FU YU CORPORATION LIMITED

Annual Report 2007

Established in 1978 as a partnership fabricating injection moulds and manufacturing plastic injection parts, Fu Yu has since grown to become a listed corporation with a growing global presence. We are now one of the largest manufacturers and suppliers of high-precision injection moulds and plastic parts in Asia. Currently, we have 13 plants in Singapore, Malaysia and China.

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

Mission Statement

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

We will deliver our vision through: embracing technology and creativity; providing satisfaction to our customers; continuous learning for our people; and maximising returns to our shareholders.

Corporate Information

Board of Directors

Dr John Chen Seow Phun,
Non-executive Chairman
(appointed on 27 November 2007)

Ching Heng Yang, Vice Chairman

Tam Wai

Ho Nee Kit

Tan Yew Beng

Hew Lien Lee
(appointed on 22 March 2007)

Foo Say Tun
(appointed on 27 November 2007)

Ho Kang Peng
(appointed on 31 March 2008)

Lim Shook Kong
(resigned on 2 January 2008)

Jen Shek Voon
(resigned on 3 January 2008)

Executive Directors

Ching Heng Yang

Tam Wai

Ho Nee Kit

Hew Lien Lee
(appointed on 22 March 2007)

Lim Shook Kong
(resigned on 2 January 2008)

Ho Kang Peng
(appointed on 31 March 2008)

Independent and Non-Executive Directors

Tan Yew Beng

Dr John Chen Seow Phun
(appointed on 27 November 2007)

Foo Say Tun
(appointed on 27 November 2007)

Jen Shek Voon
(resigned on 3 January 2008)

Audit Committee

Dr John Chen Seow Phun, Chairman
(appointed as a member on 27 November 2007, appointed as Chairman on 3 January 2008)

Tan Yew Beng

Foo Say Tun
(appointed on 27 November 2007)

Jen Shek Voon
(resigned as a Director and Chairman of Audit Committee on 3 January 2008)

Lim Shook Kong
(resigned on 2 January 2008)

Nominating Committee

Foo Say Tun, Chairman
(appointed as a member on 27 November 2007, appointed as Chairman on 3 January 2008)

Dr John Chen Seow Phun
(appointed on 27 November 2007)

Tan Yew Beng

Lim Shook Kong
(resigned on 2 January 2008)

Jen Shek Voon
(resigned on 3 January 2008)

Remuneration Committee

Tan Yew Beng, Chairman

Dr John Chen Seow Phun
(appointed on 27 November 2007)

Foo Say Tun
(appointed on 27 November 2007)

Lim Shook Kong
(resigned on 2 January 2008)

Jen Shek Voon
(resigned on 3 January 2008)

Company Secretary

Low Geok Eng Susie

Registered Office

2 Serangoon North Avenue 5
Singapore 554911
Tel: (65) 6484 8833
Fax: (65) 6482 0622
Website: www.fuyucorp.com

Share Registrar

Boardroom Corporate &
Advisory Services Pte. Ltd.
(Formerly known as Lim Associates (Pte) Ltd)
3 Church Street #08-01
Samsung Hub
Singapore 049483

External Auditors

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

Audit Partner: Phuoc Tran
since the appointment on 19 April 2007 for the financial year beginning 1 January 2007

Bankers

Citibank N.A.

DBS Bank Ltd

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

Content

Chairman's Statement

Dr John Chen Seow Phun, Chairman

On behalf of the Board of Directors, I present to you the Company's Annual Report for the financial year ended 31 December 2007 (FY2007).

The operating environment during FY2007 continued to be very challenging. The highly competitive market, rising operating costs resulting from the high crude oil prices and inflationary effects affected our performance for the year. The Group's turnover for FY2007 declined 1.2% to S$410.5 million compared to the previous year. The decline was mainly attributable to a decline in our Singapore and China sales. The revenue share from our Malaysia subsidiaries, on the contrary, recorded an increase in sales from S$133.8 million to S$154.2 million.

Significant Events

We began restructuring in FY2007 with the objective of bringing about financial stability and growth to the Company. During the year, it was essential for the management to gain customers' confidence, tighten operational and internal controls, and obtain a comprehensive financial review of the business.

We have also successfully sustained confidence from our bank lenders, with whom we have negotiated a standstill agreement. To supplement our financing for the year, Fu Yu had identified places to subscribe to 117 million new Fu Yu shares at S$0.18 per share, which raised approximate net proceeds of S$20.6 million. In addition to these steps, three of our founding shareholders have transferred S$3.0 million to the Company for contingency use.

Strategic Moves

Establishing good client relations in our regional bases continue to be an uphill task. In China especially, talent management became critical as we sought to recruit the right personnel to help improve the performance of our subsidiaries in the country. Overall, we adopted multiple approaches to achieve new directions and profitability.

First, to identify and review client relations in all our regional bases.

Second, to have in place a more stringent customer credit evaluation system so as to minimise our overall credit risk in China. While we continue to work with local Chinese companies that have strong credibility, the system will help us to seek and partner more profitable groups of clients. Efforts will also entail developing more long-term client partnerships over simple short-term supplier-customer relationships; and channelling our business to focus primarily on foreign multinational corporations (MNCs) and selected local Chinese companies. We will need to be more flexible and mobile in order to move into regions that our key MNC customers are relocating to.

Third, to establish more stringent purchase controls with proper documentation with suppliers.

Fourth, to introduce Key Performance Indicators with cost control measures that include optimising headcounts, more energy-efficient implementations, transfer to subsidiaries or disposal of underutilised machines, among others.

Finally, to implement measures designed to tighten our accounting and financing practices, and to conduct weekly reviews to closely monitor any aging stock to reduce, if not prevent, obsolete inventories.

Our Commitment Remains

Amid all the recent changes, our commitment remains strong to our customers - to be the preferred global partner in precision plastic product engineering. The technology in our industry is continually evolving. In the years ahead, we will continue to move into an even more high-tech arena, facilitating technological innovation, especially for our plants in Malaysia and China. With continuous improvement and openness to change, we will ride out every challenge before us.

In line with these directions, we have appointed Mr Ho Kang Peng as Chief Executive Officer of the Group. Mr Ho's appointment, along with a series of management changes, establishes a leadership with the requisite skills and experience needed to steer the Group through the next lap.

With Appreciation

The Board of Directors and I want to say to all our customers, suppliers, bankers, business partners and investors: Thank you for staying with us at Fu Yu.

We also want to thank the management team and staff, who have shown exceptional loyalty and commitment through the good and tough times. We are deeply motivated by your support and look forward to sharing a bright and promising future ahead with you.

Dr John Chen Seow Phun,
Chairman

Operations Review

For the financial year ended 31 December 2007, the Group reported a total revenue of S$410.5 million. In terms of revenue breakdown, the Group recorded an increase in revenue by 15.3%, from S$133.8 million in 2006 to S$154.2 million in 2007 in Malaysia. Singapore and China revenues, however, saw a decrease of S$9.2 million or 13.9%, and S$16.3 million or 7.6% respectively. The Group's loss attributable to the shareholders of the Company stood at S$55.8 million. Excluding exceptional expenses, the Group's loss attributable to the shareholders of the Company was S$34.0 million.

In the wake of an increasingly competitive industry, we will continue to face in 2008 price pressure from our customers and high operating costs, resulting from crude oil price increases and the further weakening of the US Dollar.

Singapore

The Singapore setting fosters and favours technological innovation. So we will be further exploring opportunities to take greater advantage of Singapore's innovative aspirations and culture. For these reasons, Singapore will always remain Fu Yu's choice of location of our headquarters, and particularly for our research and development activities. Our overseas plants exist, meanwhile, primarily for manufacturing at lower costs in the interest of customers.

Over time, we will continue to develop our two Singapore subsidiaries, SolidMicron Technologies Pte Ltd and NanoTechnology Manufacturing Pte Ltd. Incorporated in June 2006, the relatively new company, SolidMicron Technologies, is expected to ramp up its developments in both Metal Injection Moulding and Ceramic Injection Moulding technologies. For NanoTechnology Manufacturing, we will continue to develop it as a world-class ultra-precision engineering manufacturer, for the purpose of being the leader in Singapore's ultra-precision engineering industry and to be in line with Singapore's direction to be internationally recognised as a high-technology nation.

Malaysia

2007 was again a challenging year for LCTH Corporation Berhad (LCTH), including its two subsidiaries, Classic Advantage Sdn Bhd (CA) and Fu Hao Manufacturing (M) Sdn Bhd (FHM). LCTH Group's 2007 revenue recorded a double-digit growth of 15.3% when compared to 2006. This is notwithstanding repercussions from continuing crude oil price increases reaching US$100 per barrel in December 2007, a weakening US dollar and intense price pressures from customers, which have contributed to erosion of the Group's gross margins.

CA and FHM remain promising as manufacturers and exporters of precision plastic parts and components. To date, they are successfully exporting to customers in United States, Switzerland, Germany, Singapore, China and Thailand.

The Group has also expanded its sales force to aggressively grow the business and diversify its products base. These include garnering additional contracts in the design and fabrication of moulds, and fueling our venture into design manufacturing.

In terms of revenue breakdown, the Group recorded an increase in revenue by 15.3%, from S$133.8 million in 2006 to S$154.2 million in 2007 in Malaysia.

In April 2007, the newly-constructed 50,000-sq-ft factory in Johor Technology Park was rented to LCTH's associate company, REXAM Malaysia Sdn Bhd, which began using the facilities for their ink filling operations since end of 2007.

CA has also entered into a Sale and Purchase Agreement with Mapletree MIF Malaysia 2 Sdn. Bhd. to sell and leaseback its leasehold land and buildings for RM80.0 million (approximately S$34.7 million) with a leaseback over 12 years. The transaction, coupled with the proposed capital repayment being pursued by LCTH, is expected to provide 70.64% of Fu Yu's shareholding with capital distributions totalling approximately RM50.8 million (approximately S$22.0 million). This sale and leaseback will provide Fu Yu with substantial funds to repay bank loans and fill working capital requirements.

LCTH is optimistic of continued profitability in 2008. The Group will continue to work closely with its customers, and expand its customer base by tapping on its strength as a preferred precision plastic moulding partner. There will be increased marketing efforts to promote its tooling division by capturing more work for the design and fabrication of moulds. Despite intense competition, LCTH demonstrates a commitment to continuous innovation by utilising all its resources and technical expertise to expand its margins while maintaining high quality products, productivity and sustained revenue growth.

China

For 2007, our operations in China suffered revenue losses which affected the entire Fu Yu Group. We were still recovering from bad debts, inventory obsolescence and rising operating costs in China. Overall, we experienced a loss on earnings before interest and tax of over S$51.0 million for China for 2007, which included the S$23.0 million impairment of plant and machineries.

Contributing to the severe losses in China is our unfortunate engagement with a number of adverse customers. We have begun terminating many of these relationships as part of our consolidation efforts so as to re-channel resources into seeking out and collaborating with more highly-profitable groups of customers, particularly with multinational companies (MNCs) rather than with local customers. Even among MNCs we will focus more on those with proven track records, and nurture these ties into sustainable mutually-advantageous client relations. We will also apply the same stringent criteria in identifying and developing new customers in China.

China remains a country with great opportunities for our industry. Along with placing some of our experienced personnel in strategic regional offices throughout China, we have now succeeded in bringing all of these plants, which were previously decentralised in control, under the centralised control of Fu Yu headquarters. This means all executive functions and operations are now being monitored from our Singapore headquarters. This helps to strengthen the management and controls of the subsidiaries' operations and gradually lead the subsidiaries to achieve better performances.

Awards And Certifications

Awards and Recognition received by Fu Yu Group in Year 2007

Company	Awards and Recognition
Fu Yu Corporation Limited	• Outstanding Contributions to The Condor Program from Hewlett-Packard Company • Supplier Appreciation from Solectron Corporation
Classic Advantage Sdn Bhd	• QC Inspector Quality Certification from Flextronics

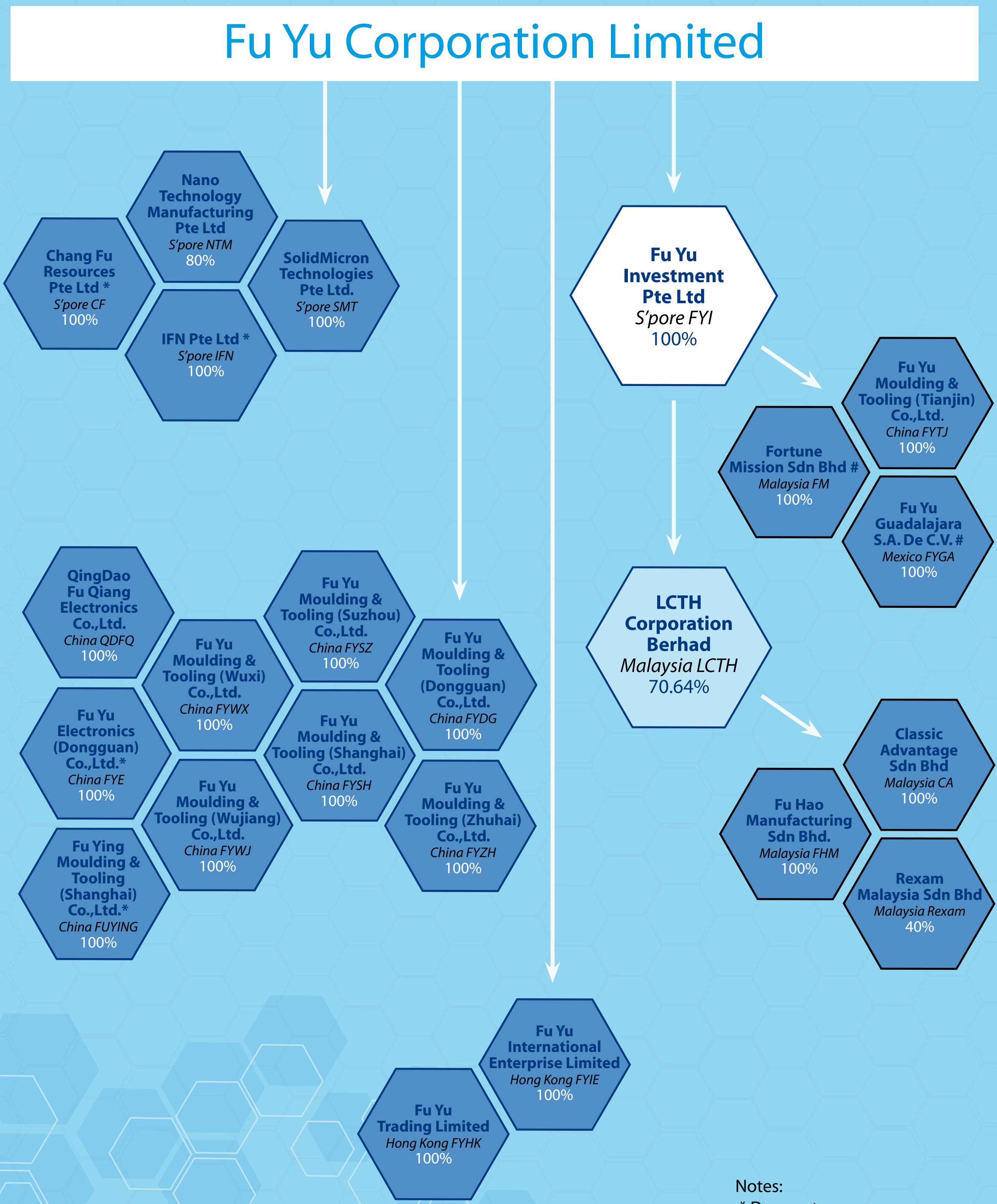
Corporate ISO and TS Certification for Fu Yu Group as at end of Year 2007

Company	ISO : 9001-2000	ISO : 13485-2003	ISO: 14001	ISO: 14644-1	TS : 16949
Fu Yu Corporation Limited	•		•	•	
SolidMicron Technologies Pte Ltd	•				
NanoTechnology Manufacturing Pte Ltd	•	•	•		
Classic Advantage Sdn Bhd	•				
Fu Hao Manufacturing (M) Sdn Bhd	•				
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	•		•		
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	•		•		
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	•				
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	•				
Fu Yu Moulding & Tooling (Tianjin) Co., Ltd.	•				•
QingDao Fu Qiang Electronics Co., Ltd.	•		•		

2008 Corporate Certification Plan

Company	Plan
Fu Yu Corporation Limited	ISO 13485-2003
Classic Advantage Sdn Bhd	ISO 14001, TS16949 & OSHAS 18001
SolidMicron Technologies Pte Ltd	TS 16949
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	ISO 9001- 2000, ISO14001 & TS 16949
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	ISO 14001
Fu Yu Moulding & Tooling (Wuxi) Co., Ltd.	ISO 9001-2000
Fu Hao Manufacturing (M) Sdn Bhd	ISO 14001

Group Structure



Notes:
* Dormant
\# Company under members' voluntary liquidation

Board Of Directors

Left to right (front): Ching Heng Yang and Dr John Chen Seow Phun. Left to right (back): Tam Wai, Hew Lien Lee, Ho Kang Peng, Ho Nee Kit, Foo Say Tun and Tan Yew Beng.

Dr John Chen Seow Phun

Non-Executive Chairman
Independent Director
(appointed on 27 November 2007)

Dr John Chen Seow Phun, 54, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007. He will stand for re-election as a Director at the forthcoming Annual General Meeting. 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. He is presently the Managing Director of JCL Business Development Pte Ltd and the Chairman of SAC Capital Pte Ltd. 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 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, 57, one of the co-founders of Fu Yu, is the Vice Chairman and Executive Director of the Group. Mr Ching was appointed as the Executive Director on 10 December 1980 and was last re-elected on 28 March 2005. He will stand for re-election as a Director at the forth coming 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 34 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 2007, Mr Ching holds 0.60% direct interests and 47.69% deemed interests in the Company.

Ho Kang Peng

Executive Director
Chief Executive Officer (CEO)
(appointed on 31 March 2008)

Mr Ho Kang Peng, 53, is our newly appointed Executive Director and Chief Executive Officer.

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 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 has more than 25 years of experience in the plastics industries. He holds a Bachelor of Business and Commerce Degree from Nanyang University of Singapore.

Mr Ho will stand for re-election as a Director at the forthcoming Annual General Meeting.

Ho Nee Kit

Executive Director

Mr Tam, 54, 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 19 April 2007. 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 2007, Mr Ho holds 1.73% direct interests and 47.69% deemed interests in the Company.

Hew Lien Lee

Executive Director
Chief Operating Officer
(appointed on 22 March 2007)

Mr Hew, 51, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. He was last re-elected on 19 April 2007. 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 Board of Bursa Malaysia Securities Berhad, Malaysia on 8 November 2004. Mr Hew joined Fu Yu in 1984 and holds a Diploma in Electrical Engineering. With 28 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.

Foo Say Tun

Non-Executive Director
Independent Director

Mr Foo, 42, is a non-executive and independent director of Fu Yu. He was appointed as Director on 27 November 2007. He will stand for re-election as a Director at 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.

Jen Shek Voon

Non-Executive Director
Independent Director
(resigned on 3 January 2008)

Jen Shek Voon, 61, is an independent non-executive Director of our Company. He was appointed to our Board on 1 July 2005 and was last re-elected on 31 March 2006. Mr Jen is a Sole Proprietor of Jen Shek Voon PAS, a public accounting firm in Singapore. Mr Jen is a Public Accountant Singapore, licensed by the Singapore Accounting and Corporate Regulatory Authority (ACRA). He is practising member of the Institute of Certified Public Accountants of Singapore (ICPAS). He is also a member of Information System Audit and Control Association (ISACA), British Computer Society (BCS), Institute of Internal Auditors (IIA) and the Malaysian Institute of Accountants (MIA). Mr Jen holds an Accounting Degree (Honors) from the University of Singapore, a post-graduate Commerce Degree (Honors) from the University of New South Wales, Sydney, Australia. He is also a fellow member of the Institute of Chartered Accountants Australia, the Taxation Institute of Australia, and the Association of Chartered Certified Accountants, respectively.

He is also an independent and non-executive director on Board of Directors of a number of publicly listed companies on the stock exchanges in Singapore, Malaysia and Hong Kong SAR and on the Tokyo Stock Exchange. Mr Jen is also a Fellow member of the Singapore Institute of Directors.

Tam Wai

Executive Director

Mr Tam, 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 31 March 2006. He will stand for re-election as a Director at the forth coming Annual General Meeting. Mr Tam oversees the mould design and fabrication operations of the Group. Prior to founding Fu Yu, he was involved in mould design and fabrication for 10 years in Hong Kong specialising in high precision moulds for the electronic and electrical industries. Mr Tam has over 38 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 2007, Mr Tam holds 1.69% direct interests and 47.73% deemed interests in the Company.

Tan Yew Beng

Non-Executive Director
Independent Director

Mr Tan, 51, 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 19 April 2007. He is the Chairman of the Remuneration and member of the Audit Committee and Nominating Committee. He is also a director of several Singapore and Malaysia companies.

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

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

At 31 December 2007, Mr Tan holds 0.22% indirect interests in the Company.

Lim Shook Kong, *FCA,CA(M),MSID*

Executive Director
Chief Financial Officer
(resigned on 2 January 2008)

Mr Lim, 56, was appointed as a non-executive and independent director of Fu Yu since 22 May 1995 and was Chairman of the Audit Committee until June 2004. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee. He was last re-elected on 28 March 2005. He was appointed as an Executive Director and Chief Financial Officer (CFO) on 22 March 2007. On 2 January 2008, he resigned as Fu Yu's Executive Director and CFO.

Mr Lim was appointed as the Group General Manager of LCTH Corporation Berhad, the Malaysia subsidiary of Fu Yu, listed on the Main Board of Bursa Malaysia Securities Berhad, Malaysia on 3 June 2004. He is also the Corporate Affairs Manager of Fu Yu Investment Pte Ltd, a wholly owned subsidiary of Fu Yu from June 2004.

Mr Lim is a non-executive and independent director of Permasteelisa Pacific Holdings Ltd, a public listed company on the Main Board of the Singapore Stock Exchange. He is a Chairman of the Audit Committe and the Nominating Committee and a member of the Remuneration Committee.

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

Mr Lim has over 30 years of experience in audit, accounting, financial management, corporate finance and corporate governance in various companies / industries in Singapore and Malaysia.

Key Executives

Tan Lay Kheng
Group Human Resource Manager

Madam Tan, 54, is the Group Human Resource Manager and oversees the management and development of human resources across the Group. She is also responsible for the administrative function of the Group. Madam Tan has 23 years of experience in Industrial Relations Management. She holds a Bachelor of Art Degree.

Hau Jong Lin
Group Materials Manager

Madam Hau, 52, is the Group Materials Manager. She has been with Fu Yu since 1995. She began her Fu Yu career as the Purchasing Manager, before also taking charge of the Planning and Store department. Her more than 20 years of working experience and academic achievement have enhanced her professional profile in this industry. She holds a Diploma in Logistics Management, a Bachelor of Arts and a Master of Business Administration. Madam Hau was appointed by Singapore Institute of Purchasing and Materials Management (SIPMM) as a panel member of Advisory Group.

Ng Kim Hwee
Group Information Technology Manager

Mr Ng, 48, joined Fu Yu in 2003. He is the Group IT Manager. He oversees the management of SAP System and IT infrastructure of the Group. Mr Ng holds a MBA in information system and has more than 20 years of experience pertaining to management of information technology.

Cheah Ngook Wah
Group Financial Controller

Ms Cheah, 34, is appointed as the Group Financial Controller of Fu Yu Group in June 2006. She joined Fu Yu as Group Accountant in August 2002 and was promoted to Group Senior Accountant in June 2004. Prior to joining Fu Yu, she was an auditor with two of the Big 4 accounting firms for 5 years. Ms Cheah is a Certified Public Accountant Australia and graduated from the University of Western Australia. She holds a Bachelor of Commerce Degree.

Yee Keng Yip
General Manager
NanoTechnology Manufacturing Pte. Ltd.
(resigned on 18 December 2007)

Mr Yee, 54, joined Fu Yu in 2004. He was the General Manager of NanoTechnology Manufacturing Pte. Ltd. ("NanoTech"), a subsidiary of Fu Yu Group. Mr Yee oversees the strategic, business, technology development and operations of NanoTech. Prior to joining NanoTech, he has 28 years of experience in Ultra-Precision Manufacturing. Mr Yee holds a Master of Business Administration from the University of Brunel (United Kingdom).

Dunstan Haridra Peiris
General Manager
SolidMicron Technologies Pte. Ltd.

Mr Dunstan, 59, graduated in Metallurgical Engineering from the University for Professional Studies, Giessen in West Germany and completed his postgraduate studies in Metallurgical Manufacturing and Materials Engineering from the Technical University Berlin, West Germany. He pioneered the development and commercialization of Metal and Ceramic Injection Moulding (MIM/CIM) in Asia. In 1990 he was commissioned to develop and commercialize MIM/CIM technologies under Singapore Technologies. Since then he has been instrumented in starting many operations in Singapore and overseas. Mr Dunstan is a recipient of the 1993 National Technology Award and has served as a member of the Advisory Committee of Materials Engineering/Advance Materials Research Center of the Nanyang Technological University. He has acquired many years of working experience in the metallurgical and materials engineering fields in Europe and Asia and has published and presented papers on new technologies at many international conferences and registered many patents. In the year 2006, he set up SolidMicron Technologies, to give new momentum and direction to novel technologies and advanced materials.

Goh Guey Shen Vincent
Assistant General Manager
Classic Advantage Sdn Bhd
(resigned on 13 November 2007)

Mr Goh, 47, joined Fu Yu in 2002. He was the Assistant General Manager of Classic Advantage Sdn Bhd, a subsidiary of LCTH Corporation Bhd. Mr Goh has more than 21 years of experience in managing Manufacturing Operation and Business Unit. He holds a Degree in Electrical Engineering and First Class Master Degree in Business Administration from the University of Hull, England. He is a fellow member of the Institution of Plant Engineers and The Institute of Business Administrative (FIBA) in United Kingdom. Mr Goh is a Registered Engineer under Board for Engineers' Registration United Kingdom (E. C.) and a corporate member of the Malaysia Institute of Management (MMIM).

Gary Teh Tuan Hock
General Manager
Fu Hao Manufacturing (M) Sdn Bhd

Mr Teh, 48, joined Fu Yu in 2003 as the Assistant General Manager in Fu Hao, a subsidiary of LCTH Corporation Bhd. Mr Teh is promoted to General Manager in July 2007. He is responsible for overseeing the daily operations of Fu Hao. He has more than 16 years of experience in heading and managing manufacturing operations in plastic injection moulding industry. He holds a Honour Degree in Economics from the London School of Economics, United Kingdom.

Raymond Chung Chee Kwai
General Manager
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd & Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd

Mr Chung, 56, joined Fu Yu in 1996 as Project Manager. He was promoted to Business Development Manager for all China plants in 2000. In year 2003, he was posted to Fu Yu Dongguan as Assistant General Manager and was promoted to General Manager in year 2007. Mr Chung has more than 30 years of experience in the plastic industry.

Loo Boon Tong
General Manager
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd

Mr Loo, 59, is appointed as the General Manager for Fu Yu Shanghai since 2006. Mr Loo has more than 10 years experience in Shanghai with several positions held. He is also having more than 18 years experience in the electronics industry. Before joining Fu Yu, he was responsible for starting up a green field operation in Ho Chi Minh City, Vietnam. Mr Loo graduated in 1972 with a Bachelor of Science degree from the University of Singapore. He also holds a Graduate Diploma in Financial Management from the Singapore Institute of Management and Bachelor of Engineering degree from the University of Aston, United Kingdom.

Teh Chin Weng
General Manager
Fu Yu Moulding & Tooling Tianjin) Co., Ltd & QingDao Fu Qiang Electronics Co., Ltd

Mr Teh, 59, joined Fu Yu in 2006 as the General Manager in Fu Yu Tianjin and Qingdao Fu Qiang. He is responsible for the overall business operations of Fu Yu Tianjin and Qingdao Fu Qiang. Mr Teh brings with him more than 30 years of experience in plastic injection moulding. He holds an Advance Diploma in Business & Management from West Glamorgan Institute of Higher Education, United Kingdom and a Full Technological Certificate from City & Guilds of London Institute, United Kingdom. Mr Teh is a member of Institute of Engineers, United Kingdom, a member of British Institute of Management,United Kingdom. He is also registered as Technician Engineer with the Council of Engineering Institutions, Engineers Registration Board, United Kingdom.

Our Network

SINGAPORE

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2 Serangoon North Avenue 5
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Website : www.nanotechnology.com.sg

SolidMicron Technologies Pte. Ltd.
2 Serangoon North Avenue 5
#03-00 Singapore 554911
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Fax : (65) 6483 1382
Website : www.solidmicrontech.com

MALAYSIA

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Taman Teknologi Johor, 81400
Senai, Johor, Malaysia
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Fax : (607) 5999 982
Website : www.lcth.com.my

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11 Jalan Persiaran Teknologi,
Taman Teknologi Johor, 81400
Senai, Johor, Malaysia
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Fax : (607) 5999 982

Fu Hao Manufacturing (M) Sdn. Bhd.
Plot 562, Mukim 1
Lorong Perusahaan Baru 1
Perai III,Perai Industrian Estate
13600 Perai,
Penang, Malaysia
Tel : (604) 3980 500
Fax : (604) 3983 221

CHINA

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

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

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

Fu Yu Moulding & Tooling (Shanghai) Co Ltd
888 Xin Ling Road
Wai Gaoqiao Free Trade Zone
Shanghai, China 200137
Tel : (8621) 5046 1225
Fax : (8621) 5046 0229

Fu Yu Moulding & Tooling (Wujiang) Co Ltd
8 Jiang Xing East Road
Yun Dong Development Area
Wujiang, Jiangsu, China 215200
Tel : (86512) 6300 5939
Fax : (86512) 6300 5993

Fu Yu Moulding & Tooling (Suzhou) Co Ltd
89 Xing Nan Road
Wuzhong Economic Skill Development Zone,
Suzhou, China 215128
Tel : (86512) 6562 1838
Fax : (86512) 6563 9463

Fu Yu Moulding & Tooling (Wuxi) Co Ltd
Wuxi Export Processing Zone
Plot K6, No. 2 Factory
JiangSu, China 214000
Tel : (0510) 8520 3655
Fax : (0510) 8520 3855

Qingdao Fu Qiang Electronics Co Ltd
1 Haier Road, Haier Information Industry
Park T Building Hi-Tech Industrial Zone
Qingdao, China 266101
Tel : (86532) 8860 9988
Fax : (86532) 8860 9968

Corporate Milestone

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 NanoTechnology Manufacturing Pte Ltd, Singapore
- Achieved ISO 14001 certification for our plant at Dongguan, China
- Achieved TS 16949 certification for our plant at Tianjin, China
- Achieved ISO 9001:2000 certification for our plant at Qingdao, China
- Winding up of USA plant

2004
- Change of Company's name from Fu Yu Manufacturing Limited to Fu Yu Corporation Limited
- Placement of 23 million new Ordinary Shares of S$0.10 each in the capital of the Company
- Listing of LCTH Corporation Berhad on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) in Malaysia
- Purchase of land and construction of buildings in Johor Technology Park to increase manufacturing capacity in Johor, Malaysia
- Joint venture with EDB Ventures Pte. Ltd. on the set up of a new company, NanoTechnology Manufacturing Pte. Ltd. in Singapore
- Winding up of Mexico plant
- Set up plant in Wujiang, China
- Set up plant in Qingdao, China
- Set up another plant in Shanghai, China
- Conversion of ISO 9002 to ISO 9001:2000 for our plant in Suzhou, China
- Achieved ISO 9001:2000 certification for our plant at Wujiang, China
- Achieved ISO 9001:2000 certification for our plant at Zhuhai, China

2003
- Submitted the application to the relevant authorities for the listing of its proposed Malaysian subsidiary company on the main board of the Malaysia Securities Exchange Berhad
- Set up plant in Zhuhai, China
- Set up a management company, Fu Yu International Enterprise Limited in Hong Kong
- Implemented SAP Enterprise Resource Planning System for our plants in Johor, Malaysia
- Conversion of ISO 9002 to ISO 9001:2000 for our plant in Singapore
- Extension of ISO 14001 to our Tuas plant in Singapore
- Conversion of ISO 9002 to ISO 9001:2000 and achieved QS 9000 certification for our plant in Penang, Senai and Kluang, Malaysia
- Conversion of ISO 9002 to ISO 9001:2000 and achieved QS 9000 certification for our plant in Dongguan, China

2002
- Commenced implementation of SAP Enterprise Resource Planning System for our plants in Johor, Malaysia
- Achieved ISO 9002:1994 for our plant in Mexico
- Additional factory built for our plant in Suzhou, China

2001
- Implemented SAP Enterprise Resource Planning System in Singapore
- Achieved ISO 14001 certification for our plant in Singapore
- Achieved ISO 9001:2000 certification for our plant in Senai, Malaysia
- Additional warehouse built for our plant in Tianjin, China

2000
- Established a marketing arm in the United States
- Set up plants in Suzhou, China and Guadalajara, Mexico
- Started precision tooling activity in Singapore
- Achieved ISO 9001 and QS 9000 certification for our Singapore operations
- Achieved QS 9000 certification for our plant in Shanghai, China

1999	– Set up plant in Senai, Malaysia – Obtained Technology Achievement Award (TAA) and On-Job-Training (OJT) certification for our Singapore operations – Achieved QS 9002 certification for our Tianjin subsidiary in China – Achieved ISO 9002 certification for our plant in Penang, Malaysia
1998	– Established thin wall moulding capability – Achieved ISO 9002 certification for our plant in Kluang, Malaysia
1997	– Established our own R&D division to handle product/part design, 3D, IMold and CAD/CAM – Attained ISO 9002 certification for our plant in Shanghai, China
1996	– Added gas-assisted moulding to our range of services – Achieved ISO 9002 certification for our Tianjin subsidiary in China
1995	– Listed on the Stock Exchange of Singapore
1994	– Started multi-component moulding – Achieved ISO 9002 certification for our Singapore operations
1993-96	– Overseas expansion - set up plants in Penang, Malaysia(1993), Kluang, Malaysia (1994), Tianjin, China (1994), Dongguan, China (1995) and Shanghai, China (1996)
1978	– Established

Corporate Governance Report

Introduction

The Board of Directors and Management of Fu Yu Corporation Limited recognises 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. Beside 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	19	19	-	-	-	-	-	-
Tam Wai	19	19	-	-	-	-	-	-
Ho Nee Kit	19	19	-	-	-	-	-	-
Hew Lien Lee ^	19	17	-	-	-	-	-	-
Dr John Chen Seow Phun^^	19	0	7	0	2	0	1	0
Foo Say Tun^^^	19	0	7	0	2	0	1	0
Tan Yew Beng	19	18	7	7	2	2	1	1
Lim Shook Kong *	19	19	7	7	2	2	1	1
Jen Shek Voon **	19	17	7	7	2	2	1	1

^ Appointed as a Director on 22 March 2007
^^ Appointed as a Director and Non-executive Chairman on 27 November 2007
^^^ Appointed as a Director on 27 November 2007
* Resigned as a Director, a member of the Audit, Nominating and Remuneration Committees on 2 January 2008
** Resigned as a Director, Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees on 3 January 2008

Other than the above, the independent directors and non-executive directors also convened additional meetings during the year to discuss issues as and when required.

Newly appointed directors are briefed by Management on the business operations of the Group and where necessary plant visits were organized 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 seven directors of whom five are executive and two independent and non-executive. An executive director as well as the Chief Financial Officer, Mr Lim Shook Kong, resigned on 2 January 2008 and an independent and non-executive director, Mr Jen Shek Voon, resigned on 3 January 2008. Mr Lim was seconded to the Company's subsidiary, LCTH Corporation Berhad as Executive Director and Group General Manager. Dr John Chen Seow Phun and Mr Foo Say Tun were appointed as independent and non-executive directors on 27 November 2007. Mr Ho Kang Peng was appointed an executive director and CEO on 31 March 2008. Subsequent to the changes in the Board, the Board comprises five Executive Directors and three Independent and Non-executive Directors. 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 9 .

Corporate Governance Report

Principle 3: Chairman and Chief Executive Officer

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

Dr John Chen Seow Phun was appointed the Non-executive Chairman of the Company subsequent to his appointment as an Independent and Non-executive Director. Mr Ching Heng Yang, the current Executive Chairman was appointed as the Vice-Chairman of the Company.

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

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

Principle 4: Board Membership

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

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

The duties of the NC are as follows:

1. Reviews the 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.

Corporate Governance Report

The NC considers the non-executive directors to be independent.

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 AGM, at which time he will be eligible for re-election by shareholders.

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independent status. The NC has recommended the re-election of Mr Ching Heng Yang, Mr Tam Wai, Dr John Chen Seow Phun, Mr Foo Say Tun and Mr Ho Kang Peng at the forthcoming AGM. The Board accepted the NC's recommendation and accordingly, the five 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 with 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 and hence they are less appropriate for non-executive directors and the Board's performance. 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 Group Financial Controller also assists the Board in obtaining such advice.

Corporate Governance Report

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee (RC) currently comprises Mr Tan Yew Beng, Dr John Chen Seow Phun and Mr Foo Say Tun who are entirely non-executive directors. Mr Tan, who is an independent non-executive director, chaired the RC. No RC member or director is involved in deliberations in respect 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 and a profit sharing bonus. The profit sharing bonus scheme was disclosed in the Company's Prospectus dated 29 May 1995 and remains unchanged. The remuneration for the other Executive Directors comprises a base fee, a base salary, allowances and performance bonus.

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 five Executive Directors have service contracts for a fixed period and are subjected to renewal. The RC had reviewed and renewed the contracts of the three founding Executive Directors of the company for a further term of one year, from 1 January 2008 to 31 December 2008, under the same terms and conditions. The other two Executive Directors' service contract are 2 years contract which will be reviewed when they are due for renewal in March 2009 and March 2010 respectively.

There is currently no long-term incentive scheme for the Directors of the Group and no share option scheme for the employees of the Group.

Corporate Governance 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	6.1	84.9	6.8	2.2	100.0
Tam Wai	4.5	87.1	6.9	1.5	100.0
Ho Nee Kit	5.0	86.3	6.9	1.8	100.0
Hew Lien Lee ^	5.7	67.5	15.8	11.0	100.0
S$250,000 to S$499,999					
Lim Shook Kong^^	8.9	67.4	14.0	9.7	100.0
Below S$250,000					
Lui Choon Hay#	12.4	50.8	36.5	0.3	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
Jen Shek Voon**	100.0	-	-	-	100.0

^ Appointed as Director on 22 March 2007
^^ Appointed as Executive Director on 22 March 2007 and resigned on 2 January 2008
# Resigned as Director on 16 January 2007
* Appointed as Director on 27 November 2007
** Resigned as Director on 3 January 2008

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 **Yee Keng Yip #** General Manager, NanoTechnologies Manufacturing Pte Ltd	84.4	12.6	3.0	100.0
Below S$250,000 **Tan Lay Kheng** Group Human Resource Manager	90.3	5.5	4.2	100.0
Hau Jong Lin Group Materials Manager	84.4	7.0	8.6	100.0
Ng Kim Hwee Group Information Technology Manager	87.0	3.9	9.1	100.0
Cheah Ngook Wah Group Financial Controller	80.0	9.6	10.4	100.0
Dunstan Haridra Peiris General Manager, SolidMicron Technologies Pte Ltd	90.9	3.8	5.3	100.0
Goh Guey Shen Vincent * Assistant General Manager, Classic Advantage Sdn Bhd	73.4	12.8	13.8	100.0
Gary Teh Tuan Hock General Manager, Fu Hao Manufacturing (M) Sdn Bhd	71.9	19.4	8.7	100.0
Raymond Chung Chee Kwai General Manager, Fu Yu Moulding & Tooling (Dongguan) Co., Ltd Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd	92.2	7.8	-	100.0
Loo Boon Tong General Manager, Fu Yu Moulding & Tooling (Shanghai) Co., Ltd	97.6	2.4	-	100.0
Teh Chin Weng General Manager, Fu Yu Moulding & Tooling (Tianjin) Co., Ltd Qingdao Fu Qiang Electronics Co., Ltd	95.9	4.1	-	100.0

Resigned on 18 December 2007
* Resigned on 13 November 2007

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

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 independent 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.

The AC meets at least four times a year with management and 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.

Please refer to pages 8 and 9 of this report for qualifications of Audit Committee members.

Corporate Governance Report

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, 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 external 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.

In line with prior year, the internal audit work for the China subsidiaries was outsourced to Deloitte & Touche Enterprise Risk Services Pte Ltd ("DT"). DT had carried out the internal audit of our Tianjin plant during the year. The Company plans to set up an internal audit department in 2008.

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, is 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.

Corporate Governance Report

Risk Management

The Group faces internal and external risks that are categorised as environmental, operational or management decision-making 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 are credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk. The Board reviews and agrees 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 72 and 73.

Dealings with Company's Securities

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 key 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.

Interested Person Transactions (SGX Listing Rule 1207 (16))

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

There was no interested person transactions for the year ended 31 December 2007.

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 2007.

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	(Appointed on 22 March 2007)
John Chen Seow Phun	(Appointed on 27 November 2007)
Foo Say Tun	(Appointed on 27 November 2007)
Ho Kang Peng	(Appointed on 31 March 2008)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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 or debentures 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	4,287,975	4,287,975
- deemed interests	338,710,000	338,710,000
Fu Yu Holding Pte Ltd		
- ordinary shares		
- interest held	1	1
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	500,000	500,000
- deemed interests	376,133,763	423,826,069

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	12,037,975	12,037,975
- deemed interests	339,010,000	339,010,000
Fu Yu Holding Pte Ltd		
- ordinary shares		
- interest held	1	1
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	610,000	610,000
- deemed interests	376,133,763	423,826,069
Ho Nee Kit		
Fu Yu Corporation Limited		
- ordinary shares		
- interest held	12,321,725	12,321,725
- deemed interests	338,710,000	338,710,000
Fu Yu Holding Pte Ltd		
- ordinary shares		
- interest held	1	1
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	615,200	615,200
- deemed interests	376,133,763	423,826,069
Tan Yew Beng		
Fu Yu Corporation Limited		
- ordinary shares		
- deemed interests	1,562,500	1,562,500
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	500,000	500,000

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
Lim Shook Kong		
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	464,800	464,800
Hew Lien Lee		
Fu Yu Corporation Limited		
- ordinary shares		
- interest held	100,000	100,000
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	5,052,541	5,052,541

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.

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 2008.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 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.

Directors' Report

SHARE OPTIONS

During the financial year, there were:

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

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

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

AUDIT COMMITTEE

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

John Chen Seow Phun, Chairman, independent director	(Appointed as a member on 27 November 2007 and appointed as Chairman on 3 January 2008)
Tan Yew Beng, independent director	
Foo Say Tun, independent director	(Appointed on 27 November 2007)
Jen Shek Voon, Chairman, independent director	(Resigned on 3 January 2008)
Lim Shook Kong, non-independent director	(Resigned on 2 January 2008)

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies 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 and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Directors' Report

Utilisation of proceeds from placement of shares

Pursuant to the share placement of the Company in November 2007, the status of utilisation of net proceeds is as follows:

	Net proceeds allocated $'000	Amount utilised as at 31/12/2007 $'000	Amount utilised as at the date of this report $'000
Repayment of bank borrowings	12,349	3,115	12,349
Working capital	8,232	3,050	8,232
	20,581	6,165	20,581

AUDITORS

KPMG were appointed as auditors by the Shareholders of the Company during the Annual General Meeting held on 19 April 2007. KPMG have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Ching Heng Yang
Director

Tam Wai
Director

31 March 2008

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 32 to 78 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 2007 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, having regard to the matters set out in Note 2.2 to the financial statements, 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

Ching Heng Yang
Director

Tam Wai
Director

31 March 2008

Independent Auditors' Report

Members of the Company
Fu Yu Corporation Limited

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 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 78. The financial statements for the financial year ended 31 December 2006 were audited by another firm of Certified Public Accountants whose report dated 20 March 2007 expressed an unqualified opinion on those financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

(a) 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;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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 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 and fair presentation of the financial statements 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:

(a) the consolidated financial statements of the Group, and the 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 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.2 in the financial statements which indicates that the Standstill Agreement with the Lenders have not been formally extended after 26 October 2007 by the Lenders, neither have the Letters of Demand by the solicitors acting for the Lenders been formally withdrawn. The going concern assumption under which the financial statements are prepared is on the basis that the Lenders will not take further legal action to enforce the Letters of Demand and of the successful completion of the proposed sale and leaseback of properties and subsequent capital repayment from the Malaysia subsidiary and other refinancing arrangements.

KPMG
Public Accountants and
Certified Public Accountants

Singapore
31 March 2008

Consolidated Income Statement
Year ended 31 December 2007

	Note	2007 $	2006 $
Revenue	19	410,540,179	415,660,066
Cost of sales		(400,026,913)	(387,764,799)
Gross profit		10,513,266	27,895,267
Other income	20	5,513,503	3,235,613
Selling and administrative expenses		(44,972,090)	(59,842,640)
Other expenses - exceptional expenses	21	(21,781,464)	19,671,058
Finance costs	22	(3,712,075)	(1,524,903)
Share of results of associates		(153,908)	1,059,903
Loss before income tax	23	(54,592,768)	(9,505,702)
Income tax credit/(expense)	24	1,026,119	(8,415,440)
Loss for the year		(53,566,649)	(17,921,142)
Attributable to:			
Equity holders of the Company		(55,767,884)	(20,524,557)
Minority interests		2,201,235	2,603,415
Loss for the year		(53,566,649)	(17,921,142)
Loss per share			
Basic and diluted loss per share	25	(9.20) cents	(3.46) cents

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Share capital $	Share premium $	Capital reserve $	Statutory reserve $	Revaluation reserve $
At 1 January 2006	59,325,478	37,423,410	140,256	8,273,476	2,656,300
Net effect of exchange differences	-	-	-	-	-
Transfer to statutory reserve	-	-	-	321,457	-
Revaluation of property, plant and equipment	-	-	-	-	(1,965,705)
Net gains/(losses) recognised directly in equity	-	-	-	321,457	(1,965,705)
Net loss for the year	-	-	-	-	-
Total recognised income and expenses for the year	-	-	-	321,457	(1,965,705)
Second and final dividend of 1 cent per share (less tax of 20%) paid	-	-	-	-	-
Dilution of interests in subsidiaries	-	-	-	-	-
Issue of shares by a subsidiary	-	-	-	-	-
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	37,423,410	(37,423,410)	-	-	-
At 31 December 2006	96,748,888	-	140,256	8,594,933	690,595

The accompanying notes form an integral

Balance Sheets
As at 31 December 2007

	Note	Group 2007	Group 2006	Company 2007	Company 2006
		$	$	$	$
Non-current assets					
Property, plant and equipment	3	190,215,181	263,670,922	26,497,475	30,373,482
Investment property	4	10,622,281	-	-	-
Prepaid land lease	5	9,311,185	-	-	-
Subsidiaries	6	-	-	113,996,257	108,349,757
Associates	7	242,165	393,105	-	-
Deferred tax assets	8	1,715,335	184,493	-	-
		212,106,147	264,248,520	140,493,732	138,723,239
Assets classified as held for sale	9	29,150,045	3,657,568	-	-
Current assets					
Inventories	10	34,994,013	51,069,216	3,022,160	4,123,068
Trade and other receivables	11	107,938,051	142,777,623	46,431,774	48,578,638
Cash and cash equivalents	14	70,248,270	52,008,550	21,585,975	1,042,657
		213,180,334	245,855,389	71,039,909	53,744,363
Total assets		454,436,526	513,761,477	211,533,641	192,467,602
Equity attributable to equity holders of the Company					
Share capital	15	117,330,143	96,748,888	117,330,143	96,748,888
Reserves	16	123,938,894	178,965,144	66,592,897	64,708,189
		241,269,037	275,714,032	183,923,040	161,457,077
Minority interests		35,480,286	31,006,736	-	-
Total equity		276,749,323	306,720,768	183,923,040	161,457,077
Non-current liabilities					
Financial liabilities	17	1,020,263	131,267	9,148	20,950
Deferred tax liabilities	8	8,170,600	9,295,260	1,937,706	3,731,833
		9,190,863	9,426,527	1,946,854	3,752,783
Current liabilities					
Trade and other payables	18	113,129,312	140,290,728	15,505,442	12,865,392
Financial liabilities	17	53,251,644	52,555,196	9,126,714	10,711,259
Income tax payable		2,115,384	4,768,258	1,031,591	3,681,091
		168,496,340	197,614,182	25,663,747	27,257,742
Total liabilities		177,687,203	207,040,709	27,610,601	31,010,525
Total equity and liabilities		454,436,526	513,761,477	211,533,641	192,467,602

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

Foreign currency translation reserve	Revenue reserve	Total attributable to equity holders of the Company	Minority interests	Total equity
$	$	$	$	$
3,609,541	199,228,099	310,656,560	30,139,244	340,795,804
(7,706,243)	-	(7,706,243)	(413,470)	(8,119,713)
-	(321,457)	-	-	-
-	-	(1,965,705)	-	(1,965,705)
(7,706,243)	(321,457)	(9,671,948)	(413,470)	(10,085,418)
-	(20,524,557)	(20,524,557)	2,603,415	(17,921,142)
(7,706,243)	(20,846,014)	(30,196,505)	2,189,945	(28,006,560)
-	(4,746,023)	(4,746,023)	(5,322,258)	(10,068,281)
-	-	-	3,699,805	3,699,805
-	-	-	300,000	300,000
-	-	-	-	-
(4,096,702)	173,636,062	275,714,032	31,006,736	306,720,768

part of these financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 December 2007

	Share capital $	Capital reserve $	Statutory reserve $	Revaluation reserve $
At 1 January 2007	96,748,888	140,256	8,594,933	690,595
Net effect of exchange differences	-	-	-	-
Effect of reduction in tax rates on revaluation reserve	-	-	-	98,012
Net gains/(losses) recognised directly in equity	-	-	-	98,012
Net loss for the year	-	-	-	-
Total recognised income and expenses for the year	-	-	-	98,012
Dividends on ordinary shares, net of tax	-	-	-	-
Dilution of interests in subsidiaries	-	-	-	-
Issue of the Company's shares	20,581,255	-	-	-
Issue of shares by a subsidiary	-	-	-	-
At 31 December 2007	117,330,143	140,256	8,594,933	788,607

The accompanying notes form an integral

Foreign currency translation reserve	Revenue reserve	Total attributable to equity holders of the Company	Minority interests	Total equity
$	$	$	$	$
(4,096,702)	173,636,062	275,714,032	31,006,736	306,720,768
643,622	-	643,622	213,942	857,564
-	-	98,012	-	98,012
643,622	-	741,634	213,942	955,576
-	(55,767,884)	(55,767,884)	2,201,235	(53,566,649)
643,622	(55,767,884)	(55,026,250)	2,415,177	(52,611,073)
-	-	-	(3,285,208)	(3,285,208)
-	-	-	5,043,581	5,043,581
-	-	20,581,255	-	20,581,255
-	-	-	300,000	300,000
(3,453,080)	117,868,178	241,269,037	35,480,286	276,749,323

part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	2007	2006
	$	$
Operating activities		
Loss before income tax	(54,592,768)	(9,505,702)
Adjustments for:		
Depreciation of property, plant and equipment (Note 3)	32,425,641	31,210,533
Depreciation of investment property (Note 4)	162,691	-
Amortisation of prepaid land lease (Note 5)	212,050	-
Gain on disposal of property, plant and equipment	(601,731)	(34,814)
Loss on property, plant and equipment written off	85,612	43,981
Interest income (Note 20)	(1,378,719)	(1,331,418)
Finance costs (Note 22)	3,712,075	1,524,903
Other expenses - exceptional expenses (Note 21)	21,781,464	(19,671,058)
Share of results of associates (Note 7)	153,908	(1,059,903)
Currency realignment	(38,435)	(173,218)
	1,921,788	1,003,304
Changes in working capital:		
Inventories	16,075,203	19,890,020
Trade and other receivables	35,890,401	7,891,794
Trade and other payables	(24,834,354)	(6,136,357)
Cash generated from operations	29,053,038	22,648,761
Income tax paid	(4,696,348)	(3,368,498)
Cash flows from operating activities	24,356,690	19,280,263
Investing activities		
Purchase of property, plant and equipment	(36,082,639)	(51,069,684)
Interest on borrowings capitalised to property, plant and equipment	-	(923,885)
Proceeds from disposal of property, plant and equipment	2,510,282	328,881
Proceeds from sale of assets classified as held for sale	3,408,000	48,051,818
Amounts due from an associate	35,208	441,315
Investment in an associate	-	(434,600)
Proceeds from disposal of shares in subsidiaries	5,565,053	4,215,374
Interest income received	1,378,719	1,331,418
Cash flows from investing activities	(23,185,377)	1,940,637
Balance carried forward	1,171,313	21,220,900

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

Consolidated Cash Flow Statement

Year ended 31 December 2007

	2007	2006
	$	$
Balance brought forward	1,171,313	21,220,900
Financing activities		
Proceeds/(Repayment) of short term borrowings	1,585,444	(19,731,970)
Dividends paid to minority shareholders	(4,686,217)	(3,921,249)
Dividends paid on ordinary shares by the Company	-	(4,746,023)
Net proceeds from issue of a subsidiary's shares to minority shareholders	300,000	300,000
Net proceeds from issue of the Company's shares (Note 15)	20,581,255	-
Finance costs paid	(3,712,075)	(1,524,903)
Deposits pledged	70,956	52,412
Advances from directors (Note 18)	3,000,000	-
Cash flows from financing activities	17,139,363	(29,571,733)
Net increase/(decrease) in cash and cash equivalents	18,310,676	(8,350,833)
Cash and cash equivalents at beginning of year	51,937,594	60,288,427
Cash and cash equivalents at end of year (Note 14)	70,248,270	51,937,594

Out of the Group's cash and cash equivalents as at 31 December 2007 of $70.2 million, $9.2 million is earmarked for partial repayment of bank loans.

Notes to the Financial Statements

Year ended 31 December 2007

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2008.

1 DOMICILE AND ACTIVITIES

Fu Yu Corporation Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at No. 2, Serangoon North Avenue 5, Singapore 554911. 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 immediate and ultimate holding company is Fu Yu Holding Pte Ltd, which is incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except for certain leasehold properties that are carried at revalued amount, and financial assets and liabilities which are measured at fair value.

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

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.

In particular, 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 is included in the following notes:

- Note 2.2 – going concern assumption
- Note 3 – measurement of recoverable amounts of property, plant and equipment
- Note 32 – significant accounting estimates and judgement

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

Notes to the Financial Statements

Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Going concern

2.2.1 On 1 October 2007, the Company was served with letters of demand (Letters of Demand) from five banks (collectively, the Lenders). The Letters of Demand required the Company to make payment of $20.9 million (inclusive of bankers guarantee amounting to S$5.2 million and RMB16.0 million (S$3.2 million)) together with accrued interest and the Lenders' charges, costs and expenses by 8 October 2007. A further exposure of S$32.5 million has been incurred by DBS as a result of outstanding letters of credit issued by DBS for the benefit of the Company.

2.2.2 On 12 October 2007, the Company entered into a standstill agreement with the Lenders (the Standstill Agreement), whereby the Lenders would refrain from taking any legal action in relation to the Letters of Demand until 26 October 2007.

2.2.3 The Standstill Agreement, inter alia, sets out the following conditions:

(i) the appointment of an independent financial advisor to monitor and report on the cash flows and cash position of the Group and undertake a financial review of the business operations, performance, financial position, prospects and viability of the Group;

(ii) the Lenders be granted fixed and floating security over all its assets in Singapore and fixed security over all shares in LCTH Corporation Bhd (a publicly listed subsidiary of the Group), beneficially owned by a wholly-owned subsidiary; and

(iii) cash injection of $3.0 million by the three founder shareholders of the Company (Note 18).

The Lenders have a right to terminate the Standstill Agreement in the event, inter alia, the Company fails to comply with the terms of the Standstill Agreement, any legal proceeding is filed against the Company or an application is filed for winding up or judicial management of the Company.

2.2.4 As at 31 December 2007, items (i) and (iii) in 2.2.3 have been complied with. The Group is in the process of arranging the documentation of item (ii) in 2.2.3.

2.2.5 On 21 November 2007, the Company completed a placement of 117,000,000 ordinary shares at an issue price of $0.18 per share, raising net proceeds of $20.6 million.

2.2.6 As at 31 March 2008, the outstanding balance owing to the Leaders is approximately $26.8 million after taking into account the amount in escrow account and amount earmarked for repayment of bank loan totalling $4.4 million. The Group has subsequent to the year end, received a letter of offer from a commercial bank in China for banking facilities amounting to $24.7 million, subject to certain terms and conditions.

2.2.7 The remaining balances are expected to be repaid by a combination of expected proceeds from the sale and leaseback of properties and subsequent capital repayment from the Malaysian subsidiary (Note 31) and other refinancing arrangements.

2.2.8 Although the Lenders have not formally extended the Standstill Agreement after 26 October 2007, the Lenders have also not taken further legal action to enforce the Letters of Demand.

2.2.9 The directors believe that the plans that the Group have in place will allow the Group to continue to enjoy the substantive provisions of the Standstill Agreement.

Accordingly, the financial statements of the Group and the Company have been prepared on a going concern assumption on the basis that the Lenders will not take further legal action to enforce the Letters of Demand and of the successful completion of the proposed sale and leaseback of properties and subsequent capital repayment from the Malaysia subsidiary and other refinancing arrangements.

Notes to the Financial Statements

Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Consolidation

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is 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 is credited to the income statement in the period of the acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are entities in which the Group has significant influence, but not control, over their 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. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an 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.

Transactions eliminated on consolidation

Intra-group balances and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by the Company

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

2.4 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the various 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 reporting date are retranslated to the functional currency at the exchange rate at the reporting date. 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.

Foreign currency differences arising on retranslation are recognised in the income statement.

Notes to the Financial Statements
Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Foreign currencies (Cont'd)

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to Singapore dollars at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2006, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for land and buildings, which are stated at their revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

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 part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Leasehold properties	Over the period of the respective leases ranging from 16 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 freehold land and construction-in-progress. Other assets comprise electrical installations, erectable stores, renovations and leasehold improvements.

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at each reporting date.

Notes to the Financial Statements
Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Investment property

Investment property is property held either to earn rental income or capital appreciation or both. It does not include properties 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 initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives 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.

When the Group holds a property interest under an operating lease to earn rental income or capital appreciation, the interest is classified and accounted for as investment property on a property-by-property basis. Any such property interest which has been classified as investment property is accounted for as if it is held under finance lease, and is accounted for in the same way as other investment property leased under finance leases. Lease payments are accounted for as described in Note 2.8.

2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short term or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management and investment strategies. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Notes to the Financial Statements

Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial instruments (Cont'd)

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available for-sale financial assets

The Group's investments in certain equity securities and debts securities are classified as available-for-sale financial assets if they are not classified in any of the other categories. Subsequent to initial recognition, other than for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which is carried at cost less impairment losses, they are measured at fair value and changes therein, other than for impairment losses, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement upon disposal or derecognition of the asset.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised directly in equity.

Notes to the Financial Statements

Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial instruments (Cont'd)

Intra-group 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 the income statement.

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.

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 the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement 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.

Notes to the Financial Statements

Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment – 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, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present 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 the income statement 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 provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements

Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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 contract of sale. 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 on to 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 the income statement 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. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.14 Finance income and expenses

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

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in the income statement 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
Year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the 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 to the extent that it is probable that future taxable profits will be available against which temporary differences 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 2007

3 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Factory equipment, plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Other assets	Buildings under construction	Total
	$	$	$	$	$	$	$
Group							
Cost/Valuation							
At 1 January 2006	107,844,577	280,746,217	5,822,655	19,103,971	11,113,340	19,618,773	444,249,533
Currency realignment	(2,505,703)	(7,410,353)	(125,817)	(379,777)	(125,037)	(884,135)	(11,430,822)
Additions	3,686,070	16,828,982	55,295	1,379,700	971,209	18,702,845	41,624,101
Disposals/Write-off	(12,810)	(757,220)	(337,426)	(448,870)	(23,640)	-	(1,579,966)
Revaluation	(2,457,162)	-	-	-	-	-	(2,457,162)
Reclassification	19,220,600	12,405,589	27,869	625,878	-	(32,279,936)	-
At 31 December 2006	125,775,572	301,813,215	5,442,576	20,280,902	11,935,872	5,157,547	470,405,684
Currency realignment	661,808	1,446,122	21,559	55,719	31,240	35,420	2,251,868
Additions	319,245	18,735,274	557,854	1,329,516	3,108,279	8,066,418	32,116,586
Disposals/Write-off	(2,916,080)	(3,602,511)	(745,217)	(858,102)	(262,521)	-	(8,384,431)
Reclassified as assets held for sale (Note 9)	(30,127,098)	(73,488)	-	(399,686)	-	-	(30,600,272)
Reclassified as investment property (Note 4)	-	-	-	-	-	(10,784,415)	(10,784,415)
Reclassified as prepaid land lease (Note 5)	(11,119,847)	-	-	-	-	-	(11,119,847)
Reclassified to prepayments	384,567	700,502	-	(70,156)	-	(1,905,451)	(890,538)
At 31 December 2007	82,978,167	319,019,114	5,276,772	20,338,193	14,812,870	569,519	442,994,635

Notes to the Financial Statements
Year ended 31 December 2007

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold properties	Factory equipment, plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Other assets	Buildings under construction	Total
	$	$	$	$	$	$	$
Group							
Accumulated depreciation							
At 1 January 2006	22,559,967	137,298,950	3,598,396	12,064,039	4,953,119	-	180,474,471
Currency realignment	(473,973)	(3,044,672)	(81,595)	(190,070)	(27,339)	-	(3,817,649)
Depreciation for the year	4,207,882	22,204,803	798,259	2,389,528	1,610,061	-	31,210,533
Disposals/Write-off	(1,772)	(583,534)	(158,821)	(370,233)	(18,233)	-	(1,132,593)
Reclassification	(329,020)	326,857	-	2,163	-	-	-
At 31 December 2006	25,963,084	156,202,404	4,156,239	13,895,427	6,517,608	-	206,734,762
Currency realignment	77,830	564,853	13,838	14,050	9,992	-	680,563
Depreciation for the year	4,139,161	23,488,254	630,444	2,521,962	1,645,820	-	32,425,641
Impairment	-	23,002,580	-	-	-	-	23,002,580
Disposals/Write-off	(1,266,597)	(3,471,178)	(706,934)	(702,256)	(243,303)	-	(6,390,268)
Reclassified as assets held for sale (Note 9)	(1,269,854)	(23,128)	-	(157,245)	-	-	(1,450,227)
Reclassified as prepaid land lease (Note 5)	(1,596,885)	-	-	-	-	-	(1,596,885)
Reclassified to prepayments	(28,877)	(526,858)	-	(70,977)	-	-	(626,712)
At 31 December 2007	26,017,862	199,236,927	4,093,587	15,500,961	7,930,117	-	252,779,454
Carrying amount							
At 1 January 2006	85,284,610	143,447,267	2,224,259	7,039,932	6,160,221	19,618,773	263,775,062
At 31 December 2006	99,812,488	145,610,811	1,286,337	6,385,475	5,418,264	5,157,547	263,670,922
At 31 December 2007	56,960,305	119,782,187	1,183,185	4,837,232	6,882,753	569,519	190,215,181

Notes to the Financial Statements

Year ended 31 December 2007

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold properties	Factory equipment, plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Other assets	Total
	$	$	$	$	$	$
Company						
Cost/Valuation						
At 1 January 2006	30,796,548	49,837,450	2,385,118	7,877,937	4,868,062	95,765,115
Additions	548,984	853,753	-	255,169	101,203	1,759,109
Disposals/Write off	(12,810)	(1,091,866)	(90,000)	(55,974)	(23,640)	(1,274,290)
Revaluation adjustment	(2,457,162)	-	-	-	-	(2,457,162)
Reclassification	(536,174)	520,706	-	15,468	-	-
At 31 December 2006	28,339,386	50,120,043	2,295,118	8,092,600	4,945,625	93,792,772
Additions	-	344,003	-	354,172	168,110	866,285
Disposals/Write off	(13,179)	(1,191,087)	(380,651)	(402,898)	(206,000)	(2,193,815)
Transferred to subsidiaries	-	(457,037)	-	-	-	(457,037)
At 31 December 2007	28,326,207	48,815,922	1,914,467	8,043,874	4,907,735	92,008,205
Accumulated depreciation						
At 1 January 2006	12,406,634	34,004,841	1,701,499	7,095,800	3,612,303	58,821,077
Depreciation for the year	1,378,972	3,281,551	361,998	456,595	336,246	5,815,362
Disposals/Write off	-	(1,105,442)	(37,500)	(55,974)	(18,233)	(1,217,149)
Reclassification	(329,020)	326,858	-	2,162	-	-
At 31 December 2006	13,456,586	36,507,808	2,025,997	7,498,583	3,930,316	63,419,290
Depreciation for the year	724,556	2,995,698	174,648	404,565	304,599	4,604,066
Disposals/Write off	-	(1,188,070)	(342,460)	(402,898)	(206,000)	(2,139,428)
Transferred to subsidiaries	-	(373,198)	-	-	-	(373,198)
At 31 December 2007	14,181,142	37,942,238	1,858,185	7,500,250	4,028,915	65,510,730
Carrying amount						
At 1 January 2006	18,389,914	15,832,609	683,619	782,137	1,255,759	36,944,038
At 31 December 2006	14,882,800	13,612,235	269,121	594,017	1,015,309	30,373,482
At 31 December 2007	14,145,065	10,873,684	56,282	543,624	878,820	26,497,475

Notes to the Financial Statements

Year ended 31 December 2007

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Capitalisation of borrowing costs

The Group's leasehold properties include borrowing costs incurred in connection with the construction of a factory.

The borrowing costs capitalised as cost of leasehold properties during the financial year ended 31 December 2007 amounted to $Nil (2006: $923,885). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 0.0% (2006: 5.5%).

The Group and the Company have engaged United Premas Ltd, an independent valuer to determine the fair value of certain of its properties. Fair value is determined by reference to open market values on an existing use basis. The date of the revaluation was 30 November 2006.

Revaluation of certain leasehold properties

The deficit arising from the revaluation of $Nil (2006: $1,965,705) had been taken to the asset revaluation reserve. The carrying amount of these assets included in the financial statements as at 31 December 2007 was $14,145,065 (2006: $14,882,800). Had these assets been carried out at cost less depreciation, the carrying amount would have been $7,605,014 (2006: $8,055,114).

Other assets

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

Assets held under finance leases

The carrying amount of motor vehicles, factory equipment, plant and machinery, office equipment, furniture and fittings held under finance leases as at 31 December 2007 for the Group and Company was $2,199,774 (2006: $294,733) and $9,318 (2006: $21,892) respectively.

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

Impairment loss

During the current year, certain China operations in the Group continue to incur operating loss. This has caused the Group to assess the recoverable amount of the factory equipment, plant and machinery of these operations. The recoverable amounts of the cash-generating units were estimated based on their value in use. Based on the assessment, the carrying amounts of the factory equipment, plant and machinery were determined to be $23,002,580 higher than their recoverable amounts, and an impairment loss of $23,002,580 was recognised.

The estimates of recoverable amount were based on the value in use of the factory equipment, plant and machinery, and determined using a discount rate of 8.22% per annum. The impairment loss was recognised and presented as other expenses - exceptional expenses in the consolidated income statement for the year. Other assumptions used on projecting of value in use are as follows:

	2007	2006
Growth rate in revenue	0% - 10%	-
Number of years projected in the discounted cash flow	5 - 7 years	-
Gross profit margin	4% - 13%	-

Notes to the Financial Statements
Year ended 31 December 2007

4 INVESTMENT PROPERTY

Movements in investment property during the financial year are as follows:

	Note	Group 2007 $	Group 2006 $
At 1 January		-	-
Transfer from property, plant and equipment	3	10,784,415	-
Depreciation		(162,691)	-
Currency realignment		557	-
At 31 December		10,622,281	-

This is in respect of a building which was completed during the financial year. The building is leased to an associate.

The fair value of the investment property as at 31 December 2007 is approximately $11,370,000 (RM26,000,000).

5 PREPAID LAND LEASE

	Note	Group 2007 $	Group 2006 $
At 1 January		-	-
Transfer from property, plant and equipment, net	3	9,522,962	-
Amortisation		(212,050)	-
Currency realignment		273	-
At 31 December		9,311,185	-

6 SUBSIDIARIES

	Company 2007 $	Company 2006 $
Equity investments, at cost	122,299,705	129,344,001
Impairment losses	(8,303,448)	(20,994,244)
	113,996,257	108,349,757

Notes to the Financial Statements
Year ended 31 December 2007

6 SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity held by the Group	
		2007	2006
		%	%
Chang Fu Resources Pte Ltd	Singapore	100	100
Fu Yu Investment Pte Ltd	Singapore	100	100
IFN Pte Ltd	Singapore	100	100
NanoTechnology Manufacturing Pte Ltd	Singapore	80	80
SolidMicron Technologies Pte Ltd	Singapore	100	100
Fu Ying Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	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	-
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	100	100
QingDao Fu Qiang Electronics Co., Ltd.	People's Republic of China	100	100
Classic Advantage Sdn. Bhd.	Malaysia	70.64	62.69
Fortune Mission Sdn. Bhd.	Malaysia	100	100
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	70.64	62.69
LCTH Corporation Berhad	Malaysia	70.64	62.69
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.	Mexico	100	100
Fu Yu Mexico S.A. De C.V.	Mexico	-	90

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

Notes to the Financial Statements

Year ended 31 December 2007

7 ASSOCIATES

	Group 2007 $	Group 2006 $
Unquoted investment, at cost	434,600	434,600
Share of post-acquisition reserves		
- prior financial year	(41,312)	-
- current financial year	(153,908)	(41,312)
Currency realignment	2,785	(183)
At 31 December	242,165	393,105

Details of the associates are as follows:

Name of company	Country of incorporation	Effective equity held by the Group 2007 %	Effective equity held by the Group 2006 %
Kodon (Tianjin) Electronic & Electrical Apparatus Co., Ltd.	People's Republic of China	-	48
Rexam Malaysia Sdn. Bhd. (formerly known as O-I Plastics Malaysia Sdn. Bhd.)	Malaysia	28.26	25.08

The investment in an associate, Kodon (Tianjin) Electronic & Electrical Apparatus Co., Ltd. had been reclassified to assets held for sale (Note 9) during the financial year ended 31 December 2006. The disposal was completed in 2007.

The financial information on the Group's interests in associates are as follows:

	Group 2007 $	Group 2006 $
Assets and liabilities		
Non-current assets	7,004,223	1,259
Current assets	1,601,324	1,178,294
Total assets	8,605,547	1,179,553
Total liabilities	5,858,043	262,556
Results		
Revenue	5,524,772	-
Loss after income tax	(544,691)	(164,753)

Notes to the Financial Statements
Year ended 31 December 2007

8 DEFERRED TAX

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

	At 1/1/2006	Recognised in income statement (Note 24)	Recognised in equity	Exchange differences	At 31/12/2006	Recognised in income statement (Note 24)	Recognised in equity	Exchange differences	At 31/12/2007
	$	$	$	$	$	$	$	$	$
Group									
Deferred tax assets									
Property, plant and equipment	(1,050,503)	878,705	-	39,737	(132,061)	(1,582,266)	-	(1,008)	(1,715,335)
Employee benefits	(100,607)	(108,822)	-	(6,163)	(215,592)	32,942	-	4,881	(177,769)
Provision	(3,930,401)	3,704,749	-	201,679	(23,973)	4,485	-	(183)	(19,671)
Others	(280,605)	251,703	-	1,089	(27,813)	(711,384)	-	5,860	(733,337)
	(5,362,116)	4,726,335	-	236,342	(399,439)	(2,256,223)	-	9,550	(2,646,112)
Deferred tax liabilities									
Property, plant and equipment	10,385,552	(1,519,962)	-	(69,273)	8,796,317	(338,967)	-	28,150	8,485,500
Revaluation reserve	1,277,032	-	(563,143)	-	713,889	-	(98,012)	-	615,877
	11,662,584	(1,519,962)	(563,143)	(69,273)	9,510,206	(338,967)	(98,012)	28,150	9,101,377
Company									
Deferred tax assets									
Employee benefits	(100,607)	6,710	-	-	(93,897)	17,108	-	-	(76,789)
Provision	(67,593)	67,593	-	-	-	(19,671)	-	-	(19,671)
Others	(250,702)	250,702	-	-	-	(733,337)	-	-	(733,337)
	(418,902)	325,005	-	-	(93,897)	(735,900)	-	-	(829,797)
Deferred tax liabilities									
Property, plant and equipment	4,857,880	(1,746,039)	-	-	3,111,841	(960,215)	-	-	2,151,626
Revaluation reserve	1,277,032	-	(563,143)	-	713,889	-	(98,012)	-	615,877
	6,134,912	(1,746,039)	(563,143)	-	3,825,730	(960,215)	(98,012)	-	2,767,503

Notes to the Financial Statements
Year ended 31 December 2007

8 DEFERRED TAX (CONT'D)

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	
	2007	2006	2007	2006
	$	$	$	$
Deferred tax assets	(1,715,335)	(184,493)	-	-
Deferred tax liabilities	8,170,600	9,295,260	1,937,706	3,731,833

As at 31 December, deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007	2006
	$	$
Tax losses	96,916,992	41,242,507
Reinvestment allowances	-	3,564,589
	96,916,992	44,807,096

The above temporary differences are 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.

9 ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2007	2006
	$	$
Assets classified as held for sale		
- Property at Taman Teknologi Johor	29,150,045	-
- Associate	-	3,657,568

The Group's Malaysia subsidiary has entered into a proposed sale and leaseback arrangement in 2007, for the sale and leaseback of 6 blocks of factories, 1 office block and an ancillary building erected thereon and including mechanical equipment located at No. 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, 81400 Senai, Johor Darul Ta'zim for a cash consideration of RM80.0 million (approximately $35.0 million).

The Foreign Investment Committee of Malaysia has indicated that it has no objection to the Proposed Sale and Leaseback. The relevant Malaysia land authority has also given its consent for the transfer of ownership of the Property.

The disposal of the above mentioned properties is due to be completed during the financial year ending 31 December 2008.

The assets classified as held for sale as at 31 December 2006 comprised of the investment in an associate, Kodon (Tianjin) Electronics & Electrical Apparatus Co., Ltd. (Kodon). During the financial year ended 31 December 2006, Fu Yu Investment Pte Ltd entered into a Share Sale and Purchase and Rights and Obligations Transfer Agreement for the sale of its entire 48% equity interest in Kodon. The disposal was completed in 2007.

Notes to the Financial Statements
Year ended 31 December 2007

9 ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)

The components of investment in the associate classified as held for sale are as follows:

	Group	
	2007	2006
	$	$
Unquoted investment, at cost	-	1,307,563
Share of post-acquisition reserves		
- prior financial year	-	1,986,804
- current financial year	-	1,101,215
Goodwill arising on consolidation and charged to revenue reserve	-	(636,470)
Currency realignment		(101,544)
At net realisable value	-	3,657,568

Summarised financial information on the associate classified as assets held for sale are as follows:

	Group	
	2007	2006
	$	$
Assets and Liabilities		
Non-current assets	-	676,210
Current assets	-	10,670,160
Total assets	-	11,346,370
Total liabilities	-	3,490,645
Results		
Revenue	-	20,907,744
Profit after income tax	-	1,895,724

10 INVENTORIES

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Raw materials	17,492,549	26,533,834	1,107,383	901,543
Work-in-progress	2,183,849	4,745,657	52,094	60,079
Finished goods	15,317,615	19,789,725	1,862,683	3,161,446
	34,994,013	51,069,216	3,022,160	4,123,068

Notes to the Financial Statements
Year ended 31 December 2007

11 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2007	2006	2007	2006
		$	$	$	$
Trade receivables		107,069,251	152,455,282	9,165,723	12,945,927
Allowance for doubtful receivables		(15,423,292)	(26,785,842)	(1,839,829)	(1,887,505)
Net receivables		91,645,959	125,669,440	7,325,894	11,058,422
Deposits		312,395	578,863	73,105	65,975
Prepayments		1,691,421	1,338,916	387,043	279,603
Advances to suppliers		2,835,815	1,168,583	146,293	4,777
Tax recoverable		3,913,547	3,409,197	-	-
Other receivables		6,828,249	6,241,857	543,284	447,169
Amounts due from					
- subsidiaries	12	-	-	37,521,550	32,833,651
- an associate (non-trade)		-	35,208	-	-
- customers for contract work	13	710,665	4,335,559	434,605	3,889,041
		107,938,051	142,777,623	46,431,774	48,578,638

The ageing and geographical analysis of the trade receivables are as follows:

	2007		2006	
	Gross trade receivables	Allowance for impairment	Gross trade receivables	Allowance for impairment
	$	$	$	$
Group				
Not past due	65,434,759	-	45,527,525	-
Past due 0 to 30 days	19,469,033	-	41,813,740	-
Past due 31 to 90 days	4,408,242	-	17,653,989	-
More than 90 days	17,757,217	15,423,292	47,460,028	26,785,842
	107,069,251	15,423,292	152,455,282	26,785,842
Company				
Not past due	4,670,829	-	6,738,698	-
Past due 0 to 30 days	1,453,639	-	2,482,128	-
Past due 31 to 90 days	710,107	-	1,403,379	-
More than 90 days	2,331,148	1,839,829	2,321,722	1,887,505
	9,165,723	1,839,829	12,945,927	1,887,505

Notes to the Financial Statements
Year ended 31 December 2007

11 TRADE AND OTHER RECEIVABLES (CONT'D)

Geographical area

	Group		Company	
	2007	**2006**	**2007**	**2006**
Singapore	5,181,108	8,581,617	3,658,033	5,052,552
China	49,429,587	78,460,461	370,851	42,727
Malaysia	28,566,897	29,476,381	2,016,379	4,202,133
United States	2,016,921	4,301,936	862,181	984,580
Hong Kong	3,777,216	1,490,412	1,255	6,690
Others	2,674,230	3,358,633	417,195	769,740
	91,645,959	125,669,440	7,325,894	11,058,422

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
At 1 January	26,785,842	16,151,519	1,887,505	1,853,255
Allowance made/(written back)	2,916,942	12,997,107	(47,676)	34,250
Allowance written off	(14,439,888)	(1,529,873)	-	-
Currency realignment	160,396	(832,911)	-	-
At 31 December	15,423,292	26,785,842	1,839,829	1,887,505

Based on historical default rates, the Group believes that no impairment allowance 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.

12 AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2007	**2006**
	$	**$**
Amounts due from subsidiaries		
- trade	3,160,604	290,531
- non-trade	34,360,946	32,543,120
	37,521,550	32,833,651

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements
Year ended 31 December 2007

12 AMOUNTS DUE FROM SUBSIDIARIES (CONT'D)

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

	Company	
	2007	2006
	$	$
At 1 January	-	5,801,922
Allowance written back	-	(5,801,922)
At 31 December	-	-

13 AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Note	Group		Company	
		2007	2006	2007	2006
		$	$	$	$
Contract costs incurred to date		14,936,264	14,094,923	10,495,756	12,555,010
Recognised profits less recognised losses to date		561,862	1,122,187	(415,519)	916,880
		15,498,126	15,217,110	10,080,237	13,471,890
Progress billings		(17,237,994)	(12,080,664)	(11,818,721)	(10,672,800)
Amount due from customers for contract work, net		(1,739,868)	3,136,446	(1,738,484)	2,799,090
Gross amount due from customers for contract work	11	710,665	4,335,559	434,605	3,889,041
Gross amount due to customers for contract work	18	(2,450,533)	(1,199,113)	(2,173,089)	(1,089,951)
		(1,739,868)	3,136,446	(1,738,484)	2,799,090

Notes to the Financial Statements
Year ended 31 December 2007

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Cash at bank and in hand	33,002,795	25,006,385	792,575	1,042,657
Fixed deposits	23,384,507	616,242	20,793,400	-
Short-term debt securities with financial institutions	13,860,968	26,385,923	-	-
Cash and cash equivalents	70,248,270	52,008,550	21,585,975	1,042,657
Deposit pledged	-	(70,956)		
Cash and cash equivalents in the cash flow statement	70,248,270	51,937,594		

The above fixed deposits of $Nil (2006: $70,956) have been pledged to banks to secure letters of guarantee and trade facilities.

Fixed deposits with financial institutions mature on varying periods within 12 months (2006: 12 months) from the financial year end. Effective interest rates range from 1.47% to 3.36% (2006: 3.0% to 3.7%) per annum. Short term debt securities earn a weighted average effective interest rate of 2.62% (2006: 7.7%) per annum during the year.

15 SHARE CAPITAL

	Group and Company			
	2007	2006	2007	2006
	$	$	No. of shares	
Fully paid ordinary shares, with no par value:				
At 1 January	96,748,888	96,748,888	593,254,775	593,254,775
Issue of shares	20,581,255	-	117,000,000	-
At 31 December	117,330,143	96,748,888	710,254,775	593,254,775

During the year ended 31 December 2007, the Company completed the placement of 117,000,000 new ordinary shares at an issue price of $0.18 per share. The directly attributable costs incurred for the issue of shares are set off against the share capital raised.

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 a strong capital base so as 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.

Notes to the Financial Statements

Year ended 31 December 2007

16 RESERVES

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Capital reserve	140,256	140,256	-	-
Statutory reserve	8,594,933	8,594,933	-	-
Revaluation reserve	788,607	690,595	788,607	690,595
Foreign currency translation reserve	(3,453,080)	(4,096,702)	-	-
Revenue reserve	117,868,178	173,636,062	65,804,290	64,017,594
	123,938,894	178,965,144	66,592,897	64,708,189

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 made to comply with the local law and regulations.

The revaluation reserve records increases in the fair value of leasehold properties and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

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

17 FINANCIAL LIABILITIES

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Non-current liabilities				
Finance lease liabilities	1,020,263	131,267	9,148	20,950
Current liabilities				
Unsecured bank loans	52,536,678	52,438,880	9,114,912	10,700,000
Finance lease liabilities	714,966	116,316	11,802	11,259
	53,251,644	52,555,196	9,126,714	10,711,259
	54,271,907	52,686,463	9,135,862	10,732,209

Unsecured bank loans

Of the $52.5 million unsecured bank loans as at 31 December 2007, approximately $40.5 million was balance of amount requiring to be repaid under the Letters of Demand detailed in Note 2.2.

The Group's and the Company's short-term unsecured loans bear interest rates ranging from 2.66% to 10.50% and 2.66% to 10.50% (2006: 3.89% to 6.41% and 3.89% to 4.18% respectively) per annum and can be rolled forward for periods of between 1 week and 5 months after the maturity date.

As detailed in Note 2.2, a fixed and floating security over all of the Group's assets in Singapore and a fixed security over the Group's listed shares in its subsidiary LCTH Corporation Berhad are being arranged for the bank loans.

Included in loans and borrowings of the Group is an amount of approximately $23,346,000 (2006: $21,783,000) denominated in US dollars. Other loans and borrowings are denominated in the functional currencies of the respective Group entities.

Notes to the Financial Statements
Year ended 31 December 2007

17 FINANCIAL LIABILITIES (CONT'D)

Finance lease liabilities

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

	2007			2006		
	Principal	Interest	Payments	Principal	Interest	Payments
	$	$	$	$	$	$
Group						
Payable:						
Within 1 year	714,966	49,388	764,354	116,316	10,775	127,091
After 1 year but within 5 years	1,020,263	84,560	1,104,823	131,267	5,884	137,151
	1,735,229	133,948	1,869,177	247,583	16,659	264,242
Company						
Payable:						
Within 1 year	11,802	702	12,504	11,259	1,245	12,504
After 1 year but within 5 years	9,148	170	9,318	20,950	872	21,822
	20,950	872	21,822	32,209	2,117	34,326

The effective interest rates implicit in the leases range from 2.30% to 6.14% (2006: 2.47% to 6.90%) per annum.

18 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2007	2006	2007	2006
		$	$	$	$
Trade payables		70,849,469	95,258,129	3,989,230	5,213,444
Accrued expenses		15,479,287	14,645,816	2,323,989	2,017,870
Amounts payable for purchase of property, plant and equipment		4,877,148	8,843,201	760	54,156
Amounts due to customers for contract work	13	2,450,533	1,199,113	2,173,089	1,089,951
Refundable receipts		-	825,000	-	-
Advance billings		493,643	428,862	493,643	428,862
Other payables		15,975,326	17,675,264	1,570,871	1,924,701
Deferred income – asset grants		3,906	14,334	3,906	14,334
Amounts due to					
- subsidiaries					
- trade		-	-	1,111,543	1,133,207
- non-trade		-	-	838,411	988,867
Advances from directors		3,000,000	-	3,000,000	-
Dividend payable		-	1,401,009	-	-
		113,129,312	140,290,728	15,505,442	12,865,392

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The advances from directors are contributed by three founder shareholders of the Company as part of the Standstill Agreement (Note 2.2.3).

Notes to the Financial Statements
Year ended 31 December 2007

19 REVENUE

	Group	
	2007	**2006**
	$	**$**
Sale of goods	320,514,673	369,908,179
Revenue from tooling contracts	90,025,506	45,751,887
	410,540,179	415,660,066

20 OTHER INCOME

	Group	
	2007	**2006**
	$	**$**
Interest and investment income	1,378,719	1,331,418
Rental income	2,976,314	1,783,260
Government grants		
- assets related	10,079	19,658
- income related	20,000	47,000
Gain on disposal of property, plant and equipment	601,731	34,814
Sale of scrap and raw materials	1,771,913	2,828,353
Foreign exchange loss, net	(1,880,520)	(3,234,453)
Others	635,267	425,563
	5,513,503	3,235,613

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

A subsidiary of the Group was awarded the "Innovation Development Scheme" grant by the Economic Development Board for undertaking certain development projects.

21 OTHER EXPENSES - EXCEPTIONAL EXPENSES

	Group	
	2007	**2006**
	$	**$**
(Loss)/Gain on sale of a leasehold property previously classified as an asset held for sale	(344,392)	19,155,489
Dilution of interest in subsidiaries	521,472	515,569
Impairment of property, plant and machinery (Note 3)	(23,002,580)	-
Gain on liquidation of a subsidiary	1,044,036	-
	(21,781,464)	19,671,058

Notes to the Financial Statements
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22 FINANCE COSTS

	Group	
	2007	2006
	$	$
Interest expenses		
- bank loans	3,666,582	1,507,209
- finance leases	45,493	17,694
	3,712,075	1,524,903

23 LOSS BEFORE INCOME TAX

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

	Group	
	2007	2006
	$	$
Directors of the Company		
- fees	336,173	315,781
- contributions to defined contribution plans	64,337	45,837
- other emoluments	2,632,856	2,812,766
Directors of subsidiaries		
- fees	83,756	64,256
- contributions to defined contribution plans	-	25,731
- other emoluments	-	248,553
Non-audit fees paid to		
- auditors of the Company	218,773	70,345
- other auditors	72,268	56,962
Staff costs		
- salaries, bonuses and other costs	76,011,467	77,565,702
- contributions to defined contribution plans included in staff costs	6,246,783	5,490,454
Operating lease expenses	6,923,666	5,747,498
Property, plant and equipment written off	85,612	43,981
Allowance made for doubtful trade and other receivables	3,140,716	13,183,452
Allowance made for inventory obsolescence and inventories written off	10,311,339	15,379,842

Notes to the Financial Statements

Year ended 31 December 2007

24 INCOME TAX (CREDIT)/EXPENSE

	Group	
	2007	2006
	$	$
Current tax expense		
Current year	1,202,742	5,861,967
Under/(Over) provision of prior years	359,607	(512,843)
	1,562,349	5,349,124
Deferred tax (credit)/expense		
Movements in temporary differences	(2,595,190)	3,206,373
Under/(Over) provision in prior years	6,722	(140,057)
	(2,588,468)	3,066,316
Income tax (credit)/expense	(1,026,119)	8,415,440

Reconciliation of effective tax rate

	Group	
	2007	2006
	$	$
Loss before income tax	(54,592,768)	(9,505,702)
Tax calculated using Singapore tax rate of 18% (2006: 20%)	(9,826,698)	(1,901,140)
Effect of reduction in tax rates	(482,285)	(168,869)
Effect of different tax rates in foreign jurisdictions	708,881	611,287
Income not subject to tax	(734,096)	(4,387,058)
Expenses not deductible for tax purposes	1,784,575	3,610,154
Utilisation of capital allowances, reinvestment allowances and tax losses	(1,511,295)	(2,811,594)
Recognition of deferred tax assets on reinvestment allowances	(1,715,335)	-
Under/(Over) provision in prior years	366,329	(652,900)
Deferred tax assets not recognised	10,643,136	10,043,938
Deferred tax assets no longer qualified for recognition	185,901	4,396,616
Others	(445,232)	(324,994)
	(1,026,119)	8,415,440

The subsidiaries in the People's Republic of China are entitled to tax concessions whereby the profit for the first two profit-making financial years is 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
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25 LOSS PER SHARE

	Group	
	2007	**2006**
Net loss attributable to ordinary shareholders ($)	(55,767,884)	(20,524,557)
Number of shares:		
Issued ordinary shares at 1 January	593,254,775	593,254,775
Effect of shares issued during the year	13,142,466	-
Weighted average number of ordinary shares at 31 December	606,397,241	593,254,775
Basic and diluted loss per share (cents)	(9.20)	(3.46)

26 SEGMENT REPORTING

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

Segment results, assets and liabilities 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 expenses - exceptional expenses, and income tax assets and liabilities.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year.

Geographical segments

The Group operates mainly in three countries, namely Singapore, Malaysia and China. In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the assets.

Business segment

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

Notes to the Financial Statements

Year ended 31 December 2007

26 SEGMENT REPORTING (CONT'D)

	Singapore		China	
	2007	2006	2007	2006
	$	$	$	$
Revenue and expenses				
Total external revenue	57,042,713	66,280,220	199,302,726	215,625,248
Segment results	(11,385,354)	(11,331,102)	(28,043,308)	(31,887,722)
Interest income				
Finance costs				
Other expenses - exceptional expenses (Note 21)				
Share of results of associates				
Income tax credit/(expense)				
Net loss for the year				
Assets and liabilities				
Segment assets	53,639,536	69,983,220	217,410,968	285,106,282
Other assets				
Total assets				
Segment liabilities	11,768,952	12,940,026	74,009,721	99,906,157
Other liabilities				
Total liabilities				
Other segment information				
Capital expenditure	5,284,691	3,806,713	12,335,123	30,411,112
Depreciation of property, plant and equipment, investment property and amortisation of prepaid land lease	6,518,058	7,113,431	18,966,121	17,175,555

	Malaysia		Others		Total operations	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
	154,194,740	133,754,598	-	-	410,540,179	415,660,066
	9,104,833	13,949,654	(211)	(774,008)	(30,324,040)	(30,043,178)
					1,378,719	1,331,418
					(3,712,075)	(1,524,903)
					(21,781,464)	19,671,058
					(153,908)	1,059,903
					(54,592,768)	(9,505,702)
					1,026,119	(8,415,440)
					(53,566,649)	(17,921,142)
	140,433,567	127,826,550	69,508	249,569	411,553,579	483,165,621
					42,882,947	30,595,856
					454,436,526	513,761,477
	24,350,638	27,369,479	-	75,066	110,129,311	140,290,728
					67,557,892	66,749,981
					177,687,203	207,040,709
	14,496,772	7,406,276	-	-	32,116,586	41,624,101
	7,316,203	6,921,547	-	-	32,800,382	31,210,533

Notes to the Financial Statements

Year ended 31 December 2007

27 FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Group. 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. The 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. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings 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 fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

Sensitivity analysis

	Profit/(Loss)			
	Group		Company	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Group	**$**	**$**	**$**	**$**
2007				
Variable rate instruments	(525,367)	525,367	(91,149)	91,149
2006				
Variable rate instruments	(524,389)	524,389	(107,000)	107,000

Notes to the Financial Statements

Year ended 31 December 2007

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

The Group and the Company are 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 exposure to foreign currency are as follows:-

	Group		Company	
	2007	2006	2007	2006
	US dollar	US dollar	US dollar	US dollar
	$'000	$'000	$'000	$'000
Trade and other receivables	57,654	73,575	20,003	14,866
Cash and cash equivalents	16,579	7,072	666	921
Financial liabilities	(23,346)	(21,783)	-	-
Trade and other payables	(27,632)	(30,884)	(4,123)	(5,179)
	23,255	27,980	16,546	10,608

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 $233,000 (2006: $280,000) and decrease/increase the Company's profit before income tax by approximately $165,000 (2006: $106,000). This analysis assumes that all other variables in particular interest rates, remain constant.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, unsecured bank loans and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

28 COMMITMENTS

Capital expenditure commitments

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Capital expenditure contracted for as at balance sheet date but not recognised in the financial statements: Commitments in respect of contracts placed/ agreements signed	8,553,363	17,988,502	4,980,889	9,326,390

Notes to the Financial Statements

Year ended 31 December 2007

28 COMMITMENTS (CONT'D)

Operating lease commitments

As at 31 December, the Group and Company lease certain properties and land under lease agreements that are non-cancellable within one year. Other leases, which include the renewal options, expire at various dates till 2044 (2006: 2055) 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 Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Payable:				
Within 1 year	5,700,661	5,724,131	5,574,184	5,085,097
After 1 year but within 5 years	11,538,214	15,553,513	11,538,214	15,553,514
After 5 years	6,504,530	19,178,597	6,504,530	19,178,597
	23,743,405	40,456,241	23,616,928	39,817,208

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	
	2007	2006	2007	2006
	$	$	$	$
Receivable:				
Within 1 year	1,315,641	899,459	362,283	342,085
After 1 year but within 5 years	1,553,147	1,195,771	454,331	81,020
	2,868,788	2,095,230	816,614	423,105

29 CONTINGENT LIABILITIES

The Company has corporate guarantees and standby letter of credit given to banks in connection with facilities granted to subsidiaries amounting to $40,565,929 (2006: $43,191,842). Amounts utilised by subsidiaries amounted to $34,398,400 (2006: $32,707,737).

The Company has an outstanding corporate guarantee given to a supplier in connection with hire purchase obligations of the subsidiaries amounting to $686,182 (2006: $4,924,376).

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 for the year ended 31 December 2007.

Notes to the Financial Statements
Year ended 31 December 2007

30 RELATED PARTIES

Key management personnel compensation

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

Key management personnel compensation comprise:

	Group	
	2007	2006
	$	$
Short-term employee benefits	4,676,761	4,766,323
Contributions to defined contribution plans	128,481	134,194
	4,805,242	4,900,517
Comprise amounts paid/payable to:		
- directors of the Company	3,033,366	3,174,384
- other key management personnel	1,771,876	1,726,133
	4,805,242	4,900,517

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

	Group	
	2007	2006
	$	$
Number of directors in remuneration bands		
- $500,000 and above	4	4
- $250,000 to $499,999	1	1
- below $250,000	5	3
	10	8

Notes to the Financial Statements
Year ended 31 December 2007

30 RELATED PARTIES (CONT'D)

Other related party transactions

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

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Sale of goods to subsidiaries	-	-	10,118,964	4,175,790
Sale of equipment to subsidiaries	-	-	90,422	23,378
Rental income from a subsidiary	-	-	579,715	403,224
Dividend income from subsidiaries	-	-	8,000,000	-
Management fees from a subsidiary	-	-	388,800	364,800
Purchase of goods from subsidiaries	-	-	1,731,141	2,675,099
Rental income from an associate	759,694	-	-	-
Sale of goods to an associate	328,149	169,634	328,149	-
Sale of goods to a director-related company	-	1,734	-	-
Purchase of goods from a director-related company	-	40,684	-	-

The director-related company in 2006 is GS Electronics (Dongguan) Co., Ltd., a firm of which the child of one of the former Directors of the Company is the shareholder and director, for the sale of air-conditioning products and purchases of goods and raw materials by the Company's subsidiary.

31 OTHER SIGNIFICANT EVENTS

During the year, the Group announced the following proposals:

(i) Classic Advantage Sdn Bhd (CASB) a subsidiary of the Group has entered into a Sale and Purchase Agreement (SPA) with Mapletree MIF Malaysia 2 Sdn. Bhd. for the sale of 6 blocks of factories, 1 office block and an ancillary building erected thereon and including mechanical equipment located at No. 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, 81400 Senai, Johor Darul Ta'zim (the Property) for a cash consideration of RM80.0 million. Upon the completion of the SPA, a lease agreement will be entered between the aforesaid parties for the leaseback of the Property for a lease period of 12 years and for an initial lease rental of approximately $3.1 million (RM7.2 million) per annum (Proposed Sale and Leaseback).

(ii) Proposed capital repayment via cash distribution of $31.5 million (RM72.0 million) to shareholders of LCTH Corporate Berhad (LCTH), the immediate holding company of CASB (Proposed Capital Repayment).

The Proposed Sale and Leaseback and Proposed Capital Repayment are expected to be completed in 2008.

Notes to the Financial Statements
Year ended 31 December 2007

32 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

Income taxes

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

Depreciation and impairment of plant and equipment

These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 60 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised.

Impairment of investments and financial assets

The Group and the Company follow the guidance of FRS 36 *Impairment of Assets* and FRS 39 *Financial Instruments – Recognition and Measurement* in determining when an investment or financial asset is other-than-temporarily impaired and this requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

33 SUBSEQUENT EVENTS

Subsequent to 31 December 2007, the Company subscribed for an additional 500,000 ordinary shares in its wholly-owned subsidiary, SolidMicron Technologies Pte Ltd (SolidMicron) for a total cash consideration of $500,000 thereby increasing the cost of investment in SolidMicron from $4,000,000 to $4,500,000.

On 31 March 2008, the Company announced that Mr Ho Kang Peng is appointed as Chief Executive Officer of the Company with immediate effect.

Notes to the Financial Statements

Year ended 31 December 2007

34 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 23 *Borrowing Costs*
- FRS 108 *Operating Segments*
- INT FRS 111 *FRS 102 Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy is consistent with the FRS 23 requirement to capitalise borrowing costs.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Currently, the Group presents segment information in respect of its geographical segments (see Note 26). Under FRS 108, the Group will present segment information in respect of its core operating segment: plastic moulding – trading and manufacturing.

Other than the change in disclosure relating to FRS 108, the initial application of these standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Company has not considered the impact of accounting standards issued after the balance sheet date.

Statistic of Shareholdings

As at 18 March 2008

Issued and fully paid-up capital	:	$117,330,143.224
Class of shares	:	710,254,775 ordinary shares
	:	Nil treasury shares
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	999	233	3.17	93,299	0.01
1,000	-	10,000	4,024	54.74	20,663,385	2.91
10,001	-	1,000,000	3,063	41.67	138,870,821	19.55
1,000,001	and above		31	0.42	550,627,270	77.53
			7,351	100.00	710,254,775	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2008
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest		%
Fu Yu Holding Pte Ltd	338,710,000	47.69	-		-
Ching Heng Yang	4,287,975	0.60	338,710,000	(1)	47.69
Tam Wai	12,037,975	1.69	339,010,000	(2)	47.73
Ho Nee Kit	12,321,725	1.73	338,710,000	(3)	47.69
Lui Choon Hay	10,853,975	1.53	338,724,000	(4)	47.69
Ng Hock Ching	20,829,000	2.93	15,000,000	(5)	2.11

Notes:

1. Mr Ching Heng Yang is deemed to be interested in the shares held in the name of Fu Yu Holding Pte Ltd by virtue that he holds not less than 20% voting rights in Fu Yu Holding Pte Ltd.
2. Mr Tam Wai is deemed to be interested in 300,000 held in the name of his spouse. By virtue that Mr Tam holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is also deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.
3. Mr Ho Nee Kit is deemed to be interested in the shares held in the name of Fu Yu Holding Pte Ltd by virtue that he holds not less than 20% voting rights in Fu Yu Holding Pte Ltd.
4. Mr Lui Choon Hay is deemed to be interested in 14,000 shares held in the name of his spouse. By virtue that Mr Lui holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is also deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.
5. Mr Ng Hock Ching is deemed to be interested in the shares held in the name of Citibank Nominees.

Statistic of Shareholdings

As at 18 March 2008

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Fu Yu Holding Pte Ltd	338,710,000	47.69
2.	Raffles Nominees Pte Ltd	29,670,749	4.18
3.	Citibank Nominees Singapore Pte Ltd	22,747,000	3.20
4.	Ng Hock Ching	20,829,000	2.93
5.	DBS Nominees Pte Ltd	12,855,825	1.81
6.	Ho Nee Kit	12,321,725	1.73
7.	Tam Wai	12,037,975	1.69
8.	UOB Kay Hian Pte Ltd	11,211,500	1.58
9.	Lui Choon Hay	10,853,975	1.53
10.	Lim Chye Huat @ Bobby Lim Chye Huat	10,689,000	1.50
11.	OCBC Securities Private Ltd	7,283,750	1.03
12.	United Overseas Bank Nominees Pte Ltd	6,359,279	0.90
13.	DBSN Services Pte Ltd	5,946,250	0.84
14.	Phillip Securities Pte Ltd	5,112,500	0.72
15.	DBS Vickers Securities (S) Pte Ltd	5,048,750	0.71
16.	Ng Chung Ming	5,000,000	0.70
17.	Kim Eng Securities Pte. Ltd.	4,929,505	0.69
18.	Ching Heng Yang	4,287,975	0.60
19.	OCBC Nominees Singapore Pte Ltd	3,714,260	0.52
20.	UOB Nominees (2006) Pte Ltd	2,942,500	0.41
	Total	532,551,518	74.96

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

41.44% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fu Yu Corporation Limited ("the Company") will be held at Function Room 1 to 3, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Tuesday, 29 April 2008 at 11.30 a.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 2007 together with the Auditors' Report thereon.
(Resolution 1)

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

   a) Mr Ching Heng Yang (Retiring under Article 91) **(Resolution 2)**
   b) Mr Tam Wai (Retiring under Article 91) **(Resolution 3)**
   c) Dr John Chen Seow Phun (Retiring under Article 97) **(Resolution 4)**
   d) Mr Foo Say Tun (Retiring under Article 97) **(Resolution 5)**
   e) Mr Ho Kang Peng (Retiring under Article 97) **(Resolution 6)**

   Dr John Chen Seow Phun will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a Member of the Nominating/Remuneration Committee and will be considered independent.

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

   Mr Ho Kang Peng will, in accordance with Article 97 retire at this annual general meeting and he has expressed his desire to be re-elected.

3. To approve the payment of Directors' fees of S$246,000/- for the year ended 31 December 2007. [2006: S$264,668/-]
(Resolution 7)

4. To re-appoint Messrs KPMG as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 8)

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

AS SPECIAL BUSINESS

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

Authority to issue shares up to 50 per centum (50%) of issued share capital

6. That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be 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 at the time of the passing of this Resolution, of which the aggregate number of shares to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)]
(Resolution 9)

By Order of the Board

Low Geok Eng Susie
Company Secretary
Singapore, 14 April 2008

Notice of Annual General Meeting

Explanatory Note:

(i) The Ordinary Resolution 9 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company at the time of the passing of this resolution. For issue of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company.

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

Notes:

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

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

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

FU YU CORPORATION LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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

I/We, ...

of ....

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Tuesday, 29 April 2008 at 11.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2007		
2	Re-election of Mr Ching Heng Yang as a Director		
3	Re-election of Mr Tam Wai as a Director		
4	Re-election of Dr John Chen Seow Phun as a Director		
5	Re-election of Mr Foo Say Tun as a Director		
6	Re-election of Mr Ho Kang Peng as a Director		
7	Approval of Directors' fees amounting to S$246,000		
8	Re-appointment of Messrs KPMG as Auditors		
9	Authority to allot and issue new shares		

Dated this .... day of 2008

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. If no such proportion or number is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

4. 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 No.2 Serangoon North Avenue 5 Singapore 554911 not less than 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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