synchronised for progress

annual report 2006

Fu Yu Corporation Limited

Contents

Corporate Information

Board of Directors

Ching Heng Yang
(appointed as Executive Chairman on 11 December 2006)

Tam Wai

Ho Nee Kit

Lui Choon Hay
(resigned as Executive Chairman and CEO on 11 December 2006, and resigned as a director on 16 January 2007)

Yuen Chung Sang Samuel
(resigned on 23 May 2006)

Lim Shook Kong

Tan Yew Beng

Jen Shek Voon

Executive Directors

Ching Heng Yang, Chairman
Tam Wai
Ho Nee Kit

Non- Executive Directors

Tan Yew Beng, Independent
Jen Shek Voon, Independent
Lim Shook Kong, Non-independent

Audit Committee

Jen Shek Voon, Chairman
Tan Yew Beng, Vice-Chairman
Lim Shook Kong

Nominating Committee

Tan Yew Beng, Chairman
Jen Shek Voon
Lim Shook Kong
Lui Choon Hay
(resigned on 16 January 2007)

Remuneration Committee

Tan Yew Beng, Chairman
Jen Shek Voon
Lim Shook Kong
Lui Choon Hay
(resigned on 16 February 2006)

Company Secretary

Low Geok Eng Susie

Registered Office

No. 2 Serangoon North Avenue 5
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Fax: (65) 6482 0622
Website: www.fuyucorp.com

Share Registrar

Lim Associates (Pte) Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

External Auditors

Ernst & Young
One Raffles Quay
North Tower Level 18
Singapore 048583

Audit Partner: Winston Ngan Wan-Sing
Since the financial year beginning 1 January 2002

Bankers

Citibank N.A.
DBS Bank Ltd
Maybank Berhad
RHB Bank Berhad
Standard Chartered Bank

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.

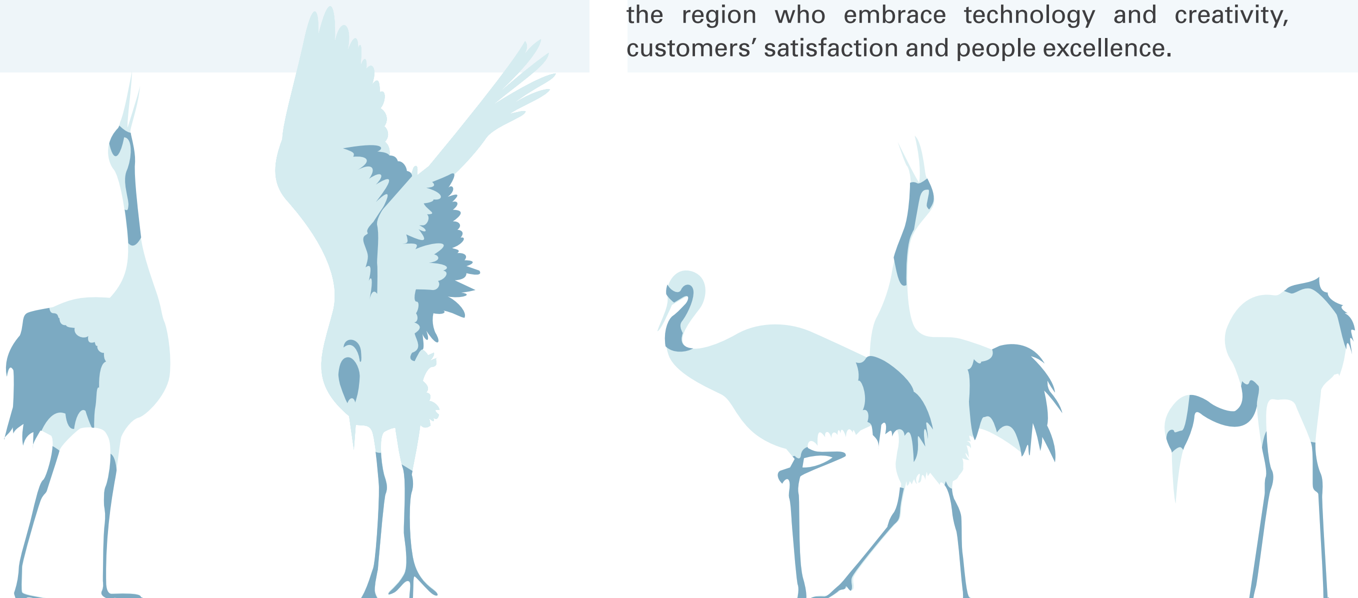
Corporate Profile Fu Yu was established in 1978 as a partnership fabricating injection moulds and manufacturing plastic injection parts. Fu Yu has since grown to become a listed corporation with a growing global presence. We are now one of the largest manufacturers and suppliers of high-precision injection moulds and plastic parts in Asia.

Currently, we have 12 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, electronics and electrical appliance sectors.

Fu Yu has approximately 11,000 employees around the region who embrace technology and creativity, customers' satisfaction and people excellence.



Chairman's Statement

Ching Heng Yang
Chairman

A Challenging Year

2006 was a challenging year for the Group.

There was much sales activity in China following our rapid expansion into the country last year. Operationally, we were still responding to management changes arising from cost management issues of 2005 and significant adjustments made in respect of bad and doubtful debts, and slow-moving and obsolete inventories.

The Group's sales decreased by S$9.9 million, or 2.4%, from S$425.6 million in FY 2005 to S$415.7 million in FY 2006. The Group's loss after tax attributable to shareholders of the Company stood at S$20.5 million.

Riding The Waves

Crude oil prices remained relatively high throughout 2006. This, compounded with price pressures from our customers and our difficulty in transfering costs such as transportation, packaging and labour to our customers eroded our margins measurably.

Secondly, the provision for inventory obsolescence and doubtful debts in the China segment significantly impacted our bottom line. Improved inventory control measures and customer credit reviews have been put in place to minimise the recurrence of such unfavourable circumstances in the future.

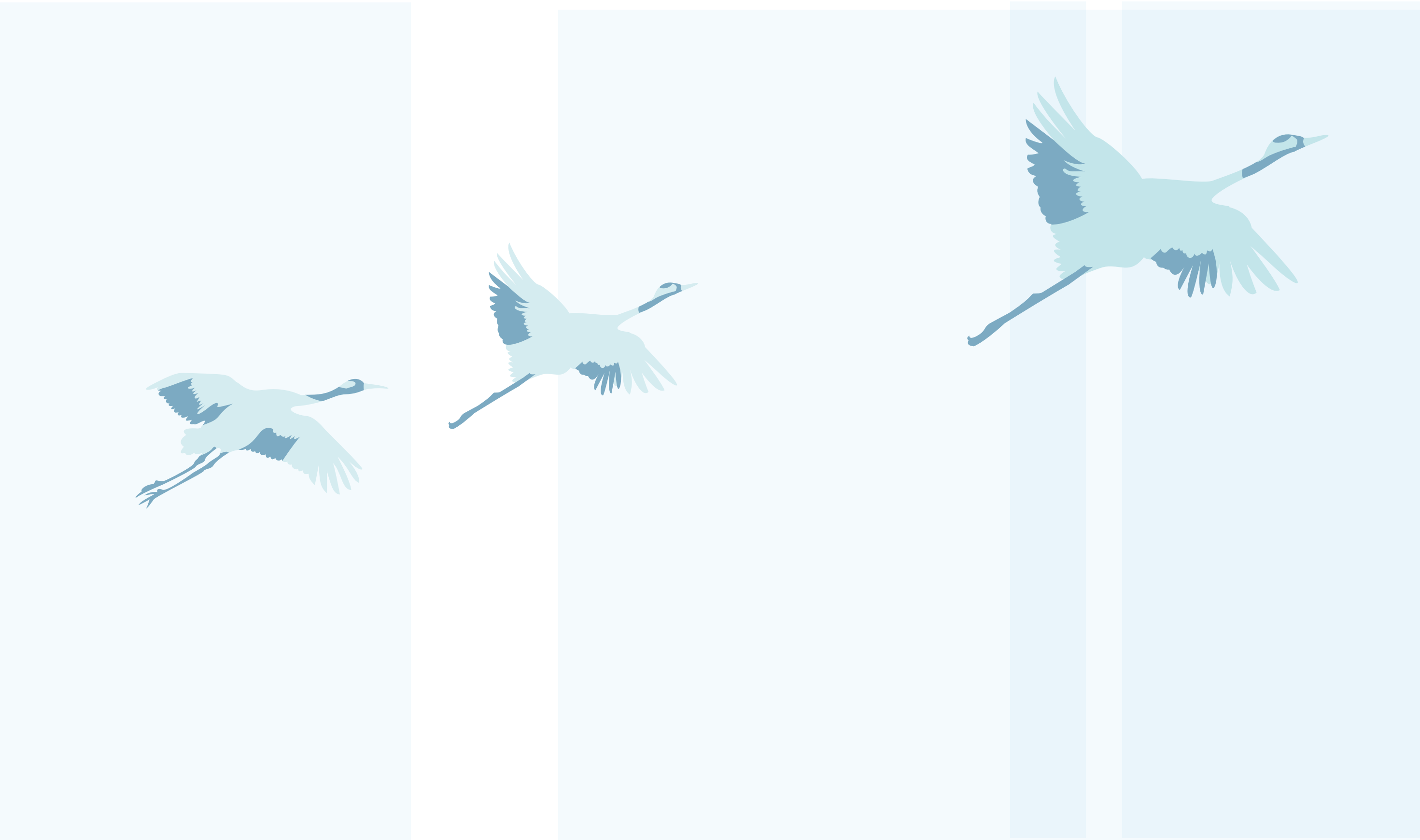
Thirdly, although sales improved in China, the Group's revenue decreased as compared to 2005. This was due to project delays and projects coming to end-of-life cycles earlier than expected, as well as the intense price pressures faced in Malaysia which persisted in 2006. The weaker order books and slower business activities in Singapore, have further deteriorated our sales performance.

Lastly, the foreign exchange loss of S$3.2 million versus a gain of S$3.0 million in 2005 due to a weakening of the USD against a stronger SGD, was also one of the contributing factors to our losses.

Management initiated a rationalisation program in our regional offices, especially in China during the last quarter of 2006. This not only involved allocating experienced personnel to bring regional offices under HQ control, it also involved implementing cost control measures, tightening internal controls and raising efficiency. We have recently conducted a review of this program and hope that we shall be able to announce the appointment of a CEO, the appointment of which will assist management in he effective implementation of this program.

Aligning For Progress

On management level, concerted effort was made to expand our core activities of fabricating high-precision injection moulds, manufacturing precision plastic injection parts and



components, and improving our secondary processes and sub-assembly activities. This direction proved a strategic move as it had led to strategic new joint ventures in Malaysia and the incorporation of a new wholly-owned subsidiary in Singapore, SolidMicron Technologies Pte Ltd.

The Group's investments in new machines and facilities in our regional plants in 2005 have enabled us in securing customers' confidence and to meet the needs of our valued customers who have maintained their high confidence in our capabilities.

I am confident that better performance can be expected from many of our investments in 2007.

Significant Events

Our former Executive Chairman and CEO and also one of the Founders of the Company, Mr. Lui Choon Hay, resigned as a director from the Fu Yu group of companies on 16 January 2007 as a result of his failure to exercise his fiduciary duties as a director and had possibly breached Section 157 of the Companies Act.

I am honoured to take on the role of Chairman of Fu Yu. I am also pleased to announce that on 22 March 2007, Mr Tam Wai, currently an Executive Director, is appointed as Vice Executive Chairman and Mr Hew Lien Lee, who is the Group General Manager and also Managing Director of the Company's subsidiary company, LCTH Corporation Berhad, is appointed as an Executive Director and Chief Operating Officer of the Company. Mr Lim Shook Kong, currently non-executive and non-independent Director and Group General Manager of LCTH Corporation Berhad, is appointed as Finance Director and Chief Financial Officer of the Company.

With Appreciation

The Board of Directors and I wish to express our sincere gratitude to our customers, suppliers, bankers, business partners and investors for their continued support extended to Fu Yu .

Last but not least, I would like to thank our management and staff for persevering through the challenges, maintaining high morale and consistently contributing your best to the Group. In addition, I would like to thank members of the Board for their valuable contributions and assistance rendered to the Company in these challenging times. I look forward to a fruitful year ahead and the successful restructuring of the Company and the Group.

Ching Heng Yang
Chairman

Operations Review

Financial year 2006 was a challenging year for the Fu Yu Group.

Our Singapore operations registered a revenue of S$66.3 million. In Malaysia, a revenue of S$133.8 million was achieved, while in China, revenue increased by S$11.1 million or 5.4% from S$204.5 million in 2005 to S$215.6 million in 2006. The Group's loss after tax attributable to the shareholders of the Company stood at S$20.5 million.

Singapore

In line with management's move to venture into businesses that are synergistic with our core operations and which can lead to broadening our capabilities, SolidMicron Technologies Pte Ltd, a new wholly-owned subsidiary, was incorporated in June 2006. SolidMicron is associated with pioneering inventors of Metal Injection Moulding (MIM) and Ceramic Injection (CIM) technologies. Its vision towards the future will reach new heights with innovative materials and technologies encompassing semi-solid injection moulding of light metal alloys, developing light metal alloys with strength of steel, nano-structured materials, bio-implants, nano-component manufacturing, advanced shape memory alloys, advanced metal-matrix composites and complete module manufacturing.

With the completion of the sale and leaseback of the property situated at No. 2 Serangoon North Avenue 5 Singapore 554911 during the year, the net proceeds arising from the sale amounted to approximately S$40 million. The cash proceeds have been utilised to repay the Company's bank loans, freeing our cash flow substantially.

Malaysia

Growth was hampered in Malaysia this year on the back of project delays due to customers' rescheduled launches, early product end-of-life cycle and intense price pressures. We expect a better year ahead as Classic Advantage Sdn Bhd, began operations from its new plant and office premises located at Johor Technology Park, Johor, Malaysia, with increased capacity and capabilities expanded in 2005.

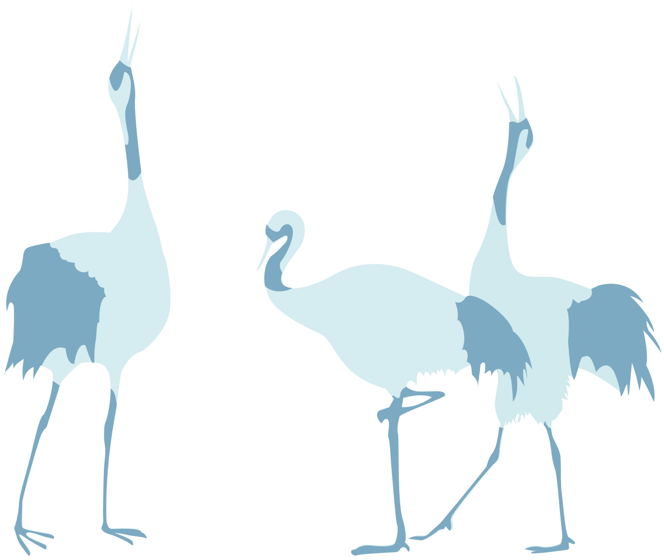
On 12 July 2006, our Malaysian arm, LCTH Corporation Berhad (LCTH), entered into a Joint Venture Agreement with Owens-Illinois Plastics Pte Ltd (OIP), a private limited company incorporated in Singapore and a member company of Owens-Illinois Inc, a company listed on the New York Stock Exchange. The Joint Venture incorporated a company in Malaysia called O-I Plastics Malaysia Sdn Bhd ("OIM") whereby LCTH is a 40% equity partner and OIP is the other 60% equity partner.

The principal business of OIM is to manufacture, sell and distribute specialty moulded plastic parts, assemblies and filled goods. OIM will initially make plastic parts for ink printer cartridges that OIP currently manufactures in Singapore with the expectation of more projects to come. Operations commenced on 1 March 2007.

China

We experienced increased sales in the China segment this year. However, the bottom line was affected by the losses stemming from bad debts, obsolescentce inventories and rising operating costs.

In response to the expanded operations, we initiated a rationalisation programme that placed experienced personnel in the regional offices to bring them under HQ control. This involved implementing cost control measures, tightening of internal controls and improvements in efficiency.



Awards and Certifications

Awards received by Fu Yu Group in Year 2006

Company	Awards
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd	• "Annual Supplier Performance Award" from KeyTronic Computer Peripherals (Shanghai) Co., Ltd
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd	• "2005 Foreign-owned Enterprise Outstanding Contribution Award" • "Income Tax Contribution Award"

Corporate ISO and QS Certification for Fu Yu Group as at end of Year 2006

Company	ISO 9001:2000	QS 9000	ISO 14001	TS 16949
Fu Yu Corporation Ltd	•	•	•	
NanoTechnology Manufacturing Pte. Ltd.	•		•	
Classic Advantage Sdn. Bhd.	•	•		
Fu Hao Manufacturing (M) Sdn. Bhd.	•			
Fu Yu Moulding & Tooling (Tianjin) Co.,Ltd	•			•
Fu Yu Moulding & Tooling (Shanghai) Co.,Ltd	•			
Fu Yu Moulding & Tooling (Dongguan) Co.,Ltd	•	•	•	
Fu Yu Moulding & Tooling (Suzhou) Co.,Ltd	•	•	•	
Fu Yu Moulding & Tooling (Wujiang) Co.,Ltd	•			
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd	•			
Qingdao Fu Qiang Electronics Co., Ltd	•		•	

2007 Corporate Certification Plan

Company	Plan
Fu Yu Corporation Ltd	To obtain ISO 13485
SolidMicron Technologies Pte. Ltd.	To obtain ISO 9001:2000 & TS 16949
NanoTechnology Manufacturing Pte. Ltd.	To obtain ISO 13485
Classic Advantage Sdn. Bhd.	To obtain ISO 14001, OHSAS 18001 & upgrade QS 9000 to ISO 16949
Fu Hao Manufacturing (M) Sdn. Bhd.	To obtain ISO 14001
Fu Yu Moulding & Tooling (Tianjin) Co.,Ltd	To obtain ISO 14001
Fu Yu Moulding & Tooling (Shanghai) Co.,Ltd	To obtain ISO 14001
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd	To upgrade QS 9000 to ISO 16949
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd	To obtain ISO 14001

Group Structure
As at 20 March 2007

Fu Yu Corporation Limited

- **NanoTechnology Manufacturing Pte. Ltd.** 80%
- **SolidMicron Technologies Pte. Ltd.** 100%
- **Fu Yu Moulding & Tooling (Dongguan) Co., Ltd** 100%
- **Fu Yu Moulding & Tooling (Shanghai) Co., Ltd** 100%
- **Fu Yu Moulding & Tooling (Suzhou) Co., Ltd** 100%
- **Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd** 100%
- **Fu Yu Moulding & Tooling (Wujiang) Co., Ltd** 100%
- **QingDao Fu Qiang Electronics Co., Ltd** 100%
- **Fu Ying Moulding & Tooling (Shanghai) Co., Ltd*** 100%
- **Fu Yu Electronics (Dongguan) Co., Ltd*** 100%
- **Fu Yu Trading Limited** 100%
- **Fu Yu International Enterprise Limited** 100%
- **Chang Fu Resources Pte Ltd*** 100%
- **IFN Pte Ltd*** 100%
- **Fu Yu Investment Pte Ltd** 100%
  - **Fu Yu Moulding & Tooling (Tianjin) Co., Ltd** 100%
  - **Fortune Mission Sdn Bhd#** 100%
  - **Fu Yu Guadalajara S.A.De C. V.#** 100%
  - **Kodon (Tianjin) Electronics & Electrical Apparatus Co., Ltd** 48%
  - **LCTH Corporation Berhad** 70.97%
    - **Classic Advantage Sdn. Bhd.** 100%
    - **Fu Hao Manufacturing Sdn. Bhd.** 100%
    - **O-I Plastics Malaysia Sdn. Bhd.** 40%

Notes: * Dormant
Company under members' voluntary liquidation

Board of Directors

Left to right (front): Ho Nee Kit, Ching Heng Yang, Tam Wai. Left to right (back): Tan Yew Beng, Jen Shek Voon, Lim Shook Kong.

Ching Heng Yang
Executive Chairman, Executive Director

Mr Ching, 56, one of the co-founders of Fu Yu, is the Executive Chairman and Executive Director of the Group. He was appointed as an Executive Chairman on 11 December 2006. Mr Ching was appointed as the Executive Director on 10 December 1980 and was last re-elected on 28 March 2005. 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 33 years of experience in the mould fabrication and plastic injection moulding industry.

He is a member of the Singapore Institute of Directors.

At 31 December 2006, Mr Ching holds 0.72% direct interests and 57.09% deemed interests in the Company.

Lui Choon Hay
Executive Director

- resigned on 16 January 2007

Mr Lui, 68, is the Executive Director of Fu Yu Group. He was last re-elected as a Director on 31 March 2006. Mr Lui retired as an Executive Chairman and CEO on 11 December 2006 and resigned as a director on 16 January 2007. He is the founder of Fu Yu in 1978. He left China for Hong Kong in 1962 and was involved in tooling making and designing for ten years before he came to Singapore in 1973. With his extensive experience in this field, Mr Lui, together with 3 other partners, founded Fu Yu in 1978. Fu Yu was one of the few local companies formed at that time to serve the MNCs in Singapore for supplies of high precision injection moulding tools and precision engineering plastics parts. Mr Lui was appointed as Executive Director of Fu Yu since 10 December 1980 and he is heavily involved in all facets of the business operations of the Group. He plays a key role in the Group's overseas business and strategic planning. He is a member of the Singapore Institute of Directors.

At 31 December 2006, Mr Lui holds 2.12% direct interests and 57.26% deemed interests in the Company.

Tam Wai
Executive Director

Mr Tam, 56, 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. 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 37 years of experience in the mould fabrication and plastic injection moulding industry.

He is a member of the Singapore Institute of Directors.

At 31 December 2006, Mr Tam holds 2.03% direct interests and 57.14% deemed interests in the Company.

Ho Nee Kit
Executive Director

Mr Ho, 53, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 29 March 2004. He will stand for re-election as a Director at the forthcoming Annual General Meeting ('AGM'). 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 plastics 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.

He is a member of the Singapore Institute of Directors.

At 31 December 2006, Mr Ho holds 2.08% direct interests and 57.09% deemed interests in the Company.

Tan Yew Beng
Non-Executive Director, Independent Director

Mr Tan, 50, 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 29 March 2004. He will stand for re-election as a Director at the forthcoming Annual General Meeting ('AGM'). He is the Chairman of the Remuneration and Nominating Committees and a member of the Audit 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.

He is a member of the Singapore Institute of Directors.

At 31 December 2006, Mr Tan holds 0.26% indirect interests in the Company.

Jen Shek Voon
Non-Executive Director, Independent Director

Mr Jen, 60, is a non-executive and independent director of Fu Yu. He was appointed as Director on 1 July 2005 and was last re-elected on 31 March 2006.

Mr Jen currently manages his own accounting practice as a sole proprietor. He is also an independent and non-executive director on the Board of Directors of a number of publicly listed companies in Singapore and Malaysia. Mr Jen is currently a Senior Adviser to Ernst & Young, but no longer performs any professional work for the accounting firm.

Until his retirement in 2002, Mr Jen was a Partner of Ernst & Young since 1980, serving major clients in Singapore, Brunei and served in the region as its Executive Partner-Far East and Country Managing Partner of its Brunei firm.

Mr Jen is a Public Accountant Singapore, licensed by the Singapore Accounting and Corporate Regulatory Authority (ACRA), and a fellow member of the Singapore Institute of Directors. He is a practicing member of the Institute of Certified Public Accountants of Singapore (ICPAS). He is also a member of the 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, post-graduate Commerce Degree (Honors) from the University of New South Wales. He is also a fellow member of the Institute of Chartered Accountants Australia and the Taxation Institute of Australia.

Lim Shook Kong, FCA, CA(M), MSID
Non-Executive Director
Group General Manager, LCTH

Mr Lim, 55, 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. As a non-executive and non-independent director he is a member of the Audit Committee, Remuneration Committee and Nominating Committee. He was last re-elected on 28 March 2005.

Mr Lim was appointed as the Group General Manager of LCTH Corporation Berhad, the Malaysia subsidiary of Fu Yu Corporation Limited, 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 Exchange.

Mr Lim is a Fellow of the Institute of Chartered Accountants England and Wales, a member of the Faculty of Finance and Management, Institute of Chartered Accountants England and Wales, a member of the Malaysian Institute of 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

Hew Lien Lee Elson
Group General Manager
Managing Director,
LCTH Corporation Berhad

Mr Hew, 50, is the Group General Manager of the company. 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 the LCTH Group. Mr Hew is a member of the Singapore Institute of Directors.

Tan Lay Kheng
Group Human Resource Manager

Madam Tan, 53, 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, 51, 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, 47, 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, 33, 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.

Yee Keng Yip
General Manager
NanoTechnology Manufacturing Pte. Ltd.

Mr Yee, 53, joined Fu Yu in 2004. He is 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, 58, graduated in Metallurgical Engineering from the University for Professional Studies, Giessen in West Germany and completed his post graduate 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

Mr Goh, 46, joined Fu Yu in 2002. He is 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
Assistant General Manager
Fu Hao Manufacturing (M) Sdn Bhd

Mr Teh, 47, joined Fu Yu in 2003 as the Assistant General Manager in Fu Hao, a subsidiary of LCTH Corporation Bhd. Mr Teh is responsible for overseeing the daily operations of Fu Hao. He posses more than 16 years of experience in Heading and Managing Manufacturing Operations in plastic injection moulding. He holds a Honour Degree in Economics from the London School of Economics, United Kingdom.

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

Mr Chung, 55, 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 till now. Mr Chung has 30 years of experience in the plastic industry.

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

Mr Loo, 58, is appointed as the General Manager for Fu Yu Shanghai Operation 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 graduate 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, 58, 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 and 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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Fu Yu Moulding & Tooling (Tianjin) Co., Ltd
71 Bai He Road, TEDA
Tianjin, China 300457
Tel : (8622) 2529 0888
Fax : (8622) 6200 1103

Corporate Milestones

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
- Achieved ISO 9002 certification for our plant in Dongguan, 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.

This report is made up to the latest practicable date of 20 March 2007 ("the latest practicable date"). For the purpose of keeping the shareholders and/or interested parties apprised the announcement made via SGXNET on 22 March 2007 relating to the new appointments to the Board of Directors, the new appointments have been included in Significant Events in the Chairman's Statement.

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

Principle 1: Board's Conduct of its Affairs (cont'd)

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

Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Ching Heng Yang	12	12	–	–	–	–	–	–
Tam Wai	12	11	–	–	–	–	–	–
Ho Nee Kit	12	12	–	–	–	–	–	–
Jen Shek Voon	12	11	10	10	4	4	1	1
Tan Yew Beng	12	12	10	10	4	4	1	1
Lim Shook Kong	12	12	10	10	4	4	1	1
Lui Choon Hay *	12	12	–	–	4	1	1	1
Yuen Chung Sang Samuel **	12	5	–	–	–	–	–	–

* *Resigned as Member of the Remuneration Committee on 16 February 2006, resigned as a Director and as a Member of Nominating Committee on 16 January 2007*

** *Resigned as a Director on 23 May 2006*

Other than the above, the independent directors and non-executive director 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 organised as deemed necessary. Routine updates on developments and changes in operating environment, including revisions to accounting standards, laws and regulations affecting the Company and/or the Group is regularly brought to the attention of the Board. During the year under review, the Chairman of the AC attended close-out meetings of the Internal Auditors and management of the Company's PRC plants at Dongguan and Suzhou.

Principle 2: Board Composition and Balance

The Board comprises seven directors of whom four are executive, one non-executive and two independent and non-executive. The resignation of one executive director, Mr Lui Choon Hay, on 16 January 2007 brings the number of the board members to six. 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 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

Mr Lui Choon Hay was the Executive Chairman and CEO of the Company until 11 December 2006. Mr Lui resigned as a Director of the Company on 16 January 2007.

Since Mr Lui's departure, Mr Ching Heng Yang has assumed the responsibilities of the Executive Chairman. The Company is currently seeking for candidate of sufficient calibre and experience to assume the role of the Chief Executive Officer as recommended by the Code.

The 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 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 Tan Yew Beng, Mr Jen Shek Voon and Mr Lim Shook Kong. The NC is chaired by Mr Tan 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 Terms of Reference were last reviewed and revised by the NC on 16 February 2006.

The duties of the NC are as follows:

1. Reviews the Board structure, size and composition and making recommendations to the Board with regards to any adjustments in the structure and size that are deemed necessary;
2. Reviews all nominations for the appointments and re-elections of Director for the purpose of proposing such nominations to the Board for approval;
3. Conducts a review to determine the independence of each Director;
4. Decides whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Group, particularly when he has multiple board representations;
5. Decides how the Board's performance may be evaluated and propose objective performance criteria;
6. Conducts a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board; and
7. Makes recommendations to the Board for continuation (or termination) of services of any Director who has reached the age of seventy.

The NC considers the non-executive directors to be independent except for Mr Lim Shook Kong who is the Group General Manager of the Group's Malaysia subsidiary, LCTH Corporation Berhad. While Mr Lim is not considered independent within the definition of 'independence' under the Code, he is a non-executive director independent of Management with a clear separation of his role from Management in the deliberations of the Board and sub-Board Committees.

The NC also reviewed during the year the manner in which the Executive Directors ('EDs') operated, and the management style of the EDs as a whole and the leadership role provided by the ex-Chairman prior to the time of his resignation. In this respect, NC has strongly recommended the appointment of a CEO soonest possible with a view to the CEO-designation being appointed to the Board of Directors in due course.

Corporate Governance Report

Principle 4: Board Membership (cont'd)

Despite some of the directors having other Board representations, NC is satisfied that these directors are able to and adequately carried 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, NC considers his contributions to the Board and his independent status. The NC has recommended the re-election of Mr Ho Nee Kit and Mr Tan Yew Beng at the forthcoming AGM. The Board accepted NC's recommendation and accordingly, the two 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 NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

The NC is of the view that the financial indicators set out in the Code of Corporate Governance as performance criteria for the evaluation of directors' performance are more of a measure of Management performance 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 EDs and the Company Secretary at all times, and vice versa, while access to senior management especially the management of the company's People's Republic of China ("PRC") subsidiaries was limited to the Board briefings provided by the ex-Executive Chairman, to whom all the key management in the PRC subsidiaries reported to for the year under review. 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, Mr Jen Shek Voon and Mr Lim Shook Kong 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.

The RC has written Terms of Reference that describe the responsibilities of its members. The Terms of Reference were last reviewed and revised by the RC on 27 July 2006.

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, RC takes into consideration the pay and employment conditions within the industry and comparable companies. As part of its review, 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 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.

For the remuneration of the non-executive directors, RC has adopted a framework which consists of a base fee, attendance fees for ad-hoc board meetings 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 three executive directors have service contracts for a fixed period and are subjected to renewal. The RC had reviewed and renewed the contracts of the executive directors for a further term of one year, from 1 January 2007 to 31 December 2007, under the same terms and conditions.

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$750,000 to S$999,999					
Lui Choon Hay #	5.6	87.2	5.7	1.5	100.0
S$500,000 to S$749,999					
Ching Heng Yang	3.6	89.2	5.3	1.9	100.0
Tam Wai	3.6	89.7	5.3	1.4	100.0
Ho Nee Kit	3.5	88.7	5.3	2.5	100.0
Below S$250,000					
Yuen Chung Sang Samuel *	3.6	65.3	22.9	8.2	100.0
Non-Executive Directors					
S$250,000 to S$499,999					
Lim Shook Kong	22.9	61.8**	6.7**	8.6**	100.0
Below S$250,000					
Jen Shek Voon	100.0	–	–	–	100.0
Tan Yew Beng	100.0	–	–	–	100.0

 # Resigned as a Director on 16 January 2007
** Resigned as a Director on 23 May 2006*
*** By virtue of Mr Lim Shook Kong's executive appointment in the Company's subsidiary*

Corporate Governance Report

Principle 9: Disclosure on Remuneration (cont'd)

Remuneration of Key Executives

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

Name of Key Executive	Fees %	Salary %	Bonus %	Other Benefits %	Total %
S$250,000 to S$499,999 **Hew Lien Lee Elson** *Group General Manager* *Managing Director, LCTH Corporation Berhad*	2.3	53.9	27.6	16.2	100.0
Yee Keng Yip *General Manager,* *NanoTechnology Manufacturing Pte. Ltd.*	–	79.3	13.2	7.5	100.0
Below S$250,000 **Tan Lay Kheng** *Group Human Resource Manager*	–	82.1	13.4	4.5	100.0
Hau Jong Lin *Group Materials Manager*	–	84.7	7.1	8.2	100.0
Ng Kim Hwee *Group Information Technology Manager*	–	83.8	7.0	9.2	100.0
Cheah Ngook Wah *Group Financial Controller*	–	76.9	11.8	11.3	100.0
Dunstan Haridra Peiris *General Manager,* *SolidMicron Technologies Pte. Ltd.*	–	88.0	6.9	5.1	100.0
Goh Guey Shen Vincent *Assistant General Manager,* *Classic Advantage Sdn Bhd*	–	76.5	14.3	9.2	100.0
Gary Teh Tuan Hock *Assistant General Manager,* *Fu Hao Manufacturing (M) Sdn Bhd*	–	74.9	16.1	9.0	100.0
Raymond Chung Chee Kwai *Assistant General Manager,* *Fu Yu Moulding & Tooling (Dongguan) Co., Ltd* *Fu Yu Moulding & Tolling (Zhuhai) Co., Ltd*	–	95.6	4.4	–	100.0
Loo Boon Tong *General Manager,* *Fu Yu Moulding & Tooling (Shanghai) Co., Ltd*	–	100.0	–	–	100.0
Teh Chin Weng *General Manager,* *Fu Yu Moulding & Tooling (Tianjin) Co., Ltd* *Qingdao Fu Qiang Electronics Co., Ltd*	–	61.8	38.2	–	100.0

Corporate Governance Report

ACCOUNTABILITY AND AUDIT & COMMUNICATION WITH SHAREHOLDERS

Principle 11: Audit Committee

The Audit Committee (AC) comprises Mr Jen Shek Voon, Mr Tan Yew Beng, both of whom are independent non-executive directors and Mr Lim Shook Kong who is a non-executive director. The Chairman of AC is Mr Jen Shek Voon.

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

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

1. Reviews the audit plans and the findings of the internal and external auditors of the Company and ensures the adequacy of the Company's system of internal controls and the co-operation given by the Company's management to the external and internal auditors;
2. Reviews the quarterly and annual financial statements and the auditors' report of the Company before their submission to the Board of Directors;
3. Reviews with the management and the chief internal auditor 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, in the presence of internal and external auditors.

The Company has in place a whistle-blowing framework where staff of the Group can access to AC Chairman to raise concerns about improprieties. Contact detail of AC Chairman is made available to all staffs.

Corporate Governance Report

Principle 11: Audit Committee (cont'd)

During the year, Chairman had received a whistle blowing letter on 18 October 2006 on the role of the ex-Chairman, and whether he had any alleged deemed interests, as defined by the Singapore Companies Act (Cap 50), in a competitor in Dongguan, and if so, whether there were any breaches arising therefrom. The AC met on this letter, and decided that an investigation should be made. The AC appointed professional advisers to assist in this investigation. The AC's appointment of professional advisers was ratified by the Board. The AC met several times and has concluded its investigation. The AC's report and recommendations to the Board of Directors have been adopted by the Board on 8 January 2007, and the substantive matters have also been reported to the SGX by the Company Secretary on behalf of the Board in its letter of 16 January 2007.

The AC, and its professional adviser, and the Secretary of AC have subsequently met with representatives of the SGX on 26 February 2007 to follow up on the matter.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. However, in view of the proposed fee level in respect of the external audit services for the FY 2007 as compared to the FY 2006 without any material changes in the scope of work, the Audit Committee has recommended to the Board of Directors that it should call for Requests for Proposals, including Ernst & Young to decide on an appropriate firm to be recommended to the shareholders for appointment as the Company's auditors for the financial year ending 2007 to cover the technical aspects of the proposed work scope and the level of fees associated with it. The Board of directors has accepted this recommendation.

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 page 9 of this report for qualifications of Audit Committee members.

Principle 12: Internal Controls

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 effectiveness of these controls and systems is subject to periodic review by the Group Internal Audit Department and is monitored by AC.

The Company's internal auditors carried out major internal control checks and compliance tests in accordance with the internal audit programmes approved by the AC. It then reports to the AC on internal control weakness and monitors the implementation of recommendations for improvements.

In addition, AC has also reviewed the written presentation of the External Auditors at the close-out meeting when the group audit clearance was issued, and discussed with the External Auditors the results of their testing and evaluation of the major internal controls systems and procedures which they, and their associated firms, had relied upon during the course of their work, and there were no major internal control weaknesses which had been highlighted to the AC at this meeting.

The Board 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 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.

Corporate Governance Report

Principle 13: Internal Audit

The Internal Audit Department (IA) oversees the Group's internal audit, risk management and compliance functions. The IA reports directly to AC. The IA has adopted the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and has incorporated these standards into its audit practices. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Group IA prepared the annual Internal Audit plan and budget in consultation with, but independent of, the management and the plan was submitted to the AC for review and approval. The AC approved the plan and budget and reported to the Board of Directors who approved the proposals. During the year, the IA, in accordance with the plan, outsourced to Deloitte & Touche Enterprise Risk Services Pte Ltd ("DT") who worked closely with the Group IA on the detailed audit requirements on the internal audits of a couple of the PRC plant operations, in Dongguan and Suzhou. The Group IA works closely with DT on each assignment and also attends the closeout meetings in the individual subsidiary audited by the outsourced auditors with the participation of AC Chairman. Summary reports were also prepared to update AC on the progress of all audits carried out, the recommendations accepted by management and to track the status of outstanding matters and remedial actions taken to date.

Principle 10: Accountability

Principle 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 and full year results, material transactions and other developments relating to the Group which require disclosure under the corporate disclosure policy of SGX. The Company also maintains a website at www.fuyucorp.com where public can access information on the Group.

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

Principle 15: Greater Participation by Shareholders

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

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 risk arising from the Group's financial assets are foreign exchange risk, interest rate risk, market risk, credit risk and liquidity 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 28 to the Financial Statements on page 78.

The Board of Directors is addressing the issue of a conflict of interest with regard to the Ex-Chairman, and is reserving its rights to pursue further action in respect of the consequences which this conflict may have on the Company arising from the risk of the competitive action of this competitor.

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.

The aggregate value of all interested person transactions during the financial year ended 31 December 2006 were as follows:

Name of Interested Person	**S$**
GS Electronics (Dongguan) Co., Ltd	42,418

Financial Statements

Contents

Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Fu Yu Corporation Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

Directors

The Directors of the Company in office at the date of this report are:

Ching Heng Yang
Tam Wai
Ho Nee Kit
Tan Yew Beng
Lim Shook Kong
Jen Shek Voon

In accordance with Article 91 of the Company's Articles of Association, Mr Ho Nee Kit and Mr Tan Yew Beng retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

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 object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company, the Company's holding company and related corporations as stated below:

	Direct interest		**Deemed interest**	
Name of Director	**At the beginning of the financial year**	**At the end of the financial year**	**At the beginning of the financial year**	**At the end of the financial year**
The Company				
Fu Yu Corporation Limited				
Ching Heng Yang	1,250,000	4,287,975	341,747,975	338,710,000
Tam Wai	12,037,975	12,037,975	339,010,000	339,010,000
Ho Nee Kit	12,321,725	12,321,725	338,710,000	338,710,000
Tan Yew Beng	–	–	1,562,500	1,562,500
Lui Choon Hay	12,562,975	12,562,975	339,710,000	339,710,000

Directors' Report

Name of Director	Direct interest At the beginning of the financial year	Direct interest At the end of the financial year	Deemed interest At the beginning of the financial year	Deemed interest At the end of the financial year
The Company's holding company				
Fu Yu Holding Pte Ltd				
Ching Heng Yang	1	1	–	–
Tam Wai	1	1	–	–
Ho Nee Kit	1	1	–	–
Lui Choon Hay	1	1	–	–
Subsidiary				
LCTH Corporation Berhad				
(Ordinary shares of RM0.20 each)				
Ching Heng Yang	500,000	500,000	466,626,069	376,133,763
Tam Wai	610,000	610,000	466,626,069	376,133,763
Ho Nee Kit	615,200	615,200	466,626,069	376,133,763
Tan Yew Beng	500,000	500,000	–	–
Lim Shook Kong	457,700	464,800	–	–
Lui Choon Hay	610,000	610,000	466,626,069	376,133,763

Except as disclosed below, there was no change in any of the above mentioned direct and deemed interests of the Directors between the end of the financial year and 21 January 2007.

Name of Director	Deemed interest At 1.1.2007	Deemed interest At 21.1.2007
LCTH Corporation Berhad		
(Ordinary shares of RM0.20 each)		
Ching Heng Yang	376,133,763	448,626,069
Tam Wai	376,133,763	448,626,069
Ho Nee Kit	376,133,763	448,626,069
Lui Choon Hay	376,133,763	448,626,069

By virtue of Section 7 of the Companies Act, Cap. 50, Messrs Ching Heng Yang, Tam Wai, Ho Nee Kit and Lui Choon Hay are deemed to have interest in shares of the subsidiary companies 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, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' Report

Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

Audit Committee

The audit committee (AC) carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans 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;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- 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;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened ten meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the audit committee are disclosed in the Corporate Governance Report.

Directors' Report

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Ching Heng Yang
Director

Tam Wai
Director

Singapore
20 March 2007

Statement by Directors
Pursuant to Section 201(15)

We, Ching Heng Yang and Tam Wai, being two of the Directors of Fu Yu Corporation Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with notes thereto, 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 2006 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

On behalf of the Board of Directors,

Ching Heng Yang
Director

Tam Wai
Director

Singapore
20 March 2007

Independent Auditors' Report
To the Members of Fu Yu Corporation Limited

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 32 to 85, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statements of changes in equity of the Group and the Company, and the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and 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 directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

ERNST & YOUNG
Certified Public Accountants

Singapore
20 March 2007

Consolidated Profit and Loss Account
For The Financial Year Ended 31 December 2006

(In Singapore dollars)

	Note	2006 $	2005 $
Sales	4	415,660,066	425,607,952
Cost of sales		(387,764,799)	(356,883,752)
Gross profit		27,895,267	68,724,200
Other revenue	5	3,235,613	9,758,515
Selling and administrative expenses		(59,842,640)	(54,673,625)
Interest on borrowings	6	(1,524,903)	(2,197,228)
Exceptional items	7	19,671,058	–
Share of results of associated companies		1,059,903	1,314,084
(Loss)/profit before income tax	8	(9,505,702)	22,925,946
Taxation	9	(8,415,440)	(7,555,166)
(Loss)/profit for the year		(17,921,142)	15,370,780
Attributable to:			
Equity holders of the Company		(20,524,557)	12,122,409
Minority interests		2,603,415	3,248,371
		(17,921,142)	15,370,780
(Loss)/earnings per share			
Basic and diluted	10	(3.46) cents	2.16 cents

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets
As at 31 December 2006

(In Singapore dollars)

		Group		Company	
	Note	2006 $	2005 $	2006 $	2005 $
Non-current assets					
Property, plant and equipment	11	263,670,922	263,775,062	30,373,482	36,944,038
Investment in:					
- subsidiary companies	12	–	–	108,349,757	100,344,761
- associated companies	13	393,105	2,697,219	–	–
Deferred tax assets	9	184,493	4,890,184	–	–
Fixed deposits	14	70,956	123,368	–	–
		264,319,476	271,485,833	138,723,239	137,288,799
Current assets					
Inventories	15	51,069,216	70,959,236	4,123,068	4,332,378
Gross amount due from customers for contract work	16	4,335,559	3,005,175	3,889,041	2,456,365
Trade and other receivables, net	17	138,406,856	147,606,645	11,855,946	13,174,486
Amounts due from subsidiary companies	18	–	–	32,833,651	46,655,648
Amount due from an associated company	19	35,208	476,523	–	–
Cash and cash equivalents	14	51,937,594	60,288,427	1,042,657	1,162,341
		245,784,433	282,336,006	53,744,363	67,781,218
Assets classified as held for sale	20	3,657,568	29,369,619	–	25,963,498
		249,442,001	311,705,625	53,744,363	93,744,716
Current liabilities					
Loans and borrowings (unsecured)	21	52,438,880	72,165,248	10,700,000	46,944,850
Loans and borrowings (secured)	21	116,316	104,484	11,259	10,716
Trade and other payables	22	137,690,606	154,467,961	9,653,367	14,528,335
Gross amount due to customers for contract work	16	1,199,113	927,583	1,089,951	907,741
Amounts due to subsidiary companies	18	–	–	2,122,074	2,092,570
Dividend payable		1,401,009	–	–	–
Income tax payable		4,768,258	3,391,025	3,681,091	598,871
		197,614,182	231,056,301	27,257,742	65,083,083
Net current assets		51,827,819	80,649,324	26,486,621	28,661,633
Non-current liabilities					
Deferred tax liabilities	9	(9,295,260)	(11,190,652)	(3,731,833)	(5,716,010)
Loans and borrowings (secured)	21	(131,267)	(148,701)	(20,950)	(32,209)
Net assets		306,720,768	340,795,804	161,457,077	160,202,213
Equity attributable to equity holders of the Company					
Share capital	23	96,748,888	59,325,478	96,748,888	59,325,478
Reserves	24	178,965,144	251,331,082	64,708,189	100,876,735
		275,714,032	310,656,560	161,457,077	160,202,213
Minority interests		31,006,736	30,139,244	–	–
Total equity		306,720,768	340,795,804	161,457,077	160,202,213

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For The Financial Year Ended 31 December 2006

(In Singapore dollars)

	Attributable to equity holders		
	Share capital $	**Share premium $**	**Capital reserve $**
2005			
Group			
At 1 January 2005	47,460,382	49,288,506	140,256
Net effect of exchange differences	–	–	–
Transfer to statutory reserve	–	–	–
Net gains and losses recognised directly in equity	–	–	–
Profit for the year	–	–	–
Total recognised gains for the year	–	–	–
Dividends on ordinary shares less tax (Note 31)	–	–	–
Issuance of bonus shares	11,865,096	(11,865,096)	–
Issuance of a subsidiary's shares	–	–	–
At 31 December 2005	59,325,478	37,423,410	140,256
2006			
Group			
At 1 January 2006	59,325,478	37,423,410	140,256
Net effect of exchange differences	–	–	–
Transfer to statutory reserve	–	–	–
Revaluation of property, plant and equipment	–	–	–
Net gains and losses recognised directly in equity	–	–	–
(Loss)/profit for the year	–	–	–
Total recognised gains and losses for the year	–	–	–
Dividends on ordinary shares less tax (Note 31)	–	–	–
Dilution of interests in subsidiary companies	–	–	–
Issuance of shares in a subsidiary	–	–	–
Transfer of share premium to share capital	37,423,410	(37,423,410)	–
At 31 December 2006	96,748,888	–	140,256

of the Company					Minority interests	Total equity
Statutory reserve $	Revaluation reserve $	Foreign currency translation reserve $	Revenue reserve $	Total $	$	$
7,491,604	2,656,300	(3,412,488)	193,735,476	297,360,036	29,896,121	327,256,157
321,936	–	7,022,029	–	7,343,965	625,992	7,969,957
459,936	–	–	(459,936)	–	–	–
781,872	–	7,022,029	(459,936)	7,343,965	625,992	7,969,957
–	–	–	12,122,409	12,122,409	3,248,371	15,370,780
781,872	–	7,022,029	11,662,473	19,466,374	3,874,363	23,340,737
–	–	–	(6,169,850)	(6,169,850)	(4,231,240)	(10,401,090)
–	–	–	–	–	–	–
–	–	–	–	–	600,000	600,000
8,273,476	2,656,300	3,609,541	199,228,099	310,656,560	30,139,244	340,795,804
8,273,476	2,656,300	3,609,541	199,228,099	310,656,560	30,139,244	340,795,804
(393,020)	–	(7,313,223)	–	(7,706,243)	(413,470)	(8,119,713)
321,457	–	–	(321,457)	–	–	–
–	(1,965,705)	–	–	(1,965,705)	–	(1,965,705)
(71,563)	690,595	(7,313,223)	(321,457)	(9,671,948)	(413,470)	(10,085,418)
–	–	–	(20,524,557)	(20,524,557)	2,603,415	(17,921,142)
(71,563)	–	(7,313,223)	(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
–	–	–	–	–	–	–
8,201,913	690,595	(3,703,682)	173,636,062	275,714,032	31,006,736	306,720,768

Statements of Changes in Equity
For The Financial Year Ended 31 December 2006

(In Singapore dollars)

	Attributable to equity holders of the Company					
	Share capital $	Share premium $	Revaluation reserve $	Foreign currency translation reserve $	Revenue reserve $	Total equity $
2005						
Company						
At 1 January 2005	47,460,382	49,288,506	2,656,300	(2,000)	57,778,077	157,181,265
Net effect of exchange differences	–	–	–	2,000	–	2,000
Net gains recognised directly in equity	–	–	–	2,000	–	2,000
Profit for the year	–	–	–	–	9,188,798	9,188,798
Total recognised gains for the year	–	–	–	2,000	9,188,798	9,190,798
Dividends on ordinary shares less tax (Note 31)	–	–	–	–	(6,169,850)	(6,169,850)
Issuance of bonus shares	11,865,096	(11,865,096)	–	–	–	–
At 31 December 2005	59,325,478	37,423,410	2,656,300	–	60,797,025	160,202,213

	Attributable to equity holders of the Company				
	Share capital $	Share premium $	Revaluation reserve $	Revenue reserve $	Total equity $
2006					
Company					
At 1 January 2006	59,325,478	37,423,410	2,656,300	60,797,025	160,202,213
Revaluation of property, plant and equipment	–	–	(1,965,705)	–	(1,965,705)
Net loss recognised directly in equity	–	–	(1,965,705)	–	(1,965,705)
Profit for the year	–	–	–	7,966,592	7,966,592
Total recognised gains and losses for the year	–	–	(1,965,705)	7,966,592	6,000,887
Dividends on ordinary shares less tax (Note 31)	–	–	–	(4,746,023)	(4,746,023)
Transfer of share premium to share capital	37,423,410	(37,423,410)	–	–	–
At 31 December 2006	96,748,888	–	690,595	64,017,594	161,457,077

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement
For The Financial Year Ended 31 December 2006

(In Singapore dollars)

	Note	2006 $	2005 $
Cash flows from operating activities :			
(Loss)/profit before income tax		(9,505,702)	22,925,946
Adjustments for :			
Depreciation of property, plant and equipment	11	31,210,533	29,993,336
Gain on disposal of property, plant and equipment	5	(34,814)	(83,007)
Property, plant and equipment written-off	8	43,981	1,244,274
Interest income	5	(1,331,418)	(1,405,134)
Interest on borrowings	6	1,524,903	2,197,228
Exceptional items	7	(19,671,058)	–
Share of results of associated companies		(1,059,903)	(1,314,084)
Gain on liquidation of a subsidiary company	5	–	(29,027)
Currency realignment		(173,218)	2,458,148
Operating profit before working capital changes		1,003,304	55,987,680
Decrease/(increase) in trade and other receivables		9,222,178	(14,160,520)
Decrease/(increase) in inventories		19,890,020	(16,760,528)
Increase in gross amount due from customers for contract work		(1,330,384)	(3,005,175)
(Decrease)/increase in trade and other payables		(6,407,887)	16,652,175
Increase in gross amount due to customers for contract work		271,530	927,583
Cash flows generated from operations		22,648,761	39,641,215
Income tax paid		(3,368,498)	(8,192,793)
Net cash provided by operating activities		19,280,263	31,448,422
Cash flows from investing activities :			
Payment for purchase of property, plant and equipment		(51,069,684)	(75,708,624)
Interest on borrowings capitalised to property, plant and equipment		(923,885)	–
Proceeds from disposal of property, plant and equipment		328,881	244,427
Proceeds from sale of leasehold properties		48,051,818	–
Advances from/(to) an associated company		441,315	(4,308)
Investment in an associated company		(434,600)	–
Proceeds from disposal of shares in subsidiary companies		4,215,374	–
Interest income received		1,331,418	1,405,134
Net cash flows from/(used in) investing activities		1,940,637	(74,063,371)
Cash flows from financing activities :			
(Repayments on)/proceeds from loans and borrowings		(19,731,970)	17,279,567
Dividends paid to minority shareholders		(3,921,249)	(4,231,240)
Dividends paid on ordinary shares by the Company		(4,746,023)	(6,169,850)
Net proceeds from issuance of subsidiary company shares to minority shareholders		300,000	600,000
Interest on borrowings paid		(1,524,903)	(2,197,228)
Net cash flows (used in)/from financing activities		(29,624,145)	5,281,249
Net decrease in cash and cash equivalents		(8,403,245)	(37,333,700)
Cash and cash equivalents at beginning of financial year		60,411,795	97,745,495
Cash and cash equivalents at end of financial year	14	52,008,550	60,411,795

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

1. Corporate information

Fu Yu Corporation Limited is a limited liability company which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange. The immediate and ultimate holding company is Fu Yu Holding Pte Ltd, which is incorporated in the Republic of Singapore.

The registered office and principal place of business of the Company is located at No. 2, Serangoon North Avenue 5, Singapore 554911.

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 subsidiary companies 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.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except for certain leasehold properties that are carried at revalued amounts, and financial assets and liabilities that are carried at fair value or amortised cost according to the respective categories.

The financial statements are presented in Singapore Dollars (SGD or $).

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for changes in accounting policies discussed in Note 2.2.

2.2 Changes in accounting policies

(a) Adoption of revised FRS

In 2006, the Group and the Company adopted the following revised FRS which is relevant to its operations.

<u>Amendments to FRS 39 - Financial Instruments : Recognition and Measurement - Financial Guarantee Contracts</u>

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(a) Adoption of revised FRS (cont'd)

The amendments to FRS 39, which took effect from financial years beginning on or after 1 January 2006, require the Company to measure the financial guarantees given to banks for bank borrowings of its subsidiary companies at fair value upon inception of the guarantees. These guarantees are subsequently measured at the higher of their initial fair values less cumulative amortisation and the amount that would be recognised if they are accounted for as contingent liabilities. Previously, these financial guarantees were accounted for as contingent liabilities whereby a loss was recognised only if it was probable that it would be incurred.

The adoption of the Amendments to FRS 39 is assessed to have no material financial impact on the results and the accumulated profits of the Company for the year ended 31 December 2006. This change has no impact to the Group's financial statements.

(b) Adoption of Exposure Draft not yet effective

On 1 January 2006, the Group has adopted Exposure Draft ("ED") FRS 23 - Borrowing Costs for the current financial year. This ED FRS 23 allows an entity to capitalise borrowing costs incurred in connection with the construction of a qualifying asset as part of the costs of the fixed asset and subsequently depreciated accordingly.

As at 31 December 2006, $923,885 (2005: nil) has been capitalised in property, plant and equipment.

(c) FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
INT FRS 107	:	Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	:	Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	:	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 40 and FRS 107 and the amendment to FRS 1 as indicated below.

- FRS 40, Investment Property

  FRS 40 requires investment properties, defined as properties held either to earn rentals or for capital appreciation or both, to be measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the profit and loss account in the year in which they arise. The Group will apply FRS 40 from annual period beginning 1 January 2007 and expects that the adoption of FRS 40 will have no significant impact on the financial statements in the period of initial application.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(c) FRS and INT FRS not yet effective (cont'd)

- FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)

  FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 January 2007.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) 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. The carrying amount of the Group's income tax payables at 31 December 2006 was $4,768,258 (2005: $3,391,025).

(ii) Depreciation of property, plant and equipment

These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 60 years. The carrying amounts of the Group's property, plant and equipment at 31 December 2006 were $263,670,922 (2005: $263,775,062). 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.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

(b) Critical judgements made in applying accounting policies

Judgement made by management in the application of FRS that has a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment is discussed below:

- Impairment of investments and financial assets

  The Group and the Company follow the guidance of FRS 36 - Impairment of Assets and FRS 39 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.

2.4 Subsidiary companies and principles of consolidation

(a) Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the holding company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.4 Subsidiary companies and principles of consolidation (cont'd)

(b) Principles of consolidation (cont'd)

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.6 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.5 Associated companies

An associated company is an entity, not being a subsidiary company or joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated companies is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the profit or loss of the associated companies is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associated companies, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associated company is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associated companies are accounted for at cost less impairment losses.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.6 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Certain properties are subsequently revalued, on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

When an asset is revalued, any increase in the carrying amount is credited directly to the revaluation reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset which was previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is deducted against the revaluation reserve to the extent of any balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows :

Leasehold properties	-	over the period of the respective leases ranging from 16 to 60 years
Renovations	-	5 years
Factory equipment, plant and machinery	-	10 years
Motor vehicles	-	5 years
Office equipment, computers electrical installations and furniture and fittings	-	3 to 5 years
Erectable stores	-	2 to 10 years
Leasehold improvement	-	3 years

Buildings under construction are not depreciated as these assets are not available for use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

(a) Financial assets at fair value through profit or loss

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.28.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value plus directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables :

- cash and cash equivalents
- trade and other receivables
- amounts due from subsidiary companies
- amount due from an associated company
- gross amount due from customers for contract work

2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.11 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On the derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised in equity is recognised in the profit and loss account.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.12 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Raw materials	-	purchase cost on weighted average basis; and
Finished goods and work-in-progress	-	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

2.13 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. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contact costs will exceed total contract revenue. The percentage of completion is measured by reference to the stages and progress of work performed records maintained by the division.

2.14 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-120 day terms, other payables, payables to subsidiary companies, gross amount due to customers for contract work and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.15 Trade and other receivables

Trade receivables which are classified as loans and receivables, generally have 30-120 days credit terms. Bad debts are written-off to the profit and loss account as incurred.

Amounts due from related parties are classified as loans and receivables.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.16 Trade and other repayables

Liabilities for trade and other amounts payable which are normally settled on 30-120 day terms, are classified as financial liabilities.

Amounts due to related parties are classified as financial liabilities.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.18 Loans and borrowings

All loans and borrowings are designated as financial liabilities.

2.19 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.20 Segments

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

For management purposes, the Group is organised into four geographical segments. The divisions are on the basis which the Group reports its primary segment information.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, interest-bearing loans and related expenses. 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.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.21 Leases

Where the Group is the Lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Where the Group is the Lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.22 Government grants

Assets related grants from the Economic Development Board ("EDB") and the Agency for Science, Technology and Research ("A*STAR") are credited to a deferred assets grants account and are released to the profit and loss accounts on a straight line basis over the estimated useful life of the underlying assets.

Income-related grants are recognised in the profit and loss account over the period necessary to match the costs that it is intended to compensate.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.23 Taxation

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.23 Taxation (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and bank balances, fixed deposits and short-term securities with financial institutions.

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold.

In the Group's full year results announcement for the year ended 31 December 2005, and in the subsequent interim reporting periods ended 31 March 2006 and 30 June 2006, and 30 September 2006, there were goods delivered to customers but not invoiced for longer than 30 days (beyond the normal period within which invoices are expected to be raised). These goods delivered but not invoiced occurred in the Group's China subsidiaries. The significant delays in the issuance of invoices was apparently a result of these goods deliveries not been properly monitored and managed by the Group Senior General Manager of China who had since resigned.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.25 Revenue (cont'd)

As at 31 December 2006, there were sales recognised for which invoices have not been issued for longer than 30 days of S$8,206,810 (2005: S$7,166,613). As at 28 February 2007, these goods delivered but not invoiced for longer than 30 days stood at S$5.6 million. The directors will continue to monitor the goods delivered but not invoiced for more than 30 days to ensure that proper invoicing is being carried out.

Tooling contracts

Accounting policy for recognising tooling contracts is stated in Note 2.13.

Commission income

Revenue is recognised when the right to receive the payment is established.

Interest income

Interest income is recognised on a time proportion basis (using the effective interest method) unless collectibility is in doubt.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases.

Government grants

Refer to the policy on government grants stated in Note 2.22.

2.26 Functional and foreign currency

(i) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

2. Summary of significant accounting policies (cont'd)

2.26 Functional and foreign currency (cont'd)

(iii) Foreign currency translation

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.27 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.28 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from operational, financing and investment activities that do not qualify for hedge accounting.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the profit and loss account for the year.

2.29 Non-current assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment held for sale are not subject to depreciation.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

3. Group companies

The subsidiary companies and associated companies at 31 December 2006 are :-

	Name of company	Place of incorporation/ establishment and business	Principal activities	Percentage of equity held by the Group 2006 %	2005 %
Held by Fu Yu Corporation Limited					
Subsidiary companies					
#	Fu Yu Investment Pte Ltd	Singapore	Investment holding	100	100
**	Chang Fu Resources Pte Ltd	Singapore	Dormant	100	100
**	IFN Pte Ltd	Singapore	Investment holding	100	100
#	NanoTechnology Manufacturing Pte. Ltd.	Singapore	Manufacturing of ultra precision tools and dies, precision moulding and stamping	80	80
*	Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	100	100
*	Fu Yu Moulding & Tooling (Shanghai) Co., Ltd	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	100	100
*	Fu Yu Trading Limited	Hong Kong	General trading	100	100
*	Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	100	100

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

3. Group companies (cont'd)

	Name of company	Place of incorporation/ establishment and business	Principal activities	Percentage of equity held by the Group	
				2006 %	2005 %
	Held by Fu Yu Corporation Limited				
	Subsidiary companies				
*	Fu Yu Mexico, S.A. De C.V.	Mexico	Dormant (under members' voluntary liquidation)	90	90
*	Fu Yu International Enterprise Limited	Hong Kong	Management services	100	100
*	Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components	100	100
*	Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components	100	100
*	QingDao Fu Qiang Electronics Co., Ltd	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components	100	100
**	Fu Ying Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	100	100
**	Fu Yu Electronics (Dongguan) Co., Ltd	People's Republic of China	Precision moulding, production and assembly of electronics products	100	100
#	SolidMicron Technologies Pte. Ltd.	Singapore	Manufacturing, research and development, product design and development and commercialisation of new technologies and consultancy	100	-

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(In Singapore dollars)

3. Group companies (cont'd)

	Name of company	Place of incorporation/ establishment and business	Principal activities	Percentage of equity held by the Group 2006 %	2005 %
	Held through subsidiary companies				
	Subsidiary companies				
*	LCTH Corporation Berhad	Malaysia	Investment holding and management services provider	62.69	77.77
*	Classic Advantage Sdn Bhd	Malaysia	Manufacture and sub-assembly of precision plastic parts and components and fabrication of precision moulds and dies	62.69	77.77
*	Fu Hao Manufacturing (M) Sdn Bhd	Malaysia	Manufacture and sub-assembly of precision plastic parts and components	62.69	77.77
*	Fu Yu Moulding & Tooling (Tianjin) Co.,Ltd.	People's Republic of China	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies	100	100
*	Fortune Mission Sdn Bhd	Malaysia	Dormant (under members' voluntary liquidation)	100	100
*	Fu Yu Guadalajara S.A. De C.V.	Mexico	Dormant (under members' voluntary liquidation)	100	100
*	Fu Yu Mexico, S.A. De C.V.	Mexico	Dormant (under members' voluntary liquidation)	10	10
	Associated companies				
**	Kodon (Tianjin) Electronic & Electrical Apparatus Co., Ltd.	People's Republic of China	Developing, manufacturing and sale of electronic products and equipment for medical use	48	48
*	O-I Plastics Malaysia Sdn. Bhd.	Malaysia	Manufacturing and assembling of precision plastic moulded products for electrical, electronics, healthcare, food and petroleum industries	25.08	–

Notes:
\# Audited by Ernst & Young, Singapore.
* Audited by other member firms of Ernst & Young Global.
** Audited by other firms of auditors.

Notes to the Financial Statements
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4. Sales

	Group	
	2006	**2005**
	$	**$**
Sales of goods	369,908,179	366,572,621
Revenue recognised on tooling contracts	45,751,887	59,035,331
	415,660,066	425,607,952

5. Other revenue

	Group	
	2006	**2005**
	$	**$**
Interest income	1,331,418	1,405,134
Rental income	1,783,260	1,558,931
Government grants		
- asset related (Note 25)	19,658	34,432
- income related (Note 25)	47,000	–
Gain on disposal of property, plant and equipment	34,814	83,007
Sale of scrap and raw materials	2,828,353	3,100,362
Creditors written-off	–	320,113
Foreign exchange (loss)/gain, net	(3,234,453)	2,973,707
Gain on liquidation of a subsidiary company	–	29,027
Others	425,563	253,802
	3,235,613	9,758,515

6. Interest on borrowings

	Group	
	2006	**2005**
	$	**$**
Interest expense on:		
- finance leases	17,694	10,894
- bank loans	1,507,209	2,186,206
- bank overdrafts	–	128
	1,524,903	2,197,228

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31 December 2006

(In Singapore dollars)

7. Exceptional items

	Group 2006 $	Group 2005 $
Gain on sale of a leasehold property previously classified as an asset held for sale	19,155,489	–
Dilution of interest in subsidiary companies due to change in group structure	515,569	–
	19,671,058	–

8. (Loss)/profit before income tax

	Group 2006 $	Group 2005 $
(Loss)/ profit before tax is stated after charging/ (crediting):		
Sum paid or payable to :		
- Directors of the Company		
- Fees	315,781	228,975
- Contributions to defined contribution schemes	45,837	20,029
- Other emoluments	2,812,766	3,676,508
- Directors of subsidiary companies		
- Fees	64,256	65,339
- Contributions to defined contribution schemes	25,731	21,120
- Other emoluments	248,553	166,529
- Auditors of the Company		
- Audit fees		
- current financial year	145,500	136,500
- underprovision of prior year	(3,500)	(31,039)
- non-audit fees	70,345	62,022
- Other auditors		
- Audit fees		
- current financial year	316,265	300,443
- underprovision of prior year	36,430	–
- non-audit fees	56,962	26,884
Staff costs		
- salaries, bonuses and other costs	77,565,702	70,472,119
- contributions to defined contribution schemes	5,490,454	4,964,512
Operating lease expenses	5,747,498	3,072,148
Property, plant and equipment written-off	43,981	1,244,274
Bad debts written-off	–	191,215
Inventories written-off	2,452,672	4,233,344
Exchange loss/(gain)	3,234,453	(2,973,707)

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

8. (Loss)/profit before income tax (cont'd)

The number of Directors of the Company within each remuneration band are as follows:

	Number of Directors 2006	2005
$750,000 to $999,999	1	4
$500,000 and $749,999	3	–
$250,000 to $499,999	1	–
Below $250,000	3	4
Total	8	8

9. Taxation

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2006 and 2005 are :

	Group 2006 $	2005 $
(i) Profit and loss account		
Current income tax		
Current income taxation		
- Singapore	3,939,584	518,394
- Malaysia	1,045,153	1,125,614
- China	877,230	2,569,362
- Others	–	1,333
(Over)/under provision of income tax in respect of previous financial years	(512,843)	1,825,079
Deferred income tax		
Movement in temporary differences	3,206,373	1,787,605
Overprovision of deferred taxation in respect of previous financial years	(140,057)	(272,221)
	8,415,440	7,555,166

	Group and Company 2006 $	2005 $
(ii) Statements of changes in equity		
Deferred income tax related to items charged or credited directly to equity		
Release of deferred tax on revaluation of leasehold properties	491,457	–

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(In Singapore dollars)

9. Taxation (cont'd)

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2006 and 2005 is as follows :

	Group	
	2006 $	2005 $
(Loss)/profit before tax	(9,505,702)	22,925,946
Tax calculated at statutory tax rate of 20% (2005 : 20%)	(1,901,140)	4,585,189
Expenses not deductible for tax purposes	3,610,154	1,570,564
Deferred tax assets not recognised	10,043,938	1,222,874
Utilisation of capital allowances and losses previously not recognised and utilisation of reinvestment allowances	(2,811,594)	(3,348,018)
(Over)/under provision in prior financial years	(652,900)	1,552,858
Effect of different tax rates in other countries	611,287	2,031,868
Effect of income not subject to tax	(4,387,058)	(1,000,593)
Effect of changes in tax rates	(168,869)	–
Release of deferred tax relating to revaluation of properties	(563,143)	(50,619)
Deferred tax assets no longer qualified for recognition	4,396,616	816,834
Others	238,149	174,209
	8,415,440	7,555,166

Deferred taxes as of 31 December relate to the following:

	Group				Company			
	Deferred tax assets		Deferred tax liabilities		Deferred tax assets		Deferred tax liabilities	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
(Deficit)/excess of net book value over tax written down value of property, plant and equipment	(132,061)	(1,050,503)	8,796,317	10,385,552	–	–	3,111,841	4,857,880
Revaluation reserve	–	–	713,889	1,277,032	–	–	713,889	1,277,032
Employee benefits	(215,592)	(100,607)	–	–	(93,897)	(100,607)	–	–
Provisions	(23,973)	(3,930,401)	–	–	–	(67,593)	–	–
Others	(27,813)	(280,605)	–	–	–	(250,702)	–	–
Deferred tax (assets)/ liabilities	(399,439)	(5,362,116)	9,510,206	11,662,584	(93,897)	(418,902)	3,825,730	6,134,912
Set-off	214,946	471,932	(214,946)	(471,932)	93,897	418,902	(93,897)	(418,902)
Net deferred tax (assets)/liabilities	(184,493)	(4,890,184)	9,295,260	11,190,652	–	–	3,731,833	5,716,010

Notes to the Financial Statements
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9. Taxation (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 income taxes relate to the same tax authority.

Unrecognised tax losses and allowances

The Group has tax losses and reinvestment allowances of approximately $41,242,507 (2005: $1,746,000) and $3,564,589 (2005 : $1,197,110) respectively that are available for offset against future taxable profits of the companies in which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and allowances are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

10. (Loss)/earnings per share

Basic earnings per share and diluted earnings per share are calculated on the Group's net (loss)/profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the year.

There are no dilutive potential ordinary shares.

The following table reflects the profit and loss account and share data used in the computation of basic and diluted earnings per share for the years ended 31 December.

	Group	
	2006	**2005**
	$	**$**
Earnings		
(Loss)/ profit attributable to equity holders of the Company	(20,524,557)	12,122,409
	Number	**Number**
Number of shares		
Weighted average number of ordinary shares for calculation of basic earnings per share and diluted earnings per share	593,254,775	560,747,664
	Cents	**Cents**
(Loss)/earnings per share		
Basic and diluted	(3.46)	2.16

Notes to the Financial Statements
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(In Singapore dollars)

11. Property, plant and equipment

Group	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, furniture and fittings $	Other assets $	Buildings under construction $	Total $
Cost and valuation							
At 1 January 2006	133,536,469	230,313,903	4,918,299	16,097,920	8,125,859	5,575,006	398,567,456
Currency realignment	2,292,600	5,559,246	97,750	252,496	63,248	163,289	8,428,629
Additions	14,472,194	47,833,067	924,471	4,614,366	4,336,694	14,485,465	86,666,257
Disposals/ write-off	(29,310)	(3,026,527)	(118,401)	(1,912,970)	(1,475,417)	–	(6,562,625)
Assets held for sale (Note 20)	(42,850,184)	–	–	–	–	–	(42,850,184)
Reclassification	422,808	66,528	536	52,159	62,956	(604,987)	–
At 31 December 2005 and 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
Representing :-							
Cost	110,845,572	301,813,215	5,442,576	20,280,902	11,935,872	5,157,547	455,475,684
Valuation - 2006	14,930,000	–	–	–	–	–	14,930,000
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
Accumulated depreciation							
At 1 January 2005	30,652,077	115,977,951	2,840,504	11,802,531	4,880,490	–	166,153,553
Currency realignment	370,868	2,368,796	60,759	129,727	34,928	–	2,965,078
Depreciation charge for the year	5,021,515	21,030,040	815,534	1,981,063	1,145,184	–	29,993,336
Disposals/ write-off	(3,928)	(2,054,120)	(118,401)	(1,852,099)	(1,128,383)	–	(5,156,931)
Assets held for sale (Note 20)	(13,480,565)	–	–	–	–	–	(13,480,565)
Reclassification	–	(23,717)	–	2,817	20,900	–	–
At 31 December 2005 and 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 charge 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
Net carrying amount :							
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 2005	85,284,610	143,447,267	2,224,259	7,039,932	6,160,221	19,618,773	263,775,062

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(In Singapore dollars)

11. Property, plant and equipment (cont'd)

Company	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, furniture and fittings $	Other assets $	Total $
Cost and valuation						
As at 1 Janyary 2005	69,464,054	57,269,452	2,429,956	8,861,604	3,738,057	141,763,123
Additions	–	795,353	73,563	456,380	1,135,385	2,460,681
Disposals/ write-off	(29,310)	(1,157,823)	(118,401)	(1,435,639)	(5,380)	(2,746,553)
Asset held for sale (Note 20)	(38,638,196)	–	–	–	–	(38,638,196)
Transferred to subsidiary companies	–	(7,069,532)	–	(4,408)	–	(7,073,940)
At 31 December 2005 and 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
Representing :-						
Cost	13,409,386	50,120,043	2,295,118	8,092,600	4,945,625	78,862,772
Valuation - 2006	14,930,000	–	–	–	–	14,930,000
At 31 December 2006	28,339,386	50,120,043	2,295,118	8,092,600	4,945,625	93,792,772
Accumulated depreciation						
At 1 January 2005	22,395,676	36,517,835	1,452,580	8,124,603	3,415,194	71,905,888
Depreciation charge for the year	2,689,584	3,936,038	367,320	407,712	202,489	7,603,143
Disposals/write-off	(3,928)	(1,078,708)	(118,401)	(1,434,305)	(5,380)	(2,640,722)
Assets held for sale (Note 20)	(12,674,698)	–	–	–	–	(12,674,698)
Transferred to subsidiary companies	–	(5,370,324)	–	(2,210)	–	(5,372,534)
At 31 December 2005 and 1 January 2006	12,406,634	34,004,841	1,701,499	7,095,800	3,612,303	58,821,077
Depreciation charge 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
Net carrying amount:						
At 31 December 2006	14,882,800	13,612,235	269,121	594,017	1,015,309	30,373,482
At 31 December 2005	18,389,914	15,832,609	683,619	782,137	1,255,759	36,944,038

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11. 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 cost of leasehold property during the financial year ended 31 December 2006 amounted to $923,885 (2005 : Nil). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.5% (2005 : Nil).

The Group and the Company have engaged United Premas Ltd, an independent valuer to determine the fair value of its certain 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 $1,965,705 (2005: $nil) had been taken to the asset revaluation reserve. The carrying amount of these assets included in the financial statements as at 31 December 2006 was $14,882,800 (2005 : $14,890,667). Had these assets been carried at cost less depreciation, the carrying amount would have been $8,055,114 (2005 : $8,505,228).

Other assets

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

Assets held under finance leases

The carrying amount of motor vehicles, office equipment, furniture and fittings held under finance leases as at 31 December 2006 for the Group and Company was $294,733 (2005 : $244,507) and $21,892 (2005 : $51,082) respectively.

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

Notes to the Financial Statements
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12. Investment in subsidiary companies

	Company 2006 $	Company 2005 $
Unquoted investment, at cost	129,344,001	110,287,582
Less : Allowance for impairment in value	(20,994,244)	(9,942,821)
	108,349,757	100,344,761
Analysis of allowance for impairment in value :		
Balance at beginning of financial year	9,942,821	10,113,621
Allowance made during the financial year	11,051,423	–
Investment written off against allowance	–	(170,800)
Balance at end of financial year	20,994,244	9,942,821

The investment of $170,800 written off against allowance made in prior years is in respect of a subsidiary company that was liquidated during the previous financial year.

Details of subsidiary companies are included in Note 3.

13. Investment in associated companies

	Group 2006 $	Group 2005 $
Unquoted investment, at cost	434,600	1,307,563
Share of post-acquisition reserves		
- prior financial years	–	672,720
- current financial year	(41,312)	1,314,084
Goodwill arising on consolidation and charged to revenue reserve	–	(636,470)
Currency realignment	(183)	39,322
	393,105	2,697,219

Details of associated companies are set out in Note 3.

Investment in an associated company, Kodon (Tianjin) Electronics & Electrical Apparauts Co., Ltd has been reclassified to assets classified as held for sale (Note 20).

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13. Investment in associated companies (cont'd)

The summarised financial information of the associated company are as follows:

	2006 $	2005 $
Assets and liabilities :		
Current assets	1,178,294	7,871,694
Non-current assets	1,259	580,651
Total assets	1,179,553	8,452,345
Current liabilities	262,556	2,245,472
Results :		
Revenue	–	19,508,870
(Loss)/profit for the year	(164,753)	2,656,276

14. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following :

	Group	
	2006 $	2005 $
Fixed deposits pledged	70,956	123,368
Other fixed deposits	545,286	2,943,210
Cash and bank balances	25,006,385	21,576,969
Short-term debt securities with financial institutions	26,385,923	35,768,248
	52,008,550	60,411,795

The above fixed deposits of $70,956 (2005 : $123,368) 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 (2005: 12 months) from the financial year end. Effective interest rates range from 3.00% to 3.70% (2005: 1.68% to 4.10%) per annum. Short term debt securities earn a weighted average effective interest rate of 5.8% p.a. (2005 : 2.8%) during the year.

Included in cash and cash equivalents of the Group is an amount of approximately $7,072,000 (2005 : $6,665,000) denominated in US dollars.

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15. Inventories

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Finished goods	19,789,725	26,889,623	3,161,446	2,193,913
Work-in-progress	4,745,657	14,011,378	60,079	1,114,850
Raw materials	26,533,834	30,058,235	901,543	1,023,615
	51,069,216	70,959,236	4,123,068	4,332,378
Inventories are stated after deducting allowance for impairment losses	14,681,652	5,175,607	228,597	337,967
Analysis of allowance for impairment losses :				
Balance at beginning of financial year	5,175,607	4,871,653	337,967	524,815
Charge/(write-back) to profit and loss accounts	12,927,170	2,757,288	(109,370)	(186,848)
Inventory written-off against allowance	(3,047,101)	(2,676,645)	–	–
Currency realignment	(374,024)	223,311	–	–
Balance at end of financial year	14,681,652	5,175,607	228,597	337,967
Inventories written-off directly to profit and loss accounts	2,452,672	4,233,344	–	–

16. Gross amount due from/(to) customers for contract work

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Contract costs incurred to date	14,094,923	8,918,379	12,555,010	8,498,130
Recognised profits less recognised losses to date	1,122,187	2,101,349	916,880	1,942,988
	15,217,110	11,019,728	13,471,890	10,441,118
Progress billings	(12,080,664)	(8,942,136)	(10,672,800)	(8,892,494)
Amount due from customers for contract work, net	3,136,446	2,077,592	2,799,090	1,548,624
Gross amount due from customers for contract work	4,335,559	3,005,175	3,889,041	2,456,365
Gross amount due to customers for contract work	(1,199,113)	(927,573)	(1,089,951)	(907,741)
	3,136,446	2,077,592	2,799,090	1,548,624

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17. Trade and other receivables, net

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Trade receivables, net of impairment provision	125,669,440	136,375,249	11,058,422	12,563,184
Prepaid expenses	1,338,916	1,618,423	279,603	238,158
Sundry deposits	578,863	620,137	65,975	73,520
Tax recoverable	3,409,197	3,878,908	–	–
Other receivables, net	6,241,857	2,580,985	447,169	238,981
Deposits paid to suppliers	1,168,583	2,532,943	4,777	60,643
	138,406,856	147,606,645	11,855,946	13,174,486
Trade and other receivables are stated after impairment provision of	27,038,654	16,217,986	1,887,505	1,853,255

Included in trade and other receivables of the Group is an amount of approximately $73,575,000 (2005 : $53,577,000) denominated in US dollars.

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Analysis of impairment provision :				
Balance at beginning of financial year	16,217,986	13,246,839	1,853,255	579,310
Charge to profit and loss accounts	13,183,452	6,656,855	34,250	1,418,096
Bad debts written-off against provision	(1,529,873)	(4,293,199)	–	(144,151)
Currency realignment	(832,911)	607,491	–	–
Balance at end of financial year	27,038,654	16,217,986	1,887,505	1,853,255
Bad debts written-off directly to profit and loss accounts	–	191,215	–	–

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(In Singapore dollars)

18. Amounts due from/ (to) subsidiary companies

	Company	
	2006	2005
	$	$
Amounts due from subsidiary companies :		
Trade	290,531	–
Non-trade	32,543,120	46,655,648
Amounts due from subsidiary companies after deducting impairment provision of $nil (2005 : $5,801,922)	32,833,651	46,655,648
Analysis of allowance for impairment losses :		
Balance at beginning of financial year	5,801,922	6,193,683
Bad debts written-off against provision	–	(391,761)
Write back of provision	(5,801,922)	–
Balance at end of financial year	–	5,801,922
Bad debts written-off directly to profit and loss account	–	40,120
Amounts due to subsidiary companies :		
Trade	1,133,207	1,279,889
Non-trade	988,867	812,681
	2,122,074	2,092,570

The amounts due from/(to) subsidiary companies are unsecured, non-interest bearing and are repayable on demand for non-trade related balances. Trade related balances with subsidiary companies are normally settled on 30 - 120 day terms.

19. Amount due from an associated company

The amount due from an associated company is trade in nature, unsecured, non-interest bearing and is normally settled on 90 days terms.

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(In Singapore dollars)

20. Assets classified as held for sale

The assets classified as held for sale are as follows :

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Cost (Note 11)	–	42,850,184	–	38,638,196
Accumulated depreciation (Note 11)	–	(13,480,565)	–	(12,674,698)
Net carrying value	–	29,369,619	–	25,963,498
Investment in an associated company	3,657,568	–	–	–
	3,657,568	29,369,619	–	25,963,498

The components of investment in an associated company classified as held for sale are as follows :

	Group	
	2006 $	2005 $
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	–	–
At net realisable value	3,657,568	–

The summarised financial information of the associated company classified as held for sale are as follows :

	Group	
	2006 $	2005 $
Assets and liabilities:		
Current assets	10,670,160	–
Non-current assets	676,210	–
	11,346,370	–
Current liabilities	3,490,645	–
Results:		
Revenue	20,907,744	–
Profit for the year	1,895,724	–

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(In Singapore dollars)

20. Assets classified as held for sale (cont'd)

(a) The current assets classified as held for sale as at 31 December 2006 comprises of the investment in an associated company - Kodon (Tianjin) Electronics & Electrical Apparatus Co., Ltd ("Kodon") held by Fu Yu Investment Pte Ltd ("FYI"), a wholly-owned subsidiary of the Group. During the financial year, FYI entered into a Share Sale and Purchase and Rights and Obligations Transfer Agreement with Heddington Limited ("HL") for the sales of its entire 48% equity interest in Kodon. The disposal is pending for the transfer of legal ownership of Kodon with the respective authorities.

(b) The current assets classified as held for sale as at 31 December 2005 comprises of two properties. One of the property relates to a sale and lease back of the property situated at 2 Serangoon North Avenue 5, Singapore 554911. The sale and leaseback was completed on 7 February 2006. The other property relates to the disposal of property at 11 Cheng Hu Road, Wu Zhong Economic Skill Development Zone, Suzhou, China 215128 by a Suzhou subsidiary. The disposal was completed during the financial year.

21. Loans and borrowings

At 31 December, short-term bank loans and borrowings are as follows:

	Weighted average effective interest rate (p.a.)	Maturity	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Current:						
Obligations under finance leases - secured	4.9%	2007	116,316	104,484	11,259	10,716
Short term loans, unsecured	3.9 to 6.4%	2007	52,438,880	72,165,248	10,700,000	46,944,850
			52,555,196	72,269,732	10,711,259	46,955,566
Non-current:						
Obligations under finance leases - secured	4.9%	2008 - 2012	131,267	148,701	20,950	32,209

Bank loans

The Group's and the Company's short-term unsecured loans bear interest ranging from 3.89% to 6.41% and 3.89% to 4.18% respectively (2005 : 2.52% to 6.00% and 2.52% to 4.90% respectively) per annum and can be rolled forward for periods between 1 month to 6 months after the maturity date.

Included in loans and borrowings of the Group is an amount of approximately $21,783,000 (2005 : $37,113,000) denominated in US dollars.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

21. Loans and borrowings (cont'd)

Finance leases

The Group conducts a portion of its operations using leased machinery and equipment. These leases are classified as finance leases. The effective discount rate implicits in the leases is 4.9% (2005 : 3.3%) per annum. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments 2006 $	Present value of payments 2006 $	Minimum lease payments 2005 $	Present value of payments 2005 $
Group				
Not later than one year	127,091	116,316	109,890	104,484
Later than one year but not later than five years	137,151	131,267	162,958	144,570
Later than five years	–	–	4,227	4,131
Total minimum lease payments	264,242	247,583	277,075	253,185
Less : Amounts representing finance charges	(16,659)	–	(23,890)	–
Present value of minimum lease payments	247,583	247,583	253,185	253,185
Company				
Not later than one year	12,504	11,259	12,504	10,716
Later than one year but not later than five years	21,822	20,950	34,326	32,209
Total minimum lease payments	34,326	32,209	46,830	42,925
Less : Amounts representing finance charges	(2,117)	–	(3,905)	–
Present value of minimum lease payments	32,209	32,209	42,925	42,925

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22. Trade and other payables

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Trade payables	95,231,129	107,572,225	5,213,444	5,156,365
Other creditors	17,675,264	9,674,827	1,924,701	3,303,865
Accrued operating expenses	14,645,816	14,924,356	2,017,870	2,673,261
Advances received	825,000	–	–	–
Advance billings	428,862	2,996,382	428,862	2,969,242
Purchases of property, plant and equipment	8,843,201	19,212,669	54,156	338,100
Derivative financial instruments (Note 29)	–	53,510	–	53,510
Deferred income - asset grants (Note 25)	14,334	33,992	14,334	33,992
	137,690,606	154,467,961	9,653,367	14,528,335

Included in trade and other payables of the Group are amounts of approximately $30,884,000 (2005 : $32,849,000) denominated in US dollars, $1,407,000 (2005 : $1,376,000) denominated in Hong Kong dollars, $2,677,000 (2005 : $1,812,000) denominated in Euro dollars and $1,679,000 (2005 : nil) denominated in SGD.

23. Share capital

	Group and Company			
	2006		2005	
	No. of shares	$	No. of shares	$
Authorised	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid				
At 1 January	593,254,775	59,325,478	474,603,820	47,460,382
Issued by way of bonus shares in the proportion of one share for every 4 shares held			118,650,955	11,865,096
Transfer of share premium to share capital	–	37,423,410	–	–
At 31 December	593,254,775	96,748,888	593,254,775	59,325,478

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium became part of the Company's share capital.

Notes to the Financial Statements
31 December 2006

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24. Reserves

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Revenue reserve	173,636,062	199,228,099	64,017,594	60,797,025
Foreign currency translation reserve	(3,703,682)	3,609,541	–	–
Share premium	–	37,423,410	–	37,423,410
Capital reserve	140,256	140,256	–	–
Statutory reserve	8,201,913	8,273,476	–	–
Revaluation reserve	690,595	2,656,300	690,595	2,656,300
	178,965,144	251,331,082	64,708,189	100,876,735

(a) Foreign currency translation reserve

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

(b) Statutory reserve

The statutory reserve is computed based on 10% of the after tax profit of subsidiary companies established in the People's Republic of China. It is made to comply with the local law and regulations.

(c) Revaluation reserve

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.

25. Government grants

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

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

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

26. Commitments and contingencies

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
(a) Capital expenditure commitments				
Capital expenditures contracted for as at the balance sheet but not recognised in the financial statements:				
Commitments in respect of contracts placed/ agreements signed	17,988,502	17,270,111	9,326,390	11,664,538
	17,988,502	17,270,111	9,326,390	11,664,538

Included in the Company's commitments is $9,207,131 (2005 : $11,134,824) relating to the injection of capital in subsidiary companies.

(b) Operating lease commitments - As lessor

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.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows :

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Not later than one year	899,459	342,085	342,085	342,085
Later than one year but not later than five years	1,195,771	423,106	81,020	423,106
	2,095,230	765,191	423,105	765,191

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26. Commitments and contingencies (cont'd)

(c) *Operating leases commitments - As lessee*

The Group and Company lease certain properties and land under lease arrangements that are non-cancellable within one year. The leases, which do not have purchase or renewal options, expire at various dates till 2055 and contain provisions for rental adjustments and provisions to restrict the Group and the Company to further leasing and sub-leasing. Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows :

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Not later than one year	5,724,131	2,166,290	5,085,097	838,790
Later than one year but not later than five years	15,553,513	4,762,646	15,553,514	3,172,671
Later than five years	19,178,597	20,029,819	19,178,597	20,029,819
	40,456,241	26,958,755	39,817,208	24,041,280

(d) *Contingent liabilities*

Third Party Association with a Legal claim

As disclosed in the previous financial year, a subsidiary, Fu Yu Moulding & Tooling (Tianjin) Co., Ltd. ("Fu Yu Tianjin"), was brought in as a third party in a lawsuit between its customer and the customer's buyer in which the customer's buyer is claiming against the customer for poor quality of the products delivered.

Upon advice from its legal counsel, the directors are of the opinion that the chance of success of any action against Fu Yu Tianjin is not probable, and no intimation or assertion has been made to date by Fu Yu Tianjin's customer, or the customer's buyer of any possible claim arising from this association. Accordingly, there is no basis for the consideration of any provision for any contingency claim in these financial statements.

The last hearing of the case was on July 2006 without any consencus conclusion among the judges.

Guarantees

The Group and Company has corporate guarantees given to banks in connection with facilities granted to subsidiary companies amounting to $46,236,007 (2005 : $32,138,450) and $43,191,842 (2005 : $32,138,450) respectively. Amount utilised by subsidiary companies amounting to $33,778,157 (2005 : $20,632,156) and $32,707,737 (2005 : $20,632,156) respectively.

The Company has an outstanding corporate guarantee given to a supplier in connection with purchases made by the overseas subsidiary companies amounting to $4,924,376 (2005 : $3,701,271).

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 banks 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 2006.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

26. Commitments and contingencies (cont'd)

(d) Contingent liabilities (cont'd)

Labour claim by an ex-employee of Fu Yu Guadalajara S.A. De C.V and Fu Yu Mexico S.A. De C.V

In FY 2004, a labour claim was filed against Fu Yu Guadalajara S.A. De C.V. and Fu Yu Mexico S.A. De C.V (both subsidiary companies of the Group), by an ex-employee, for wrongly dismissal due to fraudulent conduct. Based on the latest available information from the legal counsel, the directors have been advised that FY Mexico has more than a fair share of success in defending the case and accordingly no provision for any liability has been made in these financial statements. Currently, the amount claimed by the ex-employee is approximately US$850,000.

The hearing of the case will commence in July 2007.

27. Related party disclosure

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at normal commercial terms and conditions and at market rates agreed between the parties :

	Group		Company	
	2006 $	2005 $	2006 $	2005 S$
Sale of goods to subsidiary	–	–	4,175,790	16,728,401
Sale of equipment to subsidiary companies	–	–	23,378	2,179,894
Rental income from a subsidiary company	–	–	403,224	388,224
Dividend income from subsidiary companies	–	–	–	10,000,000
Management fees from a subsidiary company	–	–	364,800	39,000
Purchase of raw materials from subsidiary companies	–	–	2,675,099	2,310,602
Sale of goods to an associated company	169,634	350,811	–	–
Sale of goods to a director-related company	1,734	–	–	–
Purchase of goods from a director-related company	40,684	–	–	–

The director-related company relates to GS Electronics (Dongguan) Co., Ltd, a firm of which the children of one of the 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.

Notes to the Financial Statements
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(In Singapore dollars)

27. Related party disclosure (cont'd)

(b) Compensation of key management personnel

	Group	
	2006	**2005**
	$	**$**
Short term employee benefits	4,766,323	5,166,129
Contributions to national pension schemes	134,194	91,141
	4,900,517	5,257,270
Comprise amounts paid/payable to :		
- Directors of the Company	3,174,384	3,925,512
- Other key management personnel	1,726,133	1,331,758
	4,900,517	5,257,270

During the year ended 31 December 2006 and 2005, no Director or any key management personnel has received or become entitled to receive any pension and post-employment medical benefits, share-based payments or other long-term benefits.

28. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments comprise loans and borrowings, finance leases, cash and bank balances and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Derivative financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes. The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, market risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below :

Foreign exchange risk

The Group manufactures and sells its products in several countries and, as a result, is exposed to movements in foreign currency exchange rates. The Group relies on natural hedging as a risk management tool. The primary objective of the Group is not to engage in trading of, or speculation in, foreign currencies. The Group exposes primarily to US dollars. The amounts of US dollars and other foreign currencies exposure are disclosed in the relevant notes to the accounts.

In addition to transaction exposure, the Group is also exposed to translation exposure arising from the consolidation of foreign currency denominated financial statements of the Group's foreign subsidiary companies.

Interest rate risk

The Group's exposure to changes in interest rate risks relates primarily to the Group's cash assets and loans and borrowings. The Group's policy is to manage its exposure to interest rate risks using a mix of fixed and variable rate debts.

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28. Financial risk management objectives and policies (cont'd)

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

2006	Within 1 year $	2 - 5 years $	More than 5 years $	Total $
Group				
Fixed rate				
Obligations under finance leases	116,316	131,267	–	247,583
Floating rate				
Cash assets	40,672,893	–	–	40,672,893
Bank loans	52,438,880	–	–	52,438,880
Company				
Fixed rate				
Obligations under finance leases	11,259	20,950	–	32,209
Floating rate				
Cash assets	413,099	–	–	413,099
Bank loans	10,700,000	–	–	10,700,000

2005	Within 1 year $	2 - 5 years $	More than 5 years $	Total $
Group				
Fixed rate				
Obligations under finance leases	104,484	144,570	4,131	253,185
Floating rate				
Cash assets	56,162,079	–	–	56,162,079
Bank loans	72,165,248	–	–	72,165,248
Company				
Fixed rate				
Obligations under finance leases	10,716	32,209	–	42,925
Floating rate				
Cash assets	530,161	–	–	530,161
Bank loans	46,944,850	–	–	46,944,850

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

28. Financial risk management objectives and policies (cont'd)

Liquidity risk

The Group maintains sufficient reserves of cash and readily available bank credit facilities to meet its liquidity requirements at all times.

Market risk

Changes in the market value of certain financial assets, liabilities and instruments can affect the net income or financial position of the Group. The Group's exposure to market risk is minimal.

Credit risk

The carrying amount of investments, cash and trade and other receivables, cash and cash equivalents and financial instruments used in hedging activities represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. Trade receivable are subject to a policy of risk management focusing on the assessment of country risk, credit terms, ongoing credit evaluation and account monitoring procedures. Collateral is generally not required.

The Group has no significant concentration of credit risk.

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Management has determined that the carrying amounts of cash and cash equivalents, receivables, payables and loans and borrowings based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature.

Notes to the Financial Statements
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29. Derivative financial instruments

The Group and Company had the following derivatives outstanding as at year-end:

	Group and Company	
	2006 $	2005 $
Currency options		
	Notional	
- Matures within the next 12 months	–	20,812,500

The net fair values of the currency option contracts at 31 December were as follows:

	Group and Company			
	2006		2005	
	Assets $	Liabilities $	Assets $	Liabilities $
Currency options	–	–	–	53,510

The above currency option contracts were entered into to manage exposure to fluctuations in foreign currency exchange rates. The fair value of currency option contracts were based on quotes provided by external bankers prevailing at the balance sheet date.

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30. Segment information

Geographical segments

	Singapore		China	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Segments revenue :				
Sales to external customers	66,280,220	75,995,396	215,625,248	204,521,439
Earnings before interest, taxation, depreciation, amortisation and foreign exchange gain/ (loss)	(3,465,616)	5,784,800	(13,247,942)	17,327,535
Foreign exchange gain/ (loss)	(752,055)	803,262	(1,464,225)	1,607,284
Earnings before interest, taxation, depreciation and amortisation	(4,217,671)	6,588,062	(14,712,167)	18,934,819
Depreciation	(7,113,431)	(8,771,661)	(17,175,555)	(15,232,849)
Segment results	(11,331,102)	(2,183,599)	(31,887,722)	3,701,970
Interest income				
Interest expense				
Share of results of an associated company	–	–	1,101,216	1,314,084
Exceptional item	19,671,058	–	–	–
(Loss)/profit before income tax				
Income tax				
(Loss)/profit after income tax				
Attributable to :				
Equity holders of the Company				
Minority interests				
Segments assets	69,983,220	97,623,538	285,106,282	312,871,796
Other assets				
Segments liabilities	12,940,026	16,043,287	99,906,157	107,171,634
Other liabilities				
Other segment information :				
Capital expenditure	3,806,713	6,342,873	30,411,112	50,075,364
Other non-cash expenditures	34,250	1,504,749	28,785,203	12,854,350
Other non-cash income	109,370	241,875	122,612	415,679
Income tax	1,653,379	471,136	5,588,875	1,954,158

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Malaysia		Others		Total	
2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
133,754,598	145,091,117	–	–	415,660,066	425,607,952
21,437,301	26,613,148	(321,935)	(301,898)	4,401,808	49,423,585
(566,100)	155,457	(452,073)	407,704	(3,234,453)	2,973,707
20,871,201	26,768,605	(774,008)	105,806	1,167,355	52,397,292
(6,921,547)	(5,988,826)	–	–	(31,210,533)	(29,993,336)
13,949,654	20,779,779	(774,008)	105,806	(30,043,178)	22,403,956
				1,331,418	1,405,134
				(1,524,903)	(2,197,228)
(41,313)	–	–	–	1,059,903	1,314,084
–	–	–	–	19,671,058	–
				(9,505,702)	22,925,946
				(8,415,440)	(7,555,166)
				(17,921,142)	15,370,780
				(20,524,557)	12,122,409
				2,603,415	3,248,371
				(17,921,142)	15,370,780
127,826,550	124,554,199	249,569	538,007	483,165,621	535,587,540
				30,595,856	47,603,918
				513,761,477	583,191,458
27,369,479	32,179,113	75,066	1,510	140,290,728	155,395,544
				66,749,981	87,000,110
				207,040,709	242,395,654
7,406,276	30,248,020	–	–	41,624,101	86,666,257
51,920	1,353,666	–	15,346	28,871,373	15,728,111
30,206	16,610	–	–	262,188	674,164
1,173,186	5,128,539	–	1,333	8,415,440	7,555,166

Notes to the Financial Statements
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(In Singapore dollars)

30. Segment information (cont'd)

Reporting format

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 assets.

Secondary segments

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

Allocation basis

The accounting policies used to derive reportable segment results are consistent with those described in the "significant accounting policies" note to the financial statements.

31. Dividends paid and proposed

	Group and Company	
	2006	2005
	$	$
Declared and paid during the year :		
Dividends on ordinary shares :		
- Second and final dividend of 1 cent per share after deducting Singapore income tax at 20% (2005 : 1 cent per share after deducting Singapore income tax at 20%), paid	4,746,023	3,796,831
- Interim dividend of Nil (2005 : 0.5 cent per share after deducting Singapore income tax at 20%), paid	–	2,373,019
	4,746,023	6,169,850

In the current financial year, a second and final dividend of 1 per share cent less tax of 20%, amounting to $4,746,023 was paid in respect of the financial year ended 31 December 2005. No dividends have been recommended or declared in the current year ended 31 December 2006.

32. Events after balance sheet date

(a) Acquisition of 72,492,306 shares in LCTH Corporation Berhad

On 19 January 2007, the Company announced that its wholly-owned subsidiary, Fu Yu Investment Pte Ltd ("FYI") acquired a total of 72,492,306 ordinary shares of LCTH Corporation Berhad ("LCTH"), a subsidiary company listed on the Main Board of Bursa Malaysia Securities Berhad, at RM0.63 per share. Upon the sale, the Group's shareholding in LCTH increased from 62.69% to 74.77%. The transaction does not have any material impact on the Group consolidated net tangible assets and earnings per share for the financial year ending 31 December 2007.

Notes to the Financial Statements
31 December 2006

(In Singapore dollars)

32. Events after balance sheet date (cont'd)

(b) *Increase in paid-up capital of SolidMicron Technologies Pte. Ltd.*

On 22 January 2007, the Company announced that it had subscribed an additional 2,500,000 ordinary shares in SolidMicron Technologies Pte. Ltd. ("SolidMicron"), a wholly-owned subsidiary company, for a total cash consideration of $2,500,000, thereby increasing the cost of investment in SolidMicron from $1,000,000 to $3,500,000.

(c) *Sale of shares in LCTH Corporation Berhad*

On 23 January 2007, the Company announced that FYI sold 15,000,000 ordinary shares at RM0.50 each in the share capital of LCTH to a Malaysian securities firm. The disposal resulted in a gain of approximately $190,000.

On 30 January 2007, the Company further announced that FYI sold 7,800,000 ordinary shares at RM0.55 each in the share capital of LCTH in the open market. The disposal resulted in a gain of approximately $270,000.

Upon disposal of the 22,800,000 ordinary shares, the Group's shareholding in LCTH decreased from 74.77% to 70.97%.

(d) *Liquidation of Fu Yu Mexico, S.A. De C.V*

The liquidation of Fu Yu Mexico, S.A. De C.V ("Fu Yu Mexico") was finalised on 23 January 2007. The liquidation of Fu Yu Mexico does not have any material impact on the net tangible assets or earnings per share of the Group for the financial year ending 31 December 2007.

(e) *Increase in paid-up capital of Nanotechnology Manufacturing Pte. Ltd.*

On 26 February 2007, the Company announced that it had subscribed an additional 1,200,000 ordinary shares in Nanotechnology Manufacturing Pte. Ltd. ("NanoTech"), an 80% owned subsidiary company, for a total cash consideration of $1,200,000. Following the capital injection, the cost of investment in NanoTech increased from $13,200,000 to $14,400,000.

33. Authorisation of financial statements

The financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Directors on 20 March 2007.

Statistics of Shareholdings
As At 15 March 2007

Issued and fully paid-up capital	:	$96,748,888.27
Class of shares	:	593,254,775 ordinary shares
Voting rights	:	One vote per share

Distribution of Shareholdings

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	185	2.42	71,901	0.01
1,000 - 10,000	4,322	56.63	22,419,531	3.78
10,001 - 1,000,000	3,102	40.65	119,790,250	20.19
1,000,001 and above	23	0.30	450,973,093	76.02
Total	7,632	100.00	593,254,775	100.00

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest		%
Fu Yu Holding Pte Ltd	338,710,000	57.09	-		-
Ching Heng Yang	4,287,975	0.72	338,710,000	(1)	57.09
Tam Wai	12,037,975	2.03	339,010,000	(2)	57.14
Ho Nee Kit	12,321,725	2.08	338,710,000	(3)	57.09
Lui Choon Hay	12,562,975	2.12	338,724,000	(4)	57.10

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. The 3,037,975 shares held in the name of Merill Lynch (Singapore) Pte Ltd was transferred to his own name during the year.
2. Mr Tam Wai is deemed to be interested in 300,000 shares 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.

Statistics of Shareholdings
As At 15 March 2007

Twenty Largest Shareholders

No.	Name of Shareholders	Number of Shares	%
1	Fu Yu Holding Pte Ltd	338,710,000	57.09
2	Lui Choon Hay	12,562,975	2.12
3	Ho Nee Kit	12,321,725	2.08
4	Tam Wai	12,037,975	2.03
5	DBS Nominees Pte Ltd	10,208,851	1.72
6	United Overseas Bank Nominees Pte Ltd	6,721,279	1.13
7	HSBC (Singapore) Nominees Pte Ltd	6,706,500	1.13
8	Kim Eng Securities Pte Ltd	6,206,755	1.05
9	DBSN Services Pte Ltd	5,490,250	0.93
10	OCBC Securities Private Ltd	4,889,000	0.82
11	Ching Heng Yang	4,287,975	0.72
12	Phillip Securities Pte Ltd	3,833,499	0.65
13	OCBC Nominees Singapore Pte Ltd	3,616,260	0.61
14	UOB Kay Hian Pte Ltd	3,566,250	0.60
15	Citibank Nominees Singapore Pte Ltd	3,345,500	0.56
16	Yang Siok Hum	2,953,000	0.50
17	UOB Nominees (2006) Pte Ltd	2,942,500	0.50
18	DBS Vickers Securities (S) Pte Ltd	2,921,750	0.49
19	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,983,249	0.33
20	Citibank Consumer Nominees Pte Ltd	1,905,750	0.32
	Total	447,211,043	75.38

Percentage Of Shareholding In Public's Hands

35.64% 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 Chartroom, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Thursday, 19 April 2007 at 9.30 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 2006 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 Ho Nee Kit (Retiring under Article 91) **(Resolution 2)**
   b) Mr Tan Yew Beng (Retiring under Article 91) **(Resolution 3)**
   c) Mr Hew Lien Lee (Retiring under Article 97) **(Resolution 4)**

   Mr Tan Yew Beng will, upon re-election as a Director of the Company, remain as Chairman of Remuneration Committee/ Nominating Committee and Member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Hew Lien Lee, the director appointed on 22 March 2007 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$264,668/- for the year ended 31 December 2006. [2005: S$177,000/-] **(Resolution 5)**

4. To appoint Messrs KPMG as the Company's Auditors in place of the retiring Auditors, Messrs Ernst & Young and to authorise the Directors to fix their remuneration and that the appointment takes effect on the date of Consent to Act or the shareholders' approval whichever is the later. [See Explanatory Note (i)] **(Resolution 6)**

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 resolutions 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 issued share 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 issued share 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 (ii)] **(Resolution 7)**

By Order of the Board

Low Geok Eng Susie
Company Secretary
Singapore, 3 April 2007

Notice of Annual General Meeting

Explanatory Note:

(i) A notice of nomination may be found on page 90 of the Annual Report.

The incoming auditors are in the process of obtaining professional clearance. Upon receipt of the professional clearance, a Consent to Act will be issued to the Company. Shareholders will be notified via SGXNET should the Consent to Act be received after the date of the Annual General Meeting.

(ii) The Ordinary Resolution 7 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 issued 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 issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital 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.

Notice of Nomination

20 March 2007

The Board of Directors
Fu Yu Corporation Limited
2 Serangoon North Avenue 5
Singapore 554911

Dear Sirs

NOMINATION OF AUDITORS

Pursuant to Section 205 of the Companies Act Cap. 50, I, Mr Ching Heng Yang of 8A Galistan Avenue Singapore 669681, being a shareholder of the Company, hereby nominate KPMG, Certified Public Accountants, Singapore situated at 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581, for appointment as auditors of the Company in place of the retiring auditors, Messrs Ernst & Young, at the forthcoming Annual General Meeting.

Yours faithfully

Ching Heng Yang

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 Thursday, 19 April 2007 at 9.30 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 2006		
2	Re-election of Mr Ho Nee Kit as a Director		
3	Re-election of Mr Tan Yew Beng as a Director		
4	Re-election of Mr Hew Lien Lee as a Director		
5	Approval of Directors' fees amounting to S$264,668		
6	Appointment of KPMG as Auditors in place of the retiring auditors, Ernst & Young		
7	Authority to issue new shares		

Dated this ___________ day of ______________ 2007

____

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

*Delete where inapplicable

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

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.

**Fu Yu
Corporation
Limited**

Co. Reg. No. 198004601C

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