in top management positions. He holds a Masters of Technology and a Bachelor of Electrical Engineering degree from the National University of Singapore.

Yeo See Joo
Group Business Development Director

Mr Yeo, 47, 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 27 years of business development experience in the plastics industry holding middle to senior management positions. He joined Philips Machine Factory in 1983 as a mold maker and later joined Tritech Manufacturing Pte Ltd as mold designer and project engineer in 1986, in 1994 joined Thomson Multi Media as a Tooling Engineer. In 1995 he joined TTL Holding Ltd (currently known as Scintronix Corporation Ltd) and in-charge of the Sales and Marketing and Programs Management in the company till 2005. He later joined Watson Plastics Manufacturing Pte Ltd as the Corporate Business Development Director. He holds an Advance Diploma in Business Management from University of Bradford.

Tan Lay Kheng
Group Human Resource Director

Madam Tan, 57, 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 26 years of experience in Industrial Relations Management. She holds a Bachelor of Art Degree.

Tan Chee Kian
Acting CFO
Financial Controller, Southern China

Mr Tan, 55, joined the Group on August 2008 as Financial Controller of Southern China in charge of the finance and accounting functions of that region. On September 2010, he was appointed Acting CFO to assist on the Group's financial reporting. He has more than 15 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 Certificated Public Accountant of Singapore since 1987.

Liaw Chun Huan
Financial Advisor

Mr Liaw, 41, is currently our Financial Advisor advising the Group on corporate finance matters as well as financial planning and reporting. He joined Fu Yu Corporation Ltd as the Chief Financial Officer. He was responsible for financial planning and reporting. Mr Liaw joined us with experiences in the financial management and accounting of companies involved in plastic injection moulding, tool fabrication and servicing the electronics supply chain. His previous relevant industry experiences included working as the Corporate Financial Controller in Watson Plastics Industries Pte Ltd and Chief Financial Officer of Adventus Holdings Limited (formerly known as SNF Corporation Ltd), a SESDAQ listed company. Mr Liaw is a Fellow of the Institute of Certified Public Accountants of Singapore. He holds a Masters in Business Administration (Chinese) from National University of Singapore and an honours degree in Accountancy from Nanyang Technological University.

Cheah Ngook Wah
Group Financial Controller

Ms Cheah, 37, is the Group Financial Controller of Fu Yu Group. She is responsible for the Group's accounting and finance functions. Prior to joining Fu Yu, she was an auditor with two of the international accounting firms for 5 years. Ms Cheah is a member of Certified Public Accountant Australia and graduated from the University of Western Australia. She holds a Bachelor of Commerce Degree.

Our Network

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Corporate Milestone

2010

— Entered into sale and purchase agreement to dispose properties in Tianjin plant, China

— Disposal of 100% interest in QingDao Fu Qiang Electronics Co., Ltd

— Sale and leaseback of Fu Yu Moulding & Tooling (Shanghai) Co., Ltd's properties

— Completion of member's voluntary liquidation of Fu Yu Guadalajara S.A.De C.V.

— Obtained ISO 14001:2004 and OHSAS 18001:2007 certification for our plant in Johor, Malaysia

— Obtained TS16949:2009 certification for our plants in Dongguan, Zhuhai and Suzhou in China

— Conversion of ISO 9001:2000 to ISO 9001:2008 certification for our plants in Johor, Malaysia and Dongguan, Zhuhai, Shanghai, Suzhou, Wujiang in China and SolidMicron in Singapore

2009

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

2008

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

2007

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

2006

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

2005

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

2004

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

2003

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

2002

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

2001

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

Corporate Governance Report

Introduction

The Board of Directors and Management of Fu Yu Corporation Limited 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 introduced in April 2001 and amended in 2005 (the "Code") and any deviations from the Code are explained. Unless otherwise stated, the corporate governance processes were in place during the financial year under review.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

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

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

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

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

Corporate Governance Report

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

Name of Director	Board 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	4	4	–	–	–	–	–	–
Tam Wai	4	4	–	–	–	–	–	–
Ho Nee Kit	4	4	–	–	–	–	–	–
Ho Kang Peng	4	4	–	–	–	–	–	–
Hew Lien Lee	4	4	–	–	–	–	–	–
Ng Hock Ching	4	4	–	–	–	–	–	–
Dr John Chen Seow Phun	4	4	4	4	1	1	1	1
Foo Say Tun	4	3	4	3	1	1	1	1
Tan Yew Beng	4	4	4	4	1	1	1	1

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

Principle 2: Board Composition and Balance

The Board comprises nine directors of whom six are executive and three independent and non-executive. The Board has examined its size, taking into account the scope and nature of the operations of the Group, and is satisfied that the present size is appropriate in facilitating effective decision-making. Board members comprise of professionals with financial, accounting, legal and industry backgrounds.

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

Principle 3: Chairman and Chief Executive Officer

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

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

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

Corporate Governance Report

The Non-executive Chairman schedules board meetings when necessary and set the board meeting agenda in consultation with the CEO and Chief Financial Officer. 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 Board structure, size and composition and making recommendations to the Board with regards to any adjustments in the structure and size that are deemed necessary;

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

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

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

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

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

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

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

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

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

Corporate Governance Report

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independent status. The NC has recommended the re-election of Mr Ching Heng Yang, Mr Tam Wai, Mr Ho Kang Peng and Mr Foo Say Tun as Directors of the Company at the forthcoming AGM. The Board accepted the NC's recommendation and accordingly, the four directors will stand for re-election at the forthcoming AGM.

Principle 5: Board Performance

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

The NC is of the view that the financial indicators set out in the Code of Corporate Governance as performance criteria for the evaluation of directors' performance are more of a measure of Management performance. Hence they are less appropriate for the evaluation of performance of the non-executive directors and the Board. The NC views that the Board's performance would be better reflected and evidenced through proper guidance 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 and business 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 actual performance is compared against budgets periodically to monitor the Group's performance.

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

The Board also has access to independent professional advice, where necessary, at the Company's expenses to enable them to discharge their duties. The Chief Financial Officer 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 entirely non-executive independent directors. Mr Tan chaired the RC and no RC member or director is involved in deliberations of his own remuneration and re-appointment.

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

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

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

Principle 8: Level and Mix of Remuneration

In setting the remuneration package, the RC takes into consideration the pay and employment conditions within the industry and comparable companies. As part of its review, the RC ensures that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive directors. The remuneration for the three founding Executive Directors comprises a base fee, a base salary, an annual wage supplement (AWS) and a profit sharing bonus. The remuneration for the other Executive Directors comprises a base fee, a base salary, allowances, annual and performance bonuses.

For the remuneration of the non-executive directors, the RC has adopted a framework which consists of a base fee as well as fees for chairing Board committees. The Company submits the quantum of directors' fees to shareholders for approval at the AGM.

All the six Executive Directors have service contracts for a fixed period and are subject to renewal. The RC had reviewed and renewed the contracts of the three founding Executive Directors for a further term of one year, from 1 January 2011 to 31 December 2011, under the same terms and conditions as in 2010.

Mr Ho Kang Peng's and Mr Hew Lien Lee's contracts are one-year contract and are due for renewal on 2 March 2011 and 22 March 2011 respectively. Mr Ng Hock Ching's contract is two-year contact from 1 January 2010 and will be due for renewal in December 2011.

Notwithstanding that the service contracts of Mr Ho Kang Peng, Mr Hew Lien Lee and Mr Ng Hock Ching have not expired at the financial year ended 31 December 2010, they have agreed to enter into new service contracts with the Company for a term of one (1) year from 1 January 2011 to 31 December 2011 under the same terms as their existing contracts.

With this, all the six (6) Executive Directors will have service contracts for the period from 1 January 2011 to 31 December 2011.

Corporate Governance Report

In May 2010, an incentive scheme was given to Mr Ho Kang Peng and Mr Ng Hock Ching. Under this scheme, the Company will pay them 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, 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 i.e when the Group's net profit before tax excluding foreign exchange gain/loss, extraordinary items and exceptional items achieves breakeven.

Third Milestone – when the Group achieves profitability.

As of 31 December 2010, no incentive bonus is payable under this incentive scheme.

The Fu Yu Employee Share Option Scheme (the "Scheme") was approved and adopted by the shareholders at the Extraordinary General Meeting held on 29 April 2008. The Scheme is administered by a committee comprises all the executive directors from time to time. Further details of the Scheme can be found in pages 27 to 28 of the Directors' Report.

Principle 9: Disclosure on Remuneration

Remuneration of Board of Directors

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

Name of Director	Fees %	Salary %	Bonus %	Other Benefits %	Total %
Executive Directors					
S$500,000 to S$749,999					
Ching Heng Yang	3.9	87.7	6.2	2.2	100.0
Tam Wai	3.9	87.7	6.2	2.2	100.0
Ho Nee Kit	4.4	87.1	6.2	2.3	100.0
Hew Lien Lee	5.1	68.1	15.0	11.8	100.0
S$250,000 to S$499,999					
Ho Kang Peng	3.6	86.1	8.6	1.7	100.0
Ng Hock Ching	3.8	86.5	7.3	2.4	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

Corporate Governance Report

Remuneration of Key Executives

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

Name of Key Executive	Salary %	Bonus %	Other Benefits %	Total %
S$250,000 to S$499,999 **Chow Weng Fook** *Advisor*	90.3	7.6	2.1	100.0
Below S$250,000 **Yeo See Joo** *Group Business Development Dircetor*	75.2	5.2	19.6	100.0
Tan Lay Kheng *Group Human Resource Director*	87.6	9.2	3.2	100.0
Tan Chee Kian *Acting CFO* Financial Controller, Southern China	81.5	18.5	–	100.0
Liaw Chun Huan Financial Advisor	78.1	10.0	11.9	100.0
Cheah Ngook Wah *Group Financial Controller*	80.7	8.5	10.8	100.0

No employee of the Group was an immediate family member (as defined in the Listing Manual of SGX-ST) of a director or Chief Executive Officer and whose remuneration exceeded S$150,000 during the financial year ended 31 December 2010.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT & COMMUNICATION WITH SHAREHOLDERS

Principle 11: Audit Committee

The Audit Committee (AC) comprises Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Foo Say Tun, who are independent non-executive directors. The Chairman of the AC is Dr John Chen Seow Phun.

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

The AC carried 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 of Directors;

3. Reviews with the management on the adequacy of the Company's internal control in respect of management, business and service systems and practices;

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

5. Reviews arrangements by which staff of the company 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 and the independence and objectivity of the external auditors;

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

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

9. Nominates the external auditors; and

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

The AC has the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibility. It has full access to, and co-operation of, management and full discretion to invite any director or senior manager 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 two times a year with external auditors.

The Company has in place a whistle-blowing framework where staff of the Group can access to the AC Chairman to raise concerns about improprieties. Contact detail of the AC Chairman is made available to all staffs. There was no complaint received up to the date of this report.

The Company's external auditors carry out, in their course of their annual statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management to the scope of audit as laid out in their audit plan. Material non-compliance and internal control weakness noted during the audit, and auditor's recommendations to address such non-compliance and weakness are reported to the AC.

There were no non-audit fees paid to KPMG LLP, the external auditors, for the year ended 31 December 2010.

Please refer to pages 8 and 10 of this report for qualifications of Audit Committee members.

Principle 12: Internal Controls
Principle 13: Internal Audit

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

The Group's external auditors, KPMG LLP, contribute an independent perspective on the internal controls systems arising from their audit and report their findings to the AC.

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

The Company has set up its internal audit department in January 2009 after outsourcing the internal audit work for three years. During the year, the internal audit department carried out the internal audit of all the subsidiaries in China and the Company. Internal audit reports were prepared to update AC on the progress of all audits carried out, the recommendations accepted by management and to track the status of outstanding matters and remedial actions taken to date.

Corporate Governance Report

Principle 10: Accountability
Principle 14: Communication with Shareholders

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

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

Principle 15: Greater Participation by Shareholders

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

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 2010.

Directors

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

Ching Heng Yang
Tam Wai
Ho Nee Kit
Tan Yew Beng
Hew Lien Lee
John Chen Seow Phun
Foo Say Tun
Ho Kang Peng
Ng Hock Ching (Appointed on 1 January 2010)

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

Directors' Report

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Hew Lien Lee		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	100,000	100,000
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	8,000,000	8,000,000
LCTH Corporation Berhad		
– ordinary shares of RM0.20 each		
– interest held	3,031,524	3,031,524
Ng Hock Ching		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	20,829,000	16,829,000
– deemed interest	15,000,000	20,000,000
– options to subscribe for ordinary shares at S$0.09 between 6 October 2009 and 5 October 2014	11,000,000	10,000,000
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
Ho Kang Peng		
Fu Yu Corporation Limited		
– ordinary shares		
– interest held	1,130,000	1,130,000
– options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	11,000,000	11,000,000

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.

Directors' Report

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 date of appointment if later, 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 2011.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 23 and 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

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

Other information regarding the Scheme is set out below:

- The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on Singapore Exchange for five consecutive market days immediately preceding the date of the grant.
- The options can be exercised 1 year after the date of grant.
- The options granted expire after 5 October 2014.
- All options are settled by physical 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 2010	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2010	Exercise period
5 October 2008	$0.09	80,620,000	(15,380,000)	(4,200,000)	61,040,000	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 2010	Aggregate options granted since commencement of Scheme to 31 December 2010	Aggregate options exercised since commencement of Scheme to 31 December 2010	Aggregate options outstanding as at 31 December 2010
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
Ng Hock Ching	–	11,000,000	1,000,000	10,000,000

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 2010	Aggregate options exercised since commencement of Scheme to 31 December 2010	Aggregate options outstanding as at 31 December 2010
Directors			
Hew Lien Lee	8,000,000	–	8,000,000
Ho Kang Peng	11,000,000	–	11,000,000
Ng Hock Ching	11,000,000	1,000,000	10,000,000
Employees			
Chow Weng Fook	11,000,000	–	11,000,000
Chang Cheng Ann	5,000,000	5,000,000	–
Tang Bee Yian	5,000,000	–	5,000,000

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

Audit Committee

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

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

Directors' Report

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

The Audit Committee has held 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 independent 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.

Auditors

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

On behalf of the Board of Directors

Ho Nee Kit
Director

Tam Wai
Director

6 April 2011

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 33 to 88 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 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

Tam Wai
Director

6 April 2011

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 balance sheets of the Group and of the Company as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 88.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements of the Group and balance sheet 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 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
6 April 2011

Balance Sheets

AS AT 31 DECEMBER 2010

		Group			Company	
			31/12/2009	01/01/2009		
	Note	2010	Restated	Restated	2010	2009
		$	$	$	$	$
Non-current assets						
Property, plant and equipment	3	**94,675,207**	117,527,540	143,696,206	**15,724,854**	16,795,814
Investment property	4	**10,426,633**	9,551,327	9,787,256	**–**	–
Deferred tax assets	7	**1,591,125**	–	–	**–**	–
Subsidiaries	5	**–**	–	–	**55,055,174**	52,988,486
Associate	6	**3,550,430**	3,678,829	2,974,406	**–**	–
		110,243,395	130,757,696	156,457,868	**70,780,028**	69,784,300
Current assets						
Assets classified as held for sale	13	**6,430,689**	–	–	**–**	–
Inventories	8	**19,675,598**	17,395,041	20,566,064	**2,698,456**	2,113,114
Trade and other receivables	9	**75,662,647**	83,999,701	98,726,096	**60,932,056**	79,384,505
Tax recoverable		**2,180,352**	2,169,829	2,331,276	**–**	–
Cash and cash equivalents	12	**69,425,739**	47,862,368	57,389,350	**9,286,789**	6,162,674
		173,375,025	151,426,939	179,012,786	**72,917,301**	87,660,293
Total assets		**283,618,420**	282,184,635	335,470,654	**143,697,329**	157,444,593
Equity attributable to equity holders of the Company						
Share capital	14	**118,736,843**	117,352,643	117,330,143	**118,736,843**	117,352,643
Reserves	15	**45,045,810**	41,664,799	65,443,202	**2,925,971**	18,257,553
		163,782,653	159,017,442	182,773,345	**121,662,814**	135,610,196
Non-controlling interests		**24,235,392**	24,956,765	25,450,784	**–**	–
Total equity		**188,018,045**	183,974,207	208,224,129	**121,662,814**	135,610,196
Non-current liabilities						
Financial liabilities	17	**138,972**	240,669	894,581	**105,858**	66,272
Deferred tax liabilities	7	**3,556,512**	5,511,220	6,296,795	**1,418,778**	1,418,778
		3,695,484	5,751,889	7,191,376	**1,524,636**	1,485,050
Current liabilities						
Trade and other payables	18	**71,402,028**	72,268,246	92,909,445	**13,801,134**	15,927,490
Financial liabilities	17	**18,724,935**	19,072,363	23,195,449	**6,477,845**	4,421,857
Income tax payable		**1,777,928**	1,117,930	3,950,255	**230,900**	–
		91,904,891	92,458,539	120,055,149	**20,509,879**	20,349,347
Total liabilities		**95,600,375**	98,210,428	127,246,525	**22,034,515**	21,834,397
Total equity and liabilities		**283,618,420**	282,184,635	335,470,654	**143,697,329**	157,444,593

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

Consolidated Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		$	$
Revenue	19	**258,924,994**	232,439,252
Cost of sales		**(233,948,405)**	(223,773,329)
Gross profit		**24,976,589**	8,665,923
Other income	20	**2,881,849**	6,510,748
Selling and administrative expenses		**(34,691,933)**	(36,113,039)
Other income/(expenses)	21	**6,074,965**	(5,501,313)
Finance costs	22	**(995,754)**	(1,070,667)
Share of results of associate, net of tax		**885,589**	719,496
Loss before income tax	23	**(868,695)**	(26,788,852)
Income tax credit	24	**2,184,430**	1,482,799
Profit/(loss) for the year		**1,315,735**	(25,306,053)
Other comprehensive income			
Foreign currency translation differences for foreign operations		**1,504,185**	7,937
Other comprehensive income for the year, net of tax		**1,504,185**	7,937
Total comprehensive income/(loss) for the year		**2,819,920**	(25,298,116)
Profit/(loss) for the year attributable to:			
Owners of the Company		**4,164,434**	(25,236,148)
Non-controlling interests		**(2,848,699)**	(69,905)
Profit/(loss) for the year		**1,315,735**	(25,306,053)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**5,090,614**	(25,129,984)
Non-controlling interests		**(2,270,694)**	(168,132)
Total comprehensive income/(loss) for the year		**2,819,920**	(25,298,116)
Earnings/(loss) per share			
Basic earnings/(loss) per share	25	**0.58 cents**	(3.55) cents
Diluted earnings/(loss) per share	25	**0.57 cents**	(3.55) cents

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

Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2010

	Share capital $	Capital reserve $	Statutory reserve $	Revaluation reserve $	Share option reserve $	Foreign currency translation reserve $	Revenue reserve $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2009	117,330,143	140,256	8,799,911	788,607	275,474	(5,233,091)	60,672,045	182,773,345	25,450,784	208,224,129
Total comprehensive income for the year										
Net loss for the year	–	–	–	–	–	–	(25,236,148)	(25,236,148)	(69,905)	(25,306,053)
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	–	106,164	–	106,164	(98,227)	7,937
Total comprehensive income for the year	–	–	–	–	–	106,164	(25,236,148)	(25,129,984)	(168,132)	(25,298,116)
Transaction with owners of the Company, recognised in equity										
Contributions by and distributions to owners of the Company										
Share options exercised	22,500	–	–	–	–	–	–	22,500	–	22,500
Value of employee services received for issue of share options	–	–	–	–	1,351,581	–	–	1,351,581	–	1,351,581
Dividends to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	(325,887)	(325,887)
Total transactions with owners of the Company	22,500	–	–	–	1,351,581	–	–	1,374,081	(325,887)	1,048,194
Transfers between reserves										
Transfer to statutory reserve	–	–	77,114	–	–	–	(77,114)	–	–	–
At 31 December 2009	117,352,643	140,256	8,877,025	788,607	1,627,055	(5,126,927)	35,358,783	159,017,442	24,956,765	183,974,207

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

Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2010

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

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

Consolidated Cash Flow Statement

YEAR ENDED 31 DECEMBER 2010

	Note	2010 $	2009 $ Restated*
Cash flows from operating activities			
Loss before income tax		**(868,695)**	(26,788,852)
Adjustments for:			
Depreciation of property, plant and equipment	3	**15,710,101**	19,666,950
Depreciation of investment property	4	**219,274**	198,804
Gain on disposal of property, plant and equipment	20	**(1,792,670)**	(1,336,391)
Write-back of impairment of plant and machinery		**–**	(400,932)
Property, plant and equipment written off	23	**99,529**	1,212,055
Gain on disposal of a subsidiary	20	**(1,435,795)**	–
Equity-settled share-based payments transactions		**–**	1,351,581
Interest income	20	**(654,214)**	(647,596)
Finance costs	22	**995,754**	1,070,667
(Reversal of)/impairment loss of plant and machinery	21	**(6,074,965)**	5,501,313
Share of results of associate		**(885,589)**	(719,496)
Unrealised exchange losses		**3,788,766**	2,018,008
		9,101,496	1,126,111
Changes in working capital			
Inventories		**(2,791,567)**	2,941,217
Trade and other receivables		**7,202,613**	13,624,498
Trade and other payables		**1,666,367**	(18,223,472)
Cash from/(used in) operating activities		**15,178,909**	(531,646)
Income tax paid		**(729,182)**	(1,925,363)
Net cash from/(used in) operating activities		**14,449,727**	(2,457,009)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,866,034)**	(4,773,201)
Proceeds from disposal of property, plant and equipment		**11,430,788**	3,001,500
Proceeds from disposal of a subsidiary	12	**1,781,719**	–
Interest income received		**654,214**	647,596
Dividend from associate	6	**1,094,992**	–
Net cash from/(used in) investing activities		**7,095,679**	(1,124,105)
Balance carried forward		**21,545,406**	(3,581,114)

* See Note 33

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

Consolidated Cash Flow Statement

YEAR ENDED 31 DECEMBER 2010

	Note	2010 $	2009 $ Restated*
Balance brought forward		**21,545,406**	(3,581,114)
Cash flows from financing activities			
Proceeds from short term borrowings		**9,878,400**	4,459,500
Repayment of short term borrowings and finance lease liabilities		**(9,773,661)**	(8,712,761)
Dividends paid to non-controlling interests		**(160,282)**	(325,887)
Net proceeds from issue of the Company's shares	14	**1,384,200**	22,500
Finance costs paid		**(995,754)**	(1,070,667)
Deposits (pledged)/discharged		**(141,950)**	4,862,043
Net cash from/(used in) financing activities		**190,953**	(765,272)
Net increase/(decrease) in cash and cash equivalents		**21,736,359**	(4,346,386)
Cash and cash equivalents at 1 January		**44,913,968**	49,567,387
Effect of exchange rate fluctuations on cash held		**(372,538)**	(307,033)
Cash and cash equivalents at 31 December	12	**66,277,789**	44,913,968

* See Note 33

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 6 April 2011.

1 Domicile and activities

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

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 Summary of significant accounting policies

2.1 Basis of preparation

(i) Statement of compliance

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

(ii) Basis of preparation

The financial statements have been prepared on the historical cost basis except as otherwise described below.

(iii) Functional and presentation currency

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) 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.

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

- Notes 2.9 and 27 – impairment of receivables
- Note 3 – measurement of recoverable amounts of property, plant and equipment
- Notes 5 and 10 – recoverability of cost of investments in and amounts due from subsidiaries
- Note 7 – recoverability of deferred tax assets
- Note 16 – measurement of share-based payments
- Note 24 – determining the provision for income taxes

2.2 Changes in accounting policies

(i) Accounting for business combinations

From 1 January 2010, the Group has applied FRS 103 *Business Combinations* (2009) in accounting for business combinations. Business combinations are now accounted for using the acquisition method as at the acquisition date (see Note 2.4(i)).

Previously, business combinations were accounted for under the purchase method. The cost of an acquisition was measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition was credited to profit or loss in the period of the acquisition. For business acquisitions that were achieved in stages, any existing equity interests in the acquiree were not remeasured to their fair value. Contingent consideration was recognised as an adjustment to the cost of acquisition only when it was probable and can be measured reliably.

The change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Accounting for acquisitions of non-controlling interests

From 1 January 2010, the Group has applied FRS 27 *Consolidated and Separate Financial Statements* (2009) in accounting for acquisitions of non-controlling interests.

Under the new accounting policy, acquisition of non-controlling interests are accounted for as transaction with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

The change in accounting policy has been applied prospectively and has no impact on earnings per share.

(iii) Accounting for the amendments to FRS 17 Leases

The amendments to FRS 17 *Leases* issued as part of *Improvements to FRSs 2009* is effective for the financial year ended 2010. Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease even if at the end of the lease term, title will not pass to the lessee. As a result of this amendment, the Group has reassessed its classification of its land and has recognised these leases as finance lease. This amendment is applied retrospectively in accordance to FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and has an effect on the following items:

i) Effects on balance sheet

	Increase/ (decrease) $
Property, plant and equipment	8,932,595
Prepaid land lease	(8,932,595)

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(iii) Accounting for the amendments to FRS 17 Leases (Continued)

ii) Restatement of comparatives

	As previously stated	Amendments to FRS 17	Restated
	$	$	$
Balance sheet			
As at 31 December 2009			
Property, plant and equipment	108,594,945	8,932,595	117,527,540
Prepaid land lease	8,932,595	(8,932,595)	–

The change in accounting policy has been applied retrospectively and has no impact on earnings per share.

2.3 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. 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 retranslated 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 retranslation are recognised in profit or loss.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency (Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the end of the reporting period. 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.

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

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.

2.4 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 2010

2 Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(i) Business combinations (Continued)

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.

(iv) Investment in an associate

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

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

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(iv) Investment in an associate (Continued)

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 associates 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 balance sheet at cost less accumulated impairment losses.

2.5 Property, plant and equipment

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

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 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 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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

The estimated useful lives are as follows:

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

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

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

2.6 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. 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. Rental income from investment property is accounted for in the manner described in Note 2.13.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

2.7 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 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.

Financial assets and liabilities are offset and the net amount presented in the balance sheet 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 assets:

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and short term investments with original maturities of three months or less. Bank deposits that are pledged are excluded for the purpose of the cash flow statement.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities 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 balance sheet 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 2010

2 Summary of significant accounting policies (Continued)

2.8 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, property, plant and equipment acquired through finance leases are capitalised at 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. Leased assets are depreciated over their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

When entities within the Group are lessees of an operating lease

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.

When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in investment property. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.9 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 had 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.

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.9 Impairment (Continued)

Financial assets (Continued)

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 (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (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. 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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.10 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.

2.11 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

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 payments

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 option are exercised.

2.12 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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

2 Summary of significant accounting policies (Continued)

2.13 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 balance sheet date, when the outcome of a tooling contract can be estimated reliably. 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 to be received.

2.14 Finance income and expenses

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

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss in the period in which they are incurred, 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

2 Summary of significant accounting policies (Continued)

2.15 Income tax expense

Income 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 on the taxable income 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities 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 2010

2 Summary of significant accounting policies (Continued)

2.16 Non-current assets held for sale

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

2.17 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share 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 earnings per share 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 employees.

2.18 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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

3 Property, plant and equipment

Group	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, furniture and fittings $	Other assets $	Buildings under construction $	Total $
Cost							
At 1 January 2009	87,863,790	322,820,912	5,078,362	20,130,855	14,809,035	737,178	451,440,132
Effect of adopting amendments to FRS 17	11,432,214	–	–	–	–	–	11,432,214
As restated	99,296,004	322,820,912	5,078,362	20,130,855	14,809,035	737,178	462,872,346
Currency realignment	(1,629,326)	(4,167,985)	(51,365)	(224,121)	(143,124)	(4,717)	(6,220,638)
Additions	708,538	965,433	120,288	192,942	347,254	950,998	3,285,453
Disposals/Write-off	(1,656,187)	(7,873,014)	(761,875)	(883,975)	(1,986,795)	(31,075)	(13,192,921)
At 31 December 2009	96,719,029	311,745,346	4,385,410	19,215,701	13,026,370	1,652,384	446,744,240
Currency realignment	(2,219,877)	(5,794,604)	(42,401)	(305,588)	(69,278)	18,545	(8,413,203)
Additions	82,695	5,174,782	650,184	473,515	1,453,069	–	7,834,245
Disposals/Write-off	(11,301,128)	(22,063,290)	(1,412,110)	(2,869,746)	(3,978,658)	–	(41,624,932)
Reclassification	–	(53,238)	–	–	551,489	(498,251)	–
Reclassification to investment properties	–	–	–	–	–	(917,718)	(917,718)
Reclassified as assets held for sale	(10,827,911)	(7,654,574)	–	–	–	–	(18,482,485)
At 31 December 2010	**72,452,808**	**281,354,422**	**3,581,083**	**16,513,882**	**10,982,992**	**254,960**	**385,140,147**
Accumulated depreciation							
At 1 January 2009	30,402,639	256,855,246	4,136,928	16,698,311	8,970,833	–	317,063,957
Effect of adopting amendments to FRS 17	2,112,183	–	–	–	–	–	2,112,183
As restated	32,514,822	256,855,246	4,136,928	16,698,311	8,970,833	–	319,176,140
Currency realignment	(550,421)	(3,526,971)	(46,866)	(206,878)	(79,878)	–	(4,411,014)
Depreciation for the year	3,867,962	12,143,926	366,359	1,490,217	1,798,486	–	19,666,950
Impairment	637,500	4,297,927	13,689	303,425	248,772	–	5,501,313
Disposals/Write-off	(938,125)	(7,216,152)	(738,144)	(858,698)	(965,570)	–	(10,716,689)
At 31 December 2009	35,531,738	262,553,976	3,731,966	17,426,377	9,972,643	–	329,216,700
Currency realignment	(764,339)	(4,942,931)	(42,132)	(267,344)	(31,418)	–	(6,048,164)
Depreciation for the year	3,336,625	10,172,365	307,827	891,564	1,001,720	–	15,710,101
Reversal of impairment	–	(6,074,529)	–	(436)	–	–	(6,074,965)
Disposals/Write-off	(3,940,764)	(18,285,565)	(1,411,469)	(2,868,145)	(3,978,658)	–	(30,484,601)
Reclassified as assets held for sale	(4,647,123)	(7,207,008)	–	–	–	–	(11,854,131)
At 31 December 2010	**29,516,137**	**236,216,308**	**2,586,192**	**15,182,016**	**6,964,287**	**–**	**290,464,940**
Carrying amount							
At 1 January 2009	66,781,182	65,965,666	941,434	3,432,544	5,838,202	737,178	143,696,206
At 31 December 2009	61,187,291	49,191,370	653,444	1,789,324	3,053,727	1,652,384	117,527,540
At 31 December 2010	**42,936,671**	**45,138,114**	**994,891**	**1,331,866**	**4,018,705**	**254,960**	**94,675,207**

Notes to the Financial Statements

3 Property, plant and equipment (Continued)

Company	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, furniture and fittings $	Other assets $	Total $
Cost						
At 1 January 2009	29,195,660	44,358,983	1,936,138	7,156,874	4,185,363	86,833,018
Additions	330,490	5,000	97,009	43,820	111,266	587,585
Disposals/Write-off	–	(3,292,005)	(496,739)	(525,116)	(83,600)	(4,397,460)
Transferred to subsidiaries	–	(3,003,624)	–	(155,816)	–	(3,159,440)
At 31 December 2009	29,526,150	38,068,354	1,536,408	6,519,762	4,213,029	79,863,703
Additions	–	136,350	524,898	20,277	33,091	714,616
Disposals/Write-off	–	(785,616)	(877,266)	(204,269)	(7,599)	(1,874,750)
Transferred to subsidiaries	–	(93,063)	–	–	–	(93,063)
At 31 December 2010	**29,526,150**	**37,326,025**	**1,184,040**	**6,335,770**	**4,238,521**	**78,610,506**
Accumulated depreciation						
At 1 January 2009	14,835,794	40,927,888	1,809,316	6,787,229	3,626,179	67,986,406
Depreciation for the year	708,900	1,001,708	40,589	211,590	244,575	2,207,362
Disposals/Write-off	–	(3,030,467)	(479,575)	(525,116)	(83,600)	(4,118,758)
Transferred to subsidiaries	–	(2,856,162)	–	(150,959)	–	(3,007,121)
At 31 December 2009	15,544,694	36,042,967	1,370,330	6,322,744	3,787,154	63,067,889
Depreciation for the year	713,186	628,859	99,211	139,183	197,412	1,777,851
Disposals/Write-off	–	(791,583)	(877,266)	(204,269)	(7,599)	(1,880,717)
Transferred to subsidiaries	–	(79,371)	–	–	–	(79,371)
At 31 December 2010	**16,257,880**	**35,800,872**	**592,275**	**6,257,658**	**3,976,967**	**62,885,652**
Carrying amount						
At 1 January 2009	14,359,866	3,431,095	126,822	369,645	559,184	18,846,612
At 31 December 2009	13,981,456	2,025,387	166,078	197,018	425,875	16,795,814
At 31 December 2010	**13,268,270**	**1,525,153**	**591,765**	**78,112**	**261,554**	**15,724,854**

Other assets

Other assets comprise electrical installations, erectable stores, renovations and leasehold improvements.

Notes to the Financial Statements

3 Property, plant and equipment (Continued)

Assets held under finance leases

The carrying amount of motor vehicles, factory equipment and plant and machinery held under finance leases as at 31 December 2010 for the Group and Company was $657,015 (2009: $1,744,635) and $165,902 (2009: $80,387) respectively.

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of $7,834,245 (2009: $3,285,453) and $714,616 (2009: $587,585) respectively, of which $95,000 (2009: $Nil) and $95,000 (2009: $Nil) was acquired under finance leases.

Leased assets are pledged as security for the related finance lease liabilities.

Impairment loss

In 2009, certain cash-generating units (CGUs) in China, Singapore and Malaysia either continued to incur operating losses or there were other indicators of potential impairment of property, plant and equipment identified by Group's management. This had resulted in the Group assessing the recoverable amount of the property, plant and equipment for these operations. In the current financial year, certain CGUs continued to incur operating losses whereas other CGUs, whose financial performance had improved, had shown indication that impairment losses which were recognised in prior periods may no longer exist or may have decreased. This resulted in the Group reassessing the recoverable amount of the property, plant and equipment for the current financial year.

The recoverable amounts of the CGUs were estimated based on the higher of fair value less cost to sell and their value-in-use. Based on the assessment, the carrying amounts of the property, plant and equipment were determined to be $6,074,965 (2009: $5,501,313) lower (2009: higher) than their recoverable amounts, and reversal of impairment loss of $6,074,965 (2009: impairment loss of $5,501,313) was recognised. The operations of the CGUs that are located within the same country are similar in nature and therefore, the assumptions used on projecting the value-in-use are disclosed below by such geographical locations.

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

- 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 flow 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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

3 Property, plant and equipment (Continued)

Impairment loss *(Continued)*

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

	2010 Singapore	2010 Malaysia	2010 China	2009 Singapore	2009 Malaysia	2009 China
Average growth rate in revenue	**1 to 5%**	**11%**	**0 to 12%**	5 to 10%	4.5 to 5.3%	5%
Number of years projected in the discounted cash flow	**5 to 9 years**	**5 years**	**4 to 8 years**	5 to 8 years	6 years	5 years
Gross profit margin	**14.5 to 27.9%**	**-4.2 to 3.5%**	**7.7 to 39.5%**	-14 to 30%	5.3 to 6.2%	8 to 28%
Terminal value of property, plant and equipment	**0 to 5%**	**–**	**2%**	2 to 10%	–	2%
Terminal value of property	**28,000,000**	**–**	**24,898,000**	–	–	–
Pre-tax discount rate	**11.7 to 17.7%**	**17.1%**	**12.7 to 22.8%**	15.6%	17%	19.5%

The impairment loss for leasehold properties, factory equipment, plant and machinery, motor vehicles, office equipment, furniture and fittings and other assets was recognised and presented as "Other income/(expenses)" in the consolidated profit or loss for the year.

4 Investment property

	2010	2009
Group	**$**	**$**
Cost		
At 1 January	**10,098,829**	10,138,288
Reclassification from property, plant and equipment	**917,718**	–
Currency realignment	**184,503**	(39,459)
At 31 December	**11,201,050**	10,098,829
Accumulated depreciation		
At 1 January	**547,502**	351,032
Depreciation for the year	**219,274**	198,804
Currency realignment	**7,641**	(2,334)
At 31 December	**774,417**	547,502
Carrying amount	**10,426,633**	9,551,327

Notes to the Financial Statements

4 Investment property (Continued)

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

The fair value of investment properties as at 31 December 2010 is approximately $12,943,000 (2009: $12,707,000) which has been determined based on valuations performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the depreciated replacement cost method that makes reference to the cost of replacing the buildings as new and allowing for depreciation for physical, functional and economic obsolescence. The fair value of the investment properties as at 31 December 2009 was based on indicative valuation from third parties.

5 Subsidiaries

	Company	
	2010	**2009**
	$	**$**
Equity investments, at cost	**122,350,014**	123,002,792
Impairment losses	**(84,295,677)**	(70,014,306)
	38,054,337	52,988,486
Amounts due from a subsidiary	**17,000,837**	–
	55,055,174	52,988,486

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

During the current year, certain subsidiaries in China and Singapore continued to incur operating losses. Accordingly, the Company performed an assessment of the recoverable amount of investments in subsidiaries together with the recoverable amount of receivables from subsidiaries. The recoverable amounts of investments and receivables were estimated based on the higher of fair value less cost to sell and value-in-use. Based on the assessment, the carrying amounts of investments and receivables from subsidiaries were determined to be $94,065,421 (2009: $79,741,350) higher than their recoverable amounts, and an impairment loss of $25,186,800 (2009: $14,597,902) was recognised in profit or loss. The assumptions used for projecting the value-in-use are disclosed below.

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5 **Subsidiaries** (Continued)

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

- Investments and receivables from subsidiaries that are loss-making and are not expected to generate any economic benefits in the period of forecast, including investments and receivables from subsidiaries that are considered for their potential liquidation. The recoverable amount of such investments and receivables from subsidiaries has been determined to be the higher of the fair value of its monetary asset or the carrying amount of the CGU which is estimated to be nil.

- The recoverable amount of investments and receivables from the remaining subsidiaries have been determined based on the calculation of their value-in-use derived from the management's cash flows projections. Key assumptions used in the calculation of the value-in-use are presented below. These assumptions are grouped by countries for presentation purposes as similar trends in cash flow projections are expected for each subsidiary located in the same country.

	2010	**2010**	**2009**	**2009**	**2009**
	Singapore	**China**	**Singapore**	**Malaysia**	**China**
Average growth rate in revenue	**1 to 15%**	**0 to 12%**	5 to 10%	4.5 to 5.3%	5%
Number of years projected in the discounted cash flow	**5 years**	**4 to 5 years**	5 to 8 years	6 years	5 years
Gross profit	**14.5 to 27.9%**	**7.7 to 39.5%**	-14 to 30%	5.3 to 6.2%	8 to 28%
Pre-tax discount rate	**12.5 to 12.9%**	**17.7 to 19.7%**	15.7%	17%	15.7%

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

	Company	
	2010	**2009**
	$	**$**
At 1 January	**70,014,306**	63,593,448
Impairment made during the year	**23,098,100**	6,420,858
Impairment written off	**(8,816,729)**	–
At 31 December	**84,295,677**	70,014,306

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

5 Subsidiaries (Continued)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity held by the Group 2010 %	2009 %
Chang Fu Resources Pte Ltd	Singapore	**100**	100
Fu Yu Investment Pte Ltd	Singapore	**100**	100
IFN Pte Ltd [(1)]	Singapore	**–**	100
NanoTechnology Manufacturing Pte Ltd	Singapore	**80**	80
SolidMicron Technologies Pte Ltd	Singapore	**100**	100
Fu Yu Electronics (Dongguan) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Tianjin) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Wuxi) Co., Ltd.	People's Republic of China	**100**	100
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	**100**	100
QingDao Fu Qiang Electronics Co., Ltd. [(2)]	People's Republic of China	**–**	100
Fu Ying Moulding & Tooling (Shenzhen) Co., Ltd.	People's Republic of China	**100**	100
Classic Advantage Sdn. Bhd.	Malaysia	**70.64**	70.64
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	**70.64**	70.64
LCTH Corporation Berhad	Malaysia	**70.64**	70.64
Fu Yu International Enterprise Limited	Hong Kong	**100**	100
Fu Yu Trading Limited	Hong Kong	**100**	100
Fu Yu Guadalajara S.A De C.V.[(3)]	Mexico	**–**	100

(1) IFN Pte Ltd was deregistered in 2010.

(2) QingDao Fu Qiang Electronics Co., Ltd. was disposed of in 2010.

(3) Fu Yu Guadalajara S.A De C.V. was liquidated in 2010.

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

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6 Associate

	Group 2010	Group 2009
	$	$
Unquoted investment, at cost	**2,692,880**	2,692,880
Share of post-acquisition reserves	**1,950,492**	1,064,903
Dividends from associate	**(1,094,992)**	–
Currency realignment	**2,050**	(78,954)
At 31 December	**3,550,430**	3,678,829

Details of the associate are as follows:

Name of company	Country of incorporation	Effective equity held by the Group 2010	Effective equity held by the Group 2009
		%	%
Rexam Malaysia Sdn. Bhd.	Malaysia	**28.26**	28.26

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

	2010	2009
	$	$
Assets and liabilities		
Non-current assets	**3,953,965**	4,583,714
Current assets	**7,969,667**	5,723,784
Total assets	**11,923,632**	10,307,498
Total liabilities	**2,152,693**	1,213,216
Results		
Revenue	**15,100,963**	13,035,730
Profit after income tax	**3,130,950**	2,546,348

7 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 1/1/2009 $	Recognised in profit or loss (Note 24) $	Reduction in tax rates $	Exchange differences $	At 31/12/2009 $	Recognised in profit or loss (Note 24) $	Exchange differences $	At 31/12/2010 $
Group								
Deferred tax assets								
Property, plant and equipment	–	–	–	–	–	(775,954)	23,140	**(752,814)**
Employee benefits	(80,637)	45,998	4,480	–	(30,159)	(23,698)	–	**(53,857)**
Provision	(19,671)	(5,953)	1,093	–	(24,531)	(16)	–	**(24,547)**
Others	(416,142)	1,880	19,193	1,953	(393,116)	(281,644)	(4,452)	**(679,212)**
Tax loss carry-forward	–	–	–	–	–	(864,079)	25,768	**(838,311)**
	(516,450)	41,925	24,766	1,953	(447,806)	(1,945,391)	44,456	**(2,348,741)**
Deferred tax liabilities								
Property, plant and equipment	6,813,080	(767,694)	(133,891)	(17,408)	5,894,087	(1,690,942)	110,950	**4,314,095**
Others	165	65,100	(9)	(317)	64,939	(67,109)	2,203	**33**
	6,813,245	(702,594)	(133,900)	(17,725)	5,959,026	(1,758,051)	113,153	**4,314,128**

	Company	
	2010 $	2009 $
Deferred tax assets		
Employee benefits	**(53,857)**	(30,159)
Provision	**(24,547)**	(24,531)
Others	**–**	20,882
	(78,404)	(33,808)
Deferred tax liabilities		
Property plant and equipment	**1,497,149**	1,452,553
Others	**33**	33
	1,497,182	1,452,586

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 balance sheet as follows:

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Deferred tax assets	**1,591,125**	–	**–**	–
Deferred tax liabilities	**3,556,512**	5,511,220	**1,418,778**	1,418,778

Based on the cash flow forecast prepared as described in Note 3, deferred tax assets were recognised by a subsidiary as management considered it probable that future taxable profits would be available against which the Group can utilise.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

7 Deferred tax assets and liabilities (Continued)

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

	Group		
	2010	2009, as restated	2009, as previously reported
	$	$	$
Unutilised capital allowances	**7,501,743**	4,351,235	4,031,585
Unutilised tax losses	**50,580,733**	63,200,028	59,374,293
Reinvestment allowances	**–**	654,959	641,275
Temporary differences	**331,936**	4,323,307	(225,248)
	58,414,412	72,529,529	63,821,905

During the year ended 31 December 2010, based on the latest correspondences with the relevant tax authorities, the corresponding amounts of temporary differences not recognised have been restated. The change has no impact on the Group's balance sheet and statement of comprehensive income.

The items above are available for set off against future taxable profits subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

8 Inventories

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Raw materials	**9,354,184**	8,928,353	**887,894**	790,591
Work-in-progress	**875,511**	1,037,965	**155,118**	78,600
Finished goods	**9,445,903**	7,428,723	**1,655,444**	1,243,923
	19,675,598	17,395,041	**2,698,456**	2,113,114

In 2010, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $138,992,005 (2009: $132,912,868) and $21,217,973 (2009: $17,147,949) for the Group and the Company respectively. The reversal of write-down of inventories to net realisable value amounted to $994,476 (2009: $6,373,235) and $Nil (2009: $31,282) for the Group and the Company respectively.

Notes to the Financial Statements

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9 Trade and other receivables

	Note	Group 2010	Group 2009	Company 2010	Company 2009
		$	$	$	$
Trade receivables		**75,569,141**	86,373,343	**6,236,236**	7,827,531
Allowance for impairment		**(11,061,474)**	(11,837,181)	**(85,556)**	(183,024)
Net receivables		**64,507,667**	74,536,162	**6,150,680**	7,644,507
Other receivables		**3,139,369**	1,389,651	**749,020**	713,515
Amounts due from					
– subsidiaries	10	**–**	–	**50,363,896**	67,365,397
– customers for contract work	11	**3,105,480**	1,137,799	**1,654,159**	500,463
Deposits		**2,350,510**	3,575,582	**1,898,940**	3,051,470
Loans and receivables		**73,103,026**	80,639,194	**60,816,695**	79,275,352
Prepayments		**1,059,893**	1,672,766	**115,361**	108,842
Advances to suppliers		**1,499,728**	1,687,741	**–**	311
		75,662,647	83,999,701	**60,932,056**	79,384,505

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.

10 Amounts due from subsidiaries

	Note	Company 2010	Company 2009
		$	$
Amounts due from subsidiaries			
– trade		**1,200,233**	5,239,881
– non-trade		**58,933,407**	71,852,560
		60,133,640	77,092,441
Allowance for impairment		**(9,769,744)**	(9,727,044)
	9	**50,363,896**	67,365,397

The 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 flow forecasts prepared for these subsidiaries, as described in Note 5. Should individual subsidiaries not be able to achieve forecasted results, the Company would be required to record additional impairment loss.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

10 Amounts due from subsidiaries (Continued)

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

	Company	
	2010	**2009**
	$	**$**
At 1 January	**9,727,044**	1,550,000
Allowance made during the year	**2,088,700**	8,177,044
Allowance written off	**(2,046,000)**	–
At 31 December	**9,769,744**	9,727,044

11 Amount due from/(to) customers for contract work

		Group		Company	
	Note	**2010**	**2009**	**2010**	**2009**
		$	**$**	**$**	**$**
Contract costs incurred to date		**10,149,185**	7,202,079	**6,726,504**	2,910,827
Recognised profits less recognised losses to date		**1,019,449**	180,611	**165,363**	151,487
		11,168,634	7,382,690	**6,891,867**	3,062,314
Progress billings		**(8,887,863)**	(7,432,448)	**(5,666,631)**	(2,913,006)
Amount due from/(to) customers, net		**2,280,771**	(49,758)	**1,225,236**	149,308
Gross amount due from customers for contract work	9	**3,105,480**	1,137,799	**1,654,159**	500,463
Gross amount due to customers for contract work	18	**(824,709)**	(1,187,557)	**(428,923)**	(351,155)
		2,280,771	(49,758)	**1,225,236**	149,308

12 Cash and cash equivalents

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Cash at bank and in hand	**35,164,051**	23,288,085	**3,753,119**	3,917,074
Deposits with banks	**22,654,246**	11,489,668	**5,533,670**	2,245,600
Short-term investments	**11,607,442**	13,084,615	**–**	–
Cash and cash equivalents	**69,425,739**	47,862,368	**9,286,789**	6,162,674
Deposits pledged	**(3,147,950)**	(2,948,400)		
Cash and cash equivalents in the cash flow statement	**66,277,789**	44,913,968		

Fixed deposits of $3,147,950 (2009: $2,948,400) is pledged as security deposit for the lease of factory buildings by one of the subsidiary companies.

Fixed deposits with financial institutions mature on varying periods within 12 months (2009: 12 months) from the financial year end. Effective interest rates range from 0.07% to 3.10% (2009: 0.20% to 1.90%) per annum. Short term investments earn a weighted average effective interest rate of 1.4% to 3.46% (2009: 1.67% to 3.33%) per annum during the year.

Cash and bank balances totalling the equivalent of $14,699,736 (2009: $9,504,256) are held in a country which operates foreign exchange controls.

The short-term investments refer to funds deposited with trust fund and money market funds.

Disposal of a subsidiary

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

Carrying amount of assets and liabilities disposed

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

Notes to the Financial Statements

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13 Assets classified as held for sale

The assets classified as held for sale was in respect of the sale and purchase agreement entered into by a subsidiary in China to dispose its land use rights and buildings together with the fixed assets therein. The disposal is expected to be completed during the financial year ending 31 December 2011.

	Group
	2010
	$
Property, plant and equipment	**6,430,689**

14 Share capital

	Company			
	2010	**2009**	**2010**	**2009**
	$	**$**	**No. of shares**	
Fully paid ordinary shares, with no par value:				
At 1 January	**117,352,643**	117,330,143	**710,504,775**	710,254,775
Share options exercised during the financial year	**1,384,200**	22,500	**15,380,000**	250,000
At 31 December	**118,736,843**	117,352,643	**725,884,775**	710,504,775

In 2010, 15,380,000 (2009: 250,000) ordinary shares were issued as a result of the exercise of vested options arising from the Fu Yu Option Scheme granted on 5 October 2008. Options were exercised at an exercise price of S$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.

There were no changes in the Group's approach to capital management during the year.

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15 Reserves

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Capital reserve	**140,256**	140,256	**–**	–
Statutory reserve	**8,991,228**	8,877,025	**–**	–
Revaluation reserve	**788,607**	788,607	**788,607**	788,607
Foreign currency translation reserve	**(4,200,747)**	(5,126,927)	**–**	–
Share option reserve	**1,627,055**	1,627,055	**1,153,055**	1,153,055
Revenue reserve	**37,699,411**	35,358,783	**984,309**	16,315,891
	45,045,810	41,664,799	**2,925,971**	18,257,553

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 People's Republic of China. It is maintained to comply with the law and regulations in the People's Republic of China.

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

The 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.

The share option reserve comprises the cumulative value of employee services received for the issue of the share options.

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16 Employee share options

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

	2010		2009	
	Weighted average exercise price $	No. of options	Weighted average exercise price $	No. of options
At 1 January	**0.09**	**80,620,000**	0.09	84,270,000
Forfeited during the year	**0.09**	**(4,200,000)**	0.09	(3,400,000)
Exercised during the year	**0.09**	**(15,380,000)**	0.09	(250,000)
At 31 December	**0.09**	**61,040,000**	0.09	80,620,000

The weighted average share price at the date of exercise for share options exercised in 2010 was $0.11 (2009: $0.11).

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 2010	Options outstanding 2009
5 October 2008	5 October 2014	0.09	**61,040,000**	80,620,000

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16 Employee share options (Continued)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes 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

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	0%
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 conditions associated with the share option grants. Service conditions and non-market performance conditions are 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	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Non-current liabilities				
Finance lease liabilities	**138,972**	240,669	**105,858**	66,272
Current liabilities				
Secured bank loans	**18,542,400**	18,384,300	**6,440,000**	4,403,500
Finance lease liabilities	**182,535**	688,063	**37,845**	18,357
	18,724,935	19,072,363	**6,477,845**	4,421,857
	18,863,907	19,313,032	**6,583,703**	4,488,129

Notes to the Financial Statements

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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	2010 Face value $	2010 Carrying amount $	2009 Face value $	2009 Carrying amount $
Group							
Secured bank loans	SGD	2.14% to 3.13%	2011	**6,440,000**	**6,440,000**	3,000,000	3,000,000
Secured bank loans	USD	3.04%	2010	–	–	1,403,500	1,403,500
Secured bank loans	RMB	5.31% to 6.39%	2011	**12,102,400**	**12,102,400**	13,980,800	13,980,800
Finance lease liabilities	SGD	2.80%	2014	**143,703**	**143,703**	84,629	84,629
Finance lease liabilities	MYR	2.30% to 2.80%	2011 to 2014	**177,804**	**177,804**	844,103	844,103
				18,863,907	**18,863,907**	19,313,032	19,313,032
Company							
Secured bank loans	SGD	2.14% to 3.13%	2011	**6,440,000**	**6,440,000**	3,000,000	3,000,000
Secured bank loans	USD	3.04%	2010	–	–	1,403,500	1,403,500
Finance lease liabilities	SGD	2.80%	2014	**143,703**	**143,703**	84,629	84,629
				6,583,703	**6,583,703**	4,488,129	4,488,129

Secured bank loans

The Group's and the Company's short-term secured loans bear interest rates ranging from 3.13% to 6.39% (2009: 2.14% to 5.84%) and 3.13% (2009: 2.14% to 3.04%) respectively per annum and can be rolled forward for periods of between 1 week and 1 year after the maturity date.

The secured bank loans are secured by:

(i) Fixed and floating charges over various assets and mortgages over the Company's Singapore properties;

(ii) Fu Yu Investment Pte Ltd's 254,295,643 ordinary shares (after bonus issue, capital reduction and share consolidation) in the share capital of LCTH Corporation Berhad;

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

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

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

Included in loans and borrowings of the Group is an amount of approximately $Nil (2009: $1,403,500) denominated in US dollars. Other loans and borrowings are denominated in the functional currencies of the respective Group entities.

Notes to the Financial Statements

17 Financial liabilities (Continued)

Breach of covenant

As at 31 December 2010, the Company has secured bank loans of $6.44 million. The bank loan is secured by way of fixed and floating charges over the Company's properties and various assets. During the year, the Company rented part of its properties which were pledged to the bank, thus resulted in a breach of a condition as stated in the signed loan agreement with the bank. Subsequent to the balance sheet date, the Company has obtained a conditional consent from the bank which allows the Company to continue renting part of its properties.

Finance lease liabilities

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

		2010			2009	
	Principal	Interest	Payments	Principal	Interest	Payments
	$	$	$	$	$	$
Group						
Payable:						
Within 1 year	**182,535**	**9,227**	**191,762**	688,063	27,872	715,935
After 1 year but within 5 years	**138,972**	**8,749**	**147,721**	240,669	10,639	251,308
	321,507	**17,976**	**339,483**	928,732	38,511	967,243
Company						
Payable:						
Within 1 year	**37,845**	**5,907**	**43,752**	18,357	4,227	22,584
After 1 year but within 5 years	**105,858**	**6,552**	**112,410**	66,272	5,228	71,500
	143,703	**12,459**	**156,162**	84,629	9,455	94,084

The effective interest rates implicit in the leases range from 2.30% to 2.80% (2009: 2.30% to 5.60%) per annum.

The finance lease liabilities are secured by the leased assets.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

18 Trade and other payables

	Note	Group 2010	Group 2009	Company 2010	Company 2009
		$	$	$	$
Trade payables		**38,075,231**	37,892,510	**4,003,091**	4,063,554
Accrued expenses		**8,396,675**	11,695,924	**2,498,296**	2,689,925
Amounts payable for purchase of property, plant and equipment		**710,703**	809,362	**5,885**	7,455
Amounts due to customers for contract work	11	**824,709**	1,187,557	**428,923**	351,155
Other payables		**13,978,948**	11,569,417	**627,415**	889,656
Amounts due to subsidiaries					
– trade		**–**	–	**982,175**	1,078,873
– non-trade		**–**	–	**529,106**	616,556
Deposits and advances		**3,236,148**	1,782,088	**1,473,840**	1,323,386
Advances from directors		**3,000,000**	3,000,000	**3,000,000**	3,000,000
Financial liabilities measured at amortised cost		**68,222,414**	67,936,858	**13,548,731**	14,020,560
Advance billings		**1,288,959**	2,527,123	**252,403**	1,906,930
Sales/withholding taxes		**1,890,655**	1,804,265	**–**	–
		71,402,028	72,268,246	**13,801,134**	15,927,490

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand. Advances from directors are unsecured, interest-free and subordinated to bank borrowings from one of the lending banks.

19 Revenue

	Group 2010	Group 2009
	$	$
Sale of goods	**225,123,318**	194,551,332
Revenue from tooling contracts	**33,801,676**	37,887,920
	258,924,994	232,439,252

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

20 Other income

	Group	
	2010	**2009**
	$	**$**
Interest and investment income	**654,214**	647,596
Rental income	**5,279,937**	4,637,156
Government grants		
– income related	**–**	44,941
Loss on liquidation of a subsidiary	**(146,857)**	(104,650)
Gain on disposal of a subsidiary (Note 12)	**1,435,795**	–
Gain on disposal of property, plant and equipment	**1,792,670**	1,336,391
Sale of scrap and raw materials	**1,235,535**	667,842
Foreign exchange loss, net	**(7,709,291)**	(3,039,907)
Write-back of indirect taxes previously provided	**–**	1,528,598
Others	**339,846**	792,781
	2,881,849	6,510,748

21 Other income/(expenses)

	Group	
	2010	**2009**
	$	**$**
Reversal of/(impairment loss) of plant and machinery (Note 3)	**6,074,965**	(5,501,313)

22 Finance costs

	Group	
	2010	**2009**
	$	**$**
Interest expense		
– bank loans	**963,539**	997,388
– finance leases	**32,215**	73,279
	995,754	1,070,667

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

23 Loss before income tax

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

	Group 2010 $	Group 2009 $
Directors of the Company		
– fees	**316,569**	295,553
– contributions to defined contribution plans	**63,685**	51,669
– share options granted	**–**	354,236
– salaries, bonuses and other costs	**3,084,473**	2,415,854
Directors of subsidiaries		
– fees	**82,986**	85,232
– salaries, bonuses and other costs	**9,527**	19,546
Non-audit fees paid to		
– other auditors	**40,777**	15,711
Staff costs		
– salaries, bonuses and other costs	**47,418,026**	44,996,936
– contributions to defined contribution plans	**3,820,781**	4,471,253
– share options granted	**–**	997,345
Operating lease expenses	**9,297,405**	8,823,806
Property, plant and equipment written off	**99,529**	1,212,055
Allowance made for doubtful trade receivables	**854,491**	934,485
Write-back of allowance for inventory obsolescence and inventories written off	**(928,283)**	(1,684,405)
Operating expenses in relation to investment property	**273,136**	251,147

24 Income tax credit

	Group 2010 $	Group 2009 $
Current tax expense/(credit)		
Current year	**1,184,715**	524,902
Under/(over) provision in prior years	**334,297**	(1,237,898)
	1,519,012	(712,996)
Deferred tax credit		
Movements in temporary differences	**(3,780,935)**	(351,782)
Reduction in tax rates	**–**	(109,134)
Under/(over) provision in prior years	**77,493**	(308,887)
	(3,703,442)	(769,803)
Income tax credit	**(2,184,430)**	(1,482,799)

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

24 Income tax (Continued)

Reconciliation of effective tax rate

	Group	
	2010	**2009**
	$	**$**
Loss before income tax	**(868,695)**	(26,788,852)
Tax calculated using Singapore tax rate of 17% (2009: 17%)	**(147,678)**	(4,554,105)
Effect of reduction in tax rates	**–**	(109,134)
Effect of different tax rates in foreign jurisdictions	**294,370**	(1,398,269)
Income not subject to tax	**(2,215,016)**	(1,026,846)
Expenses not deductible for tax purposes	**2,748,198**	5,233,930
Utilisation of capital allowances, reinvestment allowances and tax losses	**(74,081)**	(45,259)
Recognition of deferred tax assets on reinvestment allowances, previously not recognised	**(4,803,215)**	(306,919)
Under/(over) provision in prior years	**411,790**	(1,546,785)
Deferred tax assets not recognised	**1,255,293**	2,413,869
Others	**345,909**	(143,281)
	(2,184,430)	(1,482,799)

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.

In 2009, one of the subsidiaries in the People's Republic of China was entitled to tax concessions whereby the profit for the first two profit-making financial years was exempt from income tax and the profit of the subsequent three financial years is taxed at 50% of the standard income tax rate.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

25 Earnings/(loss) per share

	Group	
	2010	**2009**
Net profit/(loss) attributable to ordinary shareholders ($)	**4,164,434**	(25,236,148)
Number of shares:		
Issued ordinary shares at 1 January	**710,504,775**	710,254,775
Effect of shares issued during the year	**3,321,315**	52,740
Weighted average number of ordinary shares (basic)	**713,826,090**	710,307,515
Effect of share options on issue	**10,971,747**	–
Weighted average number of ordinary shares (diluted)	**724,797,837**	710,307,515
Basic earnings/(loss) per share (cents)	**0.58**	(3.55)
Diluted earnings/(loss) per share (cents)	**0.57**	(3.55)

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

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 income tax assets and liabilities.

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 $113,662,062 (2009: $144,628,000) relate to 3 (2009: 4) 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

26 Operating segments (Continued)

Geographical segments

	Singapore		China		Malaysia		Total operations	
	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$
Revenue and expenses								
Total external revenue	**47,723,854**	39,099,645	**157,189,406**	105,737,094	**54,011,734**	87,602,513	**258,924,994**	232,439,252
Inter-segment revenue	**1,868,425**	2,566,688	**21,170,253**	7,365,946	**1,214,195**	1,317,164	**24,252,873**	11,249,798
Loss before tax, interest income, finance costs and other income/(expenses)	**(2,356,307)**	(7,745,130)	**1,706,457**	(16,495,730)	**(6,837,859)**	2,656,896	**(7,487,709)**	(21,583,964)
Other income/(expenses) (Note 21)							**6,074,965**	(5,501,313)
Share of results of associate							**885,589**	719,496
Interest income							**654,214**	647,596
Finance costs							**(995,754)**	(1,070,667)
							(868,695)	(26,788,852)
Income tax credit							**2,184,430**	1,482,799
Net profit/(loss) for the year							**1,315,735**	(25,306,053)
Other segment information								
Segment non-current assets	**25,493,650**	18,683,571	**56,579,615**	67,888,503	**26,579,005**	44,185,622	**108,652,270**	130,757,696
Unallocated assets							**1,591,125**	–
Total non-current assets							**110,243,395**	130,757,696
Depreciation of property, plant and equipment, investment property and amortisation of prepaid land lease	**2,260,125**	3,527,231	**7,684,315**	9,835,366	**5,984,935**	6,503,157	**15,929,375**	19,865,754

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

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. Credit evaluations are performed on all customers requiring credit over a certain amount. 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	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Singapore	**5,727,553**	6,326,647	**4,131,012**	5,375,876
China	**45,671,739**	32,466,299	**681,124**	520,764
Malaysia	**6,783,451**	19,995,345	**826,249**	1,189,000
United States	**1,443,031**	2,837,526	**402,872**	439,536
Hong Kong	**795,708**	8,200,503	**11,048**	15,943
Others	**4,086,185**	4,709,842	**98,375**	103,388
	64,507,667	74,536,162	**6,150,680**	7,644,507

At the balance sheet date, there is a concentration of credit risk relating to three major customers with outstanding receivable balance of approximately $29,141,913 (2009: four major customers with outstanding receivable balance of approximately $45,537,000). These customers relate to Singapore, Malaysia and China segments.

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

The ageing analysis of the trade receivables is as follows:

	2010		2009	
	Gross trade receivables	**Allowance for impairment**	**Gross trade receivables**	**Allowance for impairment**
	$	**$**	**$**	**$**
Group				
Not past due	**48,809,400**	**–**	61,387,723	–
Past due 1 to 30 days	**8,341,489**	**–**	8,561,431	–
Past due 31 to 90 days	**5,351,004**	**6,676**	3,620,049	154,734
Past due more than 90 days	**13,067,248**	**11,054,798**	12,804,140	11,682,447
	75,569,141	**11,061,474**	86,373,343	11,837,181

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

27 Financial risk management (Continued)

Credit risk (Continued)

	2010		2009	
	Gross trade receivables	**Allowance for impairment**	**Gross trade receivables**	**Allowance for impairment**
	$	**$**	**$**	**$**
Company				
Not past due	**4,427,895**	**–**	4,173,292	–
Past due 1 to 30 days	**1,158,895**	**–**	783,691	–
Past due 31 to 90 days	**228,582**	**–**	1,906,443	–
Past due more than 90 days	**420,864**	**85,556**	964,105	183,024
	6,236,236	**85,556**	7,827,531	183,024

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
At 1 January	**11,837,181**	12,803,352	**183,024**	307,572
Allowance made/(written back)	**854,491**	934,485	**(97,468)**	(101,188)
Allowance utilised	**(1,036,963)**	(1,524,720)	**–**	(23,360)
Currency realignment	**(593,235)**	(375,936)	**–**	–
At 31 December	**11,061,474**	11,837,181	**85,556**	183,024

Based on historical default rates, the Group believes that no impairment allowance, other than those specifically identified, is necessary in respect of trade receivables not past due or past due up to 90 days. These receivables are mainly arising by customers that have a good record with the Group.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

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 2 years $	Between 2 and 5 years $
Group					
2010					
Non-derivative financial liabilities					
Trade and other payables(i)	**70,113,069**	**70,113,069**	**70,113,069**	**–**	**–**
Financial liabilities					
– Finance lease liabilities	**321,507**	**339,483**	**191,762**	**128,053**	**19,668**
– Secured bank loans	**18,542,400**	**18,820,497**	**18,820,497**	**–**	**–**
	88,976,976	**89,273,049**	**89,125,238**	**128,053**	**19,668**
Group					
2009					
Non-derivative financial liabilities					
Trade and other payables(i)	69,741,123	69,741,123	69,741,123	–	–
Financial liabilities					
– Finance lease liabilities	928,732	967,243	715,935	216,674	34,634
– Secured bank loans	18,384,300	18,626,347	18,626,347	–	–
	89,054,155	89,334,713	89,083,405	216,674	34,634
Company					
2010					
Non-derivative financial liabilities					
Trade and other payables(i)	**13,548,731**	**13,548,731**	**13,548,731**	**–**	**–**
Financial liabilities					
– Finance lease liabilities	**143,703**	**156,162**	**43,752**	**112,410**	**–**
– Secured bank loans	**6,440,000**	**6,447,179**	**6,447,179**	**–**	**–**
	20,132,434	**20,152,072**	**20,039,662**	**112,410**	**–**
2009					
Non-derivative financial liabilities					
Trade and other payables(i)	14,020,560	14,020,560	14,020,560	–	–
Financial liabilities					
– Finance lease liabilities	84,629	94,084	22,584	71,500	–
– Secured bank loans	4,403,500	4,407,564	4,407,564	–	–
	18,508,689	18,522,208	18,450,708	71,500	–

(i) Excludes advance billings

Notes to the Financial Statements

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. Short-term receivables and payables are not exposed to interest rate risk.

Sensitivity analysis

	Increase/(decrease) in profit or loss			
	Group		Company	
	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
2010				
Variable rate instruments	**(185,424)**	**185,424**	**(64,400)**	**64,400**
2009				
Variable rate instruments	(183,843)	183,843	(44,035)	44,035

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

27 Financial risk management (Continued)

Foreign currency risk

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

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	US dollar	**US dollar**	**US dollar**	**US dollar**
	$	**$**	**$**	**$**
Trade and other receivables	**35,216,685**	46,790,027	**6,016,375**	7,405,752
Cash and cash equivalents	**27,047,255**	14,259,620	**9,064,476**	3,634,576
Financial liabilities	**–**	(1,403,500)	**–**	(1,403,500)
Trade and other payables	**(17,870,402)**	(21,249,705)	**(3,131,931)**	(2,405,769)
	44,393,538	38,396,442	**11,948,920**	7,231,059

Sensitivity analysis

A one percentage point strengthening/weakening of the Singapore dollar against the US dollar at the balance sheet date would decrease/increase the Group's loss before income tax by approximately $444,000 (2009: $384,000) and decrease/increase the Company's profit before income tax by approximately $119,000 (2009: $72,000). This analysis assumes that all other variables in particular interest rates, remain constant.

Fair values

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

28 Commitments

Capital expenditure commitments

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Capital expenditure contracted for as at balance sheet date but not recognised in the financial statements	**4,656,989**	5,046,875	**4,519,456**	4,930,953

Included in the Company's commitments is $4,519,456 (2009: $4,930,953) relating to the injection of capital in subsidiaries.

Operating lease commitments

As at 31 December, 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 (2009: 2044) and contain provisions for rental adjustments to restrict the Group and the Company to further leasing and sub-leasing. At 31 December, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Payable:				
Within 1 year	**4,474,744**	7,073,740	**1,188,194**	5,042,867
After 1 year but within 5 years	**15,335,539**	8,468,531	**1,891,357**	2,006,771
After 5 years	**21,874,569**	15,685,225	**6,141,334**	6,228,216
	41,684,852	31,227,496	**9,220,885**	13,277,854

The Company has entered into cancellable and non-cancellable commercial property leases to lease out its surplus space. The cancellable commercial property leases can be cancelled by way of the lessees giving notice in advance to the Company and vice versa. The non-cancellable leases have remaining non-cancellable lease terms of between 2 to 3 years as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Receivable:				
Within 1 year	**2,061,581**	3,487,873	**1,021,136**	3,224,191
After 1 year but within 5 years	**2,394,775**	603,539	**1,480,575**	76,175
	4,456,356	4,091,412	**2,501,711**	3,300,366

Notes to the Financial Statements

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29 Contingent liabilities

The Company has an outstanding corporate guarantee given to a subsidiary's supplier in connection with the supply of raw materials to the subsidiary amounting to $2,472,863 (2009: $Nil). In 2009, the Company had an outstanding corporate guarantee given to a supplier in connection with hire purchase obligations of the subsidiaries amounting to $112,077.

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

30 Related parties

Key management personnel compensation

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

Key management personnel compensation comprise:

	Group	
	2010	**2009**
	$	**$**
Short-term employee benefits	**4,451,309**	3,812,459
Contributions to defined contribution plans	**104,458**	91,981
Share options expenses	**–**	767,637
	4,555,767	4,672,077
Comprise amounts paid/payable to:		
– directors of the Company	**3,464,727**	3,117,312
– key executives	**1,091,040**	1,554,765
	4,555,767	4,672,077

30 Related parties (Continued)

Key management personnel compensation (Continued)

The following information relates to the remuneration of directors of the Group during the financial year:

	Group	
	2010	**2009**
Number of directors in remuneration bands		
– $500,000 and above	**4**	5
– $250,000 to $499,999	**2**	–
– below $250,000	**3**	3
	9	8

Other related party transactions

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

	Group	
	2010	**2009**
	$	**$**
Rental income from an associate	**828,043**	897,111

31 Subsequent event

On 4 January 2011, the Company increased the registered share capital and paid-up share capital of its subsidiary, Fu Yu Moulding & Tooling (Suzhou) Co., Ltd. ("Fu Yu Suzhou") by US$6,000,000 and US$3,000,000 respectively. The increase in paid-up capital was by way of capitalisation of debt owing by Fu Yu Suzhou to the Company amounting to US$3,000,000 (approximately S$3,957,000). The remaining US$3,000,000 cash (approximately S$3,861,000) was paid by the Company in February 2011.

32 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 2010, 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.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2010

33 Comparative information

Certain changes have been made to the comparative information in the consolidated statement of cash flow whereby translation differences arising from consolidated financial statements of foreign entities are allocated to individual streams of cash flows. The restatement of prior year consolidated statement of cash flow has no impact on the consolidated balance sheets and statement of comprehensive income.

	As previously stated $	Restated $
Consolidated cash flow statement		
Year ended 31 December 2009		
Cash flows from operating activities:		
Unrealised exchange losses	–	2,018,008
Changes in working capital:		
Inventories	3,171,023	2,941,217
Trade and other receivables	14,726,395	13,624,498
Trade and other payables	(19,153,449)	(18,223,472)
Currency realignment	1,309,249	–
Effect of exchange rate fluctuations on cash	–	(307,033)

In addition, certain comparative amounts have been reclassified due to changes in accounting policies as detailed in Note 2.2.

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 80 to 84.

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.

However, there were loans from substantial shareholders cum executive directors since the financial year ended 31 December 2007. Mr Ching Heng Yang, Mr Tam Wai, Mr Ho Nee Kit, who are substantial shareholders and Executive Directors of the Company, had each loaned S$1,000,000 to the Company in October 2007. The loans are unsecured, interest free and subordinated to bank borrowings from DBS Bank Ltd as at 31 December 2010.

Interested Person Transactions (Listing Rule 1207(16))

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

There were no interested person transactions for the year ended 31 December 2010.

Dealings with Company's Securities (Listing Rule 1207(18))

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 (10))

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
6	Fu Yu Moulding & Tooling (TianJin) Co., Ltd	71 Bai He Road Tianjin, Economic Development Zone Tianjin, China 300457	Held for sale	1997	Land: 3,390 sq m Building: 3,406 sq m	100%	Leasehold for 50 years expiring on 17 Jul 2044
		73 Bai He Road Tianjin, Economic Development Zone Tianjin, China 300457	Held for sale	1997	Land: 12,411 sq m Building: 13,133 sq m	100%	leasehold for 50 years expiring on 15 Dec 2042

Statistics of Shareholdings

AS AT 23 MARCH 2011

Class of equity securities	:	Ordinary Shares
Number of equity securities	:	731,334,775 ordinary shares
Voting rights	:	One vote per share

The Company does not hold any treasury shares.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 999	280	3.95	115,410	0.02
1,000 – 10,000	3,687	51.97	18,388,465	2.51
10,001 – 1,000,000	3,097	43.66	154,466,631	21.12
1,000,001 and above	30	0.42	558,364,269	76.35
Total	7,094	100.00	731,334,775	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 23 MARCH 2011

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Ching Heng Yang	88,965,475	12.16	–	–
Tam Wai	96,715,475	13.22	300,000(1)	0.04
Ho Nee Kit	96,999,225	13.26	–	–
Lui Choon Hay	87,952,475	12.03	–	–
Ng Hock Ching	18,829,000	2.57	20,000,000(2)	2.73

Notes:

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

2. Mr Ng Hock Ching is deemed to be interested in the shares held in the name of Citibank Nominees Singapore Pte Ltd.

Statistics of Shareholdings

AS AT 23 MARCH 2011

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Ho Nee Kit	96,999,225	13.26
2	Tam Wai	96,715,475	13.22
3	Ching Heng Yang	88,965,475	12.16
4	Lui Choon Hay	87,952,475	12.03
5	Citibank Nominees Singapore Pte Ltd	29,734,000	4.07
6	Raffles Nominees (Pte) Ltd	28,132,500	3.85
7	DBS Nominees Pte Ltd	19,827,575	2.71
8	Ng Hock Ching	18,829,000	2.57
9	Lim Chye Huat @ Bobby Lim Chye Huat	10,689,000	1.46
10	UOB Kay Hian Pte Ltd	9,927,000	1.36
11	United Overseas Bank Nominees Pte Ltd	8,061,779	1.10
12	Phillip Securities Pte Ltd	7,503,500	1.03
13	OCBC Securities Private Ltd	6,953,000	0.95
14	Lim & Tan Securities Pte Ltd	6,257,750	0.86
15	DBSN Services Pte Ltd	5,707,250	0.78
16	Ng Chung Ming	5,000,000	0.68
17	Kim Eng Securities Pte. Ltd.	4,248,255	0.58
18	OCBC Nominees Singapore Pte Ltd	4,103,010	0.56
19	Citibank Consumer Nominees Pte Ltd	3,690,500	0.50
20	UOB Nominees (2006) Pte Ltd	2,942,500	0.40
	Total	542,239,269	74.13

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

43.59% of the Company's shares are held in the hands of public. Accordingly the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fu Yu Corporation Limited ("the Company") will be held at Bridge Rooms, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Thursday, 28 April 2011 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

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

   Mr Tam Wai **(Resolution 2)**
   Mr Ching Heng Yang **(Resolution 3)**
   Mr Foo Say Tun **(Resolution 4)**
   Mr Ho Kang Peng **(Resolution 5)**

   Mr Foo Say Tun will, upon re-election as Director of the Company, remain as Chairman of Nominating Committee and member of the Audit and Remuneration Committees and will be considered independent.

3. To approve the payment of Directors' fees of S$252,000 for the year ending 31 December 2011, payable quarterly in arrears (2010: S$252,000). **(Resolution 6)**

4. To re-appoint KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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 Resolutions, with or without any modifications:

6. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

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

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, 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 of the Company 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 Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

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

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) 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) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

Notice of Annual General Meeting

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

(4) unless revoked or varied by the Company in a general meeting, such authority 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 earlier.
[See Explanatory Note (i)] **(Resolution 8)**

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

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Fu Yu Employees Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Low Geok Eng Susie
Company Secretary
Singapore, 13 April 2011

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 6 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, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for 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 when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 9 in item 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.

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FU YU CORPORATION LIMITED

Company Registration No. 198004601C

(Incorporated In The Republic of Singapore)

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ...

of ....

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

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

and/or (delete as appropriate)

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

or failing 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 on Thursday, 28 April 2011 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2010		
2	Re-election of Mr Tam Wai as a Director		
3	Re-election of Mr Ching Heng Yang as a Director		
4	Re-election of Mr Foo Say Tun as a Director		
5	Re-election of Mr Ho Kang Peng as a Director		
6	Approval of Directors' fees amounting to S$252,000 for the financial year ending 31 December 2011		
7	Re-appointment of KPMG LLP as Auditors		
8	Authority to issue new shares		
9	Authority to issue shares under the Fu Yu Employees Share Option Scheme		

Dated this____________day of____________2011

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

FU YU CORPORATION LIMITED

Co.Reg.No. 198004601C

8 Tuas Drive 1, Singapore 638675

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