富裕
FuYu

ANNUAL REPORT 2008

FU YU CORPORATION LIMITED

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.

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

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

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CORPORATE INFORMATION

Board of Directors
Dr John Chen Seow Phun, *Chairman*
Ching Heng Yang, *Vice Chairman*
Tam Wai
Ho Nee Kit
Ho Kang Peng
Hew Lien Lee
Tan Yew Beng
Foo Say Tun

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

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

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

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

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

Company Secretary
Low Geok Eng Susie

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Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483

External Auditors
KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Audit Partner: Phuoc Tran
since the appointment on 19 April 2007 for financial year beginning 1 January 2007

Bankers
DBS Bank Ltd
Malayan Banking Berhad

CHAIRMAN'S STATEMENT

Dr John Chen Seow Phun

Dear Shareholders

OVERVIEW

On behalf of the Board of Directors, I would like to present to you the Group's Annual Report for the financial year ended 31 December 2008.

FY2008 marked one of the most challenging operating environments the plastics industry has ever experienced. In the first half of the year, the price of crude oil rose to record highs. That drove the cost of transportation up. In the second half of the year, the sub-prime crisis in the U.S triggered a global economic problem which damaged consumer confidence and reduced consumption on a global level significantly. Inevitably, businesses became more risk adverse and cut backs on orders were immediate. Faced with this, the Group ended FY2008 with a 20.5% fall in turnover to $326.3 million and a net loss after tax of $55.8 million. A large proportion of the Group's losses ($36.1 million) came in the form of impairment charge on plant and machinery, which was taken in the fourth quarter. This follows a similar $23.0 million impairment charge on plant and machinery taken in FY2007. Excluding impairment charges in both years, the Group's FY2008 loss before tax, compared to FY2007, improved by $15.5 million.

The global economic downturn affected all of our major operating segments which saw lower turnover in FY2008. Last year's operating environment was very tough, and our diversified operations moderated, but did not eliminate the impact of the unprecedented downturn in demand. Moving ahead, we expect the Group's operating environment to continue to be competitive, difficult and challenging if the present downturn continues.

Despite the downturn, the Group's operating efficiency improved. Towards the end of FY2007, a restructuring plan was put into effect throughout all the companies within the Group. New personnel were brought in as part of the restructuring plan to help improve the Group's business and overhead costs were reduced. As a result, the Group narrowed its operating losses in FY2008.

SIGNIFICANT EVENTS

The Group's management team has worked tirelessly to implement the restructuring program that began in 2007. This has reaped many important benefits such as closer working relationships with key customers, as well as significantly improved operational, cost and credit control.

Our efforts to manage our costs can be seen in the reduction of our headcount from some 9,000 to 6,000 staff. Despite the sharp drop in customer orders, our asset turns increased 8% to 0.97 times, and inventory days improved 30% to 23 days. Boosted by a write back of a doubtful debt of $5.6 million through successful debt recovery, our selling and administrative expenses also fell 20.8% compared to the prior year.

The Group also managed to successfully resolve all outstanding issues with its lender banks in FY2008, which led to all the lender banks withdrawing their demands on the Group.

BUILDING A STRONG GROWTH PLATFORM

The sub-prime problem in the US has developed into a global credit and economic crisis, and it is difficult to predict with certainty the short term outlook for our industry. However, history clearly tells us that economic contractions do not last forever. When this cycle begins to turn upwards, many opportunities will be seized by the well prepared. For this reason, we will spare no effort to continue to streamline operations and improve productivity. When the world economy begins to recover, we will be positioned stronger than ever to serve our customers.

The initiatives we will focus on to strengthen our competitiveness and provide a platform for future growth are:

Customer-centric partnerships: We are aggressively developing long-term partnerships with a core group of foreign multinational corporations (MNCs) and select local Chinese companies that have strong growth prospects. The Group will also be flexible and mobile in moving into regions that our key customers are relocating to, such as Vietnam, India and Indonesia. On the industry front, we are also working to develop our client portfolios in the medical and automotive sectors.

Technology leadership: The needs of our customers are continually evolving and we will evolve with them, by introducing new processes such as steam injection and decorative finishing.

Key Performance Indicators: The Group will continue to target significant efficiency improvements from cost control measures. This will include optimising staff levels, asset intensity and resource deployment. Maximum engineering and operational efficiency are key focus areas for us to build our competitive edge and shareholder value.

The group will also selectively consider acquisitions that are consistent with its strategy of being the preferred supplier to our clients.

DIVIDEND

In light of the need to manage the Group's cash with prudence in the current economic climate, the Board of Directors has decided not to declare a dividend this year.

APPRECIATION

Together with the Board of Directors, I wish to convey my sincere gratitude and appreciation to our customers, suppliers, and business associates for your unwavering support and contribution to our Group. I also extend a special note of thanks to Mr. Ho Kang Peng, who has served as our CEO since March 2008. Mr Ho is a highly experienced manager who has been our Executive Director from 1995 to 2004. Since his return, he has been instrumental in charting our business strategy and positioning our Group for future growth.

Last but not least, I would like to thank our management and staff for their dedication and diligence during 2008. Your support and efforts have made a difference for the Group and we know we can continue to count on you to face the many challenges ahead.

Dr John Chen Seow Phun
Chairman

TURNOVER AND GROSS MARGIN

For the financial year ended 31 December 2008, the Group reported total revenue of $326.3 million, down 20.5% from the prior year. In line with the broad based nature of the economic slowdown, all operating segments experienced lower turnover. Against the trend of accelerating economic weakness in the broad economy, the Group's sales in the second half of the year rose 10.6% compared to the first half.

For 2008, the Group's cost of sales decreased by $77.2 million or 19.3% from $400.0 million in the prior year to $322.8 million in the current year. The decrease in cost of sales was slightly lower than the decrease in revenue due to price pressure from customers and unabsorbed fixed costs from the lower revenue.

As a result, gross profit deteriorated by $7.1 million or 67.6% from $10.5 million in the prior year to $3.4 million in the current year. The Group's gross profit margins decreased by 1.5 percentage points from 2.6% for the year of 2007 to 1.1% in the current year.

OTHER INCOME

In 2008, other income increased by $6.8 million from $5.5 million in the prior year to $12.3 million in the current year. This increase was mainly due to a foreign exchange gain of $4.6 million in 2008 compared to an exchange loss of $1.9 million in the prior year. Rental income also increased 34.2% to $4.0 million due to an increase in space rented out.

The Group also recorded an exceptional gain of $5.2 million in 2008 following the sale of some of the leasehold properties of a Malaysia subsidiary.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses decreased 20.8% from $45.0 million for the year 2007 to $35.6 million in 2008. The reduction in selling and administrative expenses for the current year was due mainly to the write back of doubtful debts from successful debt recovery, which resulted in a net gain of $5.6 million in 2008.

OTHER EXPENSES

Finance costs fell by $1.7 million from $3.7 million in the prior year to $2.0 million in 2008. The decrease in finance costs was due to the repayment and settlement of bank loans of the Company and certain China subsidiaries during the year.

The provision for impairment loss on plant and machinery was $36.1 million in 2008, compared to $23.0 million in the prior year. In 2007, the Group also recorded an exceptional gain of $1.0 million, due primarily to the liquidation of our operations in Mexico.

The income tax of $3.6 million in 2008 was $4.6 million higher than the net tax credit of $1.0 million in 2007. A tax credit of $1.7 million arose in 2007 due to deferred tax assets arising from unutilised reinvestment allowances in our Malaysia subsidiaries.

PROFITABILITY

The Group's net loss for 2008 increased 4.2% to $55.8 million. A large proportion of our losses are related to the $36.1 million impairment of plant and machinery taken in the fourth quarter. This follows an impairment charge of $23.0 million taken in FY2007 for plant and machinery. Excluding impairment charges in both years, the Group's FY2008 loss before tax compared to FY2007, improved by $15.5 million.

SINGAPORE

The Singapore segment saw a revenue decline of $5.7 million or 10.0% from $57.0 million in the last corresponding year to $51.3 million in 2008. This deterioration was due primarily to weaker business activities for plastic injection moulding.

CHINA

The China segment registered a decline in revenue of $44.6 million or 22.4% as its sales decreased from $199.3 million in the prior year to $154.7 million in 2008 due to weaker orders. However, segmental performance improved $9.8 million compared to the prior year. This was primarily attributable to a write back of doubtful debts from successful debt recovery and decrease in allowance for inventory obsolescence.

MALAYSIA

The Malaysia segment registered a decline in revenue of $34.0 million or 22.1% from $154.2 million in the prior year to $120.2 million in 2008. The segment result dropped 44.6% from the prior year to $5.0 million in 2008 due to a decline in sales and higher cost of materials, other indirect costs and overheads.

AWARDS AND CERTIFICATIONS

AWARDS RECEIVED BY FU YU GROUP IN YEAR 2008

COMPANY	AWARDS
Fu Yu Corporation Limited	Singapore 1000 Company
Fu Yu Corporation Limited	Certificate of Green Partner issued by Sony Corporation
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	Certificate of Green Partner issued by Flextronics Manufacturing (Zhuhai) Co., Ltd.

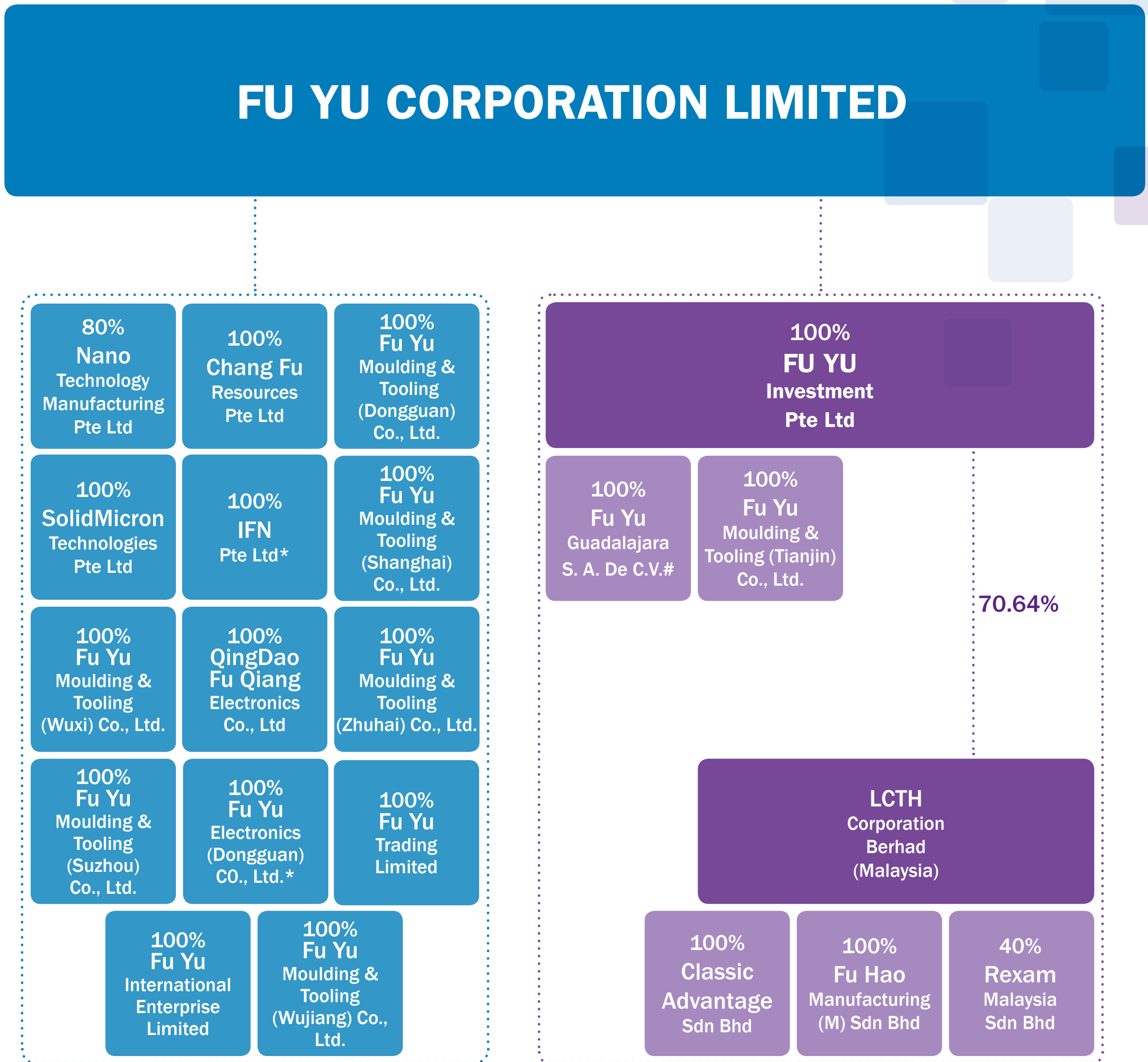
CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2008

COMPANY	ISO 9001:2000	ISO 13485:2003	ISO 14001:2004	ISO 14644-1	TS 16949
Fu Yu Corporation Limited	•		•		
SolidMicron Technologies Pte Ltd	•				
NanoTechnology Manufacturing Pte Ltd	•	•	•		
Classic Advantage Sdn Bhd	•				
Fu Hao Manufacturing (M) Sdn Bhd	•				
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	•		•		
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	•		•		•
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	•		•		
Fu Yu Moulding & Tooling (Tianjin) Co., Ltd.	•				•
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	•		•		
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	•				
Fu Yu Moulding & Tooling (Wuxi) Co., Ltd.	•				
QingDao Fu Qiang Electronics Co., Ltd.	•		•		

2009 CORPORATE CERTIFICATION PLAN

COMPANY	PLAN
Classic Advantage Sdn Bhd	TS16949 & OSHAS 18001
Fu Hao Manufacturing (M) Sdn Bhd	ISO 9001:2008 & ISO 14001:2004
SolidMicron Technologies Pte Ltd	TS 16949
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	TS 16949

GROUP STRUCTURE



* Dormant

Under member's voluntary liquidation

BOARD OF DIRECTORS




Left to right : Dr John Chen Seow Phun, Ching Heng Yang, Ho Kang Peng and Ho Nee Kit

DR JOHN CHEN SEOW PHUN
Non-Executive Chairman
Independent Director

Dr John Chen Seow Phun, 55, was appointed as Non-Executive Chairman and Independent Director of the Company on 27 November 2007 and was last re-elected on 29 April 2008. Dr Chen was a Member of Parliament from 1988 to 2006. He was the Assistant Secretary General of the NTUC from 1991 to 1997. He also served as the Deputy Chairman and Managing Director of NTUC Healthcare Co-op Ltd from 1992 to 1997. From March 1997 to June 1999, he was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. He is presently the Managing Director of JCL Business Development Pte Ltd and the Chairman of SAC Capital Pte Ltd. Prior to joining the Government in 1997, Dr Chen has served as a Board Member of the Economic Development Board, the Housing and Development Board, the Port of Singapore Authority and Singapore Power Ltd.

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

CHING HENG YANG
Vice Chairman
Executive Director

Mr. Ching, 58, one of the co-founders of Fu Yu, is the Vice Chairman and Executive Director of the Company. Mr. Ching was appointed as the Executive Director on 10 December 1980 and was last re-elected on 29 April 2008. 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 35 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2008, Mr. Ching holds 0.60% direct interest and 47.69% deemed interests in the Company.

HO KANG PENG
Executive Director
Chief Executive Officer (CEO)

Mr. Ho Kang Peng, 54, was appointed as Chief Executive Officer and Executive Director of the Company on 31 March 2008. He was last-re-elected on 29 April 2008. Mr. Ho is responsible for the charting out of new corporate direction, including formulating business strategy, corporate restructuring and management alignment and to meet the new challenges faced by the Company. Mr. Ho was the executive director of Fu Yu since 1995. He was responsible for its IPO exercise and regional expansion program of the Company. Mr. Ho assisted the Company in setting up overseas subsidiaries covering Malaysia, China and Mexico. He was also responsible for marketing and new investment until he left the Company in 2004. Mr. Ho was appointed Executive Director of Watson Plastics Industries in June 2005. He remained as a non-executive director after November 2005 when he was appointed as CEO of TTL Holding Limited. He was responsible for the corporate restructuring, strengthening management by introducing cost analysis and performance measurement for the two companies. Mr. Ho has more than 26 years of experience in the plastics industries. He holds a Bachelor of Business and Commerce Degree from Nanyang University of Singapore.

At 31 December 2008, Mr. Ho holds 0.18% direct interest in the Company.

HO NEE KIT
Executive Director

Mr. Ho, 55, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 19 April 2007. He will stand for re-election as a Director at the forth coming Annual General Meeting. Mr. Ho jointly oversees the mould fabrication, plastic injection moulding, finishing and sub-assembly operations of the Group. Prior to joining Fu Yu, Mr. Ho worked for a plastic injection company as a tool maker. Realising the potential of the precision mould making industry in the 1970s, together with the other 3 partners who also shared the same vision of the industry, they founded Fu Yu in 1978. Mr. Ho is a member of the Singapore Institute of Directors.

At 31 December 2008, Mr. Ho holds 1.73% direct interest and 47.69% deemed interests in the Company.




Left to right: Tam Wai, Hew Lien Lee, Tan Yew Beng and Foo Say Tun

TAM WAI
Executive Director

Mr. Tam, 58, one of the co-founders of Fu Yu, is the Executive Director of the Group. He was appointed as the Executive Director on 10 December 1980 and was last re-elected on 29 April 2008. Mr. Tam oversees the mould design and fabrication operations of the Group. Prior to joining Fu Yu, he was involved in mould design and fabrication for 10 years in Hong Kong specializing in high precision moulds for the electronics and electrical industries. Mr. Tam has over 39 years of experience in the mould fabrication and plastic injection moulding industry.

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

At 31 December 2008, Mr. Tam holds 1.69% direct interest and 47.73% deemed interests in the Company.

HEW LIEN LEE
Executive Director
Chief Operating Officer

Mr. Hew, 52, was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. He was last re-elected on 19 April 2007. Apart from overseeing the Group business activities, he is also the Managing Director of LCTH Corporation Berhad ("LCTH"), the Malaysia subsidiary of Fu Yu Group, listed on the Main Board of Bursa Malaysia Securities Berhad, Malaysia on 8 November 2004. Mr Hew joined Fu Yu in 1984 and holds a Diploma in Electrical Engineering. With 29 years of experience in the plastic injection moulding industry, he has played an instrumental role in the successful listing of LCTH. He is responsible for the overall strategic direction and management of Fu Yu and LCTH Group.

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

TAN YEW BENG
Non-Executive Director
Independent Director

Mr. Tan, 52, is a non-executive and independent director of Fu Yu. He was appointed as Director on 22 May 1995 and was last re-elected on 19 April 2007. He will stand for re-election as a Director at the forth coming Annual General Meeting. Mr. Tan is the Chairman of the Remuneration and member of the Audit and Nominating Committees. He is also a director of several Singapore and Malaysia companies.

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

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

At 31 December 2008, Mr. Tan holds 0.22% indirect interests in the Company.

FOO SAY TUN
Non-Executive Director
Independent Director

Mr. Foo, 43, is a non-executive and independent director of Fu Yu. He was appointed as Director on 27 November 2007 and was last-re-elected on 29 April 2008. He is presently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr. Foo is qualified to practise law in Singapore and Malaysia. At present, he is a partner in the law firm of Wee, Tay & Lim. His area of practice is civil and commercial litigation.

KEY EXECUTIVES

NG HOCK CHING
Advisor

Mr Ng, 48, is the corporate advisor for Fu Yu Corporation Ltd and its Group of companies. He provides guidance for the Group in charting its corporate finance direction as well as business development. Mr Ng holds a Masters of Business Administration and a first class honours degree in Electrical and Electronic Engineering from the National University of Singapore. He is also presently an adjunct associate professor at the National University of Singapore.

CHOW WENG FOOK
Advisor

Mr Chow, 53, is the operational advisor for Fu Yu Corporation Ltd and its Group of companies. He advises and helps the Group in the area of operational efficiency, global procurement and resource deployment. Mr Chow has over 19 years of experience in global supply chain management in the electronics industry with more than ten years in top management positions. He holds a Masters of Technology and a Bachelor of Electrical Engineering degree from the National University of Singapore.

YEO SEE JOO
Group Business Development Director

Mr. Yeo, 45, joined Fu Yu Corporation Ltd as Group Business Development Director. He is responsible for formulating the Group's business development strategy, developing new business/market opportunities, growing existing business and proposing direction for product development. He has over 25 years of business development experience in the plastics industry holding middle to senior management positions. He joined Philips Machine Factory in 1983 as a mold maker and later joined Tritech Manufacturing Pte Ltd as mold designer and project engineer in 1986, in 1994 joined Thomson Multi Media as a Tooling Engineer. In 1995 he joined TTL Holding Limited and in-charge of the Sales and Marketing and Programs Management in the company till 2005. He later joined Watson Plastics Manufacturing Pte Ltd as the Corporate Business Development Director. He holds an Advance Diploma in Business Management from University of Bradford.

TAN LAY KHENG
Group Human Resource Director

Madam Tan, 55, was the Group Human Resource Manager before she is promoted to Group Human Resource Director in October 2008. She oversees the management and development of the human resources across the Group. She is also responsible for the administrative function of the Group. Madam Tan has 24 years of experience in Industrial Relations Management. She holds a Bachelor of Art Degree.

CHEAH NGOOK WAH
Group Financial Controller

Ms Cheah, 35, is the Group Financial Controller of Fu Yu Group. She is responsible for the Group's accounting and finance functions. Prior to joining Fu Yu, she was an auditor with two of the international accounting firms for 5 years. Ms Cheah is a member of Certified Public Accountant Australia and graduated from the University of Western Australia. She holds a Bachelor of Commerce Degree.

SINGAPORE

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Website : www.nanotechnology.com.sg

SolidMicron Technologies Pte Ltd
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03-00 Singapore 554911
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Fax : (65) 6483 1382
Website : www.solidmicrontech.com

MALAYSIA

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Website : www.lcthcorp.com

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Fax : (607) 5999 982

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Penang Malaysia
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Fax : (604) 3983 221

CHINA

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Shenzhen, China 523477
Suzhou, China 215128
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Tianjin Economic Development Zone
Tianjin, China 300457
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Wujiang, Jiangsu, China 215200
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Fax : (0510) 8520 3855

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Jinhai Dadao, Baishan Industrial Area
Sanzao, Zhuhai, Guangdong
China 519040
Tel : (86756) 7761 862
Fax : (86756) 7761 851

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

CORPORATE MILESTONE

2008

- Grant of Options pursuant to Fu Yu Employees Share Option Scheme;
- Completion of sale and leaseback of property located at 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, Senai, Johor, Malaysia;
- Completion of Capital Repayment and Shares Consolidation of LCTH Corporation Berhad;
- Obtained ISO9001:2000, ISO 14001 and TS 16949 certification for our plant in Shanghai.

2007

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

2006

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

2005

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

2004

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

2003

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

2002

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

2001

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

Introduction

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

This report describes Fu Yu's main corporate governance practices and activities with reference to the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 (the "Code") and any deviations from the Code are explained. Unless otherwise stated, the corporate governance processes were in place during the financial year under review.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The principal function of the Board is to protect and enhance long-term value and returns for its shareholders. 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.

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

Name of Director	Board Meetings		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Ching Heng Yang	5	5	-	-	-	-	-	-
Tam Wai	5	5	-	-	-	-	-	-
Ho Nee Kit	5	5	-	-	-	-	-	-
Ho Kang Peng*	5	4						
Hew Lien Lee	5	5	-	-	-	-	-	-
Dr John Chen Seow Phun	5	5	4	4	2	2	1	1
Foo Say Tun	5	4	4	3	2	1	1	1
Tan Yew Beng	5	5	4	4	2	2	1	1

* Appointed as a Director on 31 March 2008

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

Principle 2: Board Composition and Balance

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

The profile of each Director and other relevant information are set out under 'Board of Directors' on pages 8 to 9.

Principle 3: Chairman and Chief Executive Officer

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

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

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

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

Principle 4: Board Membership

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

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

The duties of the NC are as follows:

1. Reviews the 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.

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

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

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independent status. The NC has recommended the re-election of Mr Ho Nee Kit and Mr Tan Yew Beng at the forthcoming AGM. The Board accepted the 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 the NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

The NC is with the view that the financial indicators set out in the Code of Corporate Governance as performance criteria for the evaluation of directors' performance are more of a measure of Management performance and hence they are less appropriate for non-executive directors and the Board's performance. The NC views that the Board's performance would be better reflected and evidenced through proper guidance and able leadership of the Board and the support that it lends to Management in steering the Group in the appropriate direction.

Principle 6: Access to Information
Principle 10: Accountability

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

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

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

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee (RC) currently comprises Mr Tan Yew Beng, Dr John Chen Seow Phun and Mr Foo Say Tun who are entirely non-executive directors. Mr Tan, who is an independent non-executive director, chaired the RC. No RC member or director is involved in deliberations of his own remuneration and re-appointment.

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

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

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

Principle 8: Level and Mix of Remuneration

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

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

All the five executive directors have service contracts for a fixed period and are subject to renewal. The RC had reviewed and renewed the contracts of the three founding Executive Directors for a further term of one year, from 1 January 2009 to 31 December 2009, under the same terms and conditions, except for the profit sharing bonus scheme formula as disclosed in the Company's Prospectus dated 29 May 1995. Under the renewed contract, the three founding Executive Directors will collectively be entitled to profit sharing bonus if the consolidated profit before tax excluding profit sharing bonus and extraordinary and exceptional items exceeds S$5 million based on the following formula:

More than S$5 million but less than or equal to S$10 million – 0.5%
More than S$10 million but less than or equal to S$15 million - 1.0%
More than S$15 million – 1.25%

The other two Executive Director's service contracts are two years contract which will be reviewed when they are due for renewal in March 2009 and 2010 respectively.

There is currently no long-term incentive scheme for the directors of the Group. During the year, the Fu Yu Employee Share Option Scheme (the "Scheme") was approved and adopted by the shareholders at the Extraordinary General Meeting held on 29 April 2008. The Scheme is administered by a committee comprises all the executive directors from time to time. Further details of the Scheme can be found in pages 28 and 29 of the Directors' Report.

Principle 9: Disclosure on Remuneration

Remuneration of Board of Directors

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

Name of Director	Fees %	Salary %	Bonus %	Benefits %	Total %
Executive Directors					
S$500,000 to S$750,000					
Ching Heng Yang	3.7	90.0	4.3	2.0	100.0
Tam Wai	4.1	89.0	4.7	2.2	100.0
Ho Nee Kit	4.6	88.5	4.6	2.3	100.0
S$250,000 to S$499,999					
Ho Kang Peng*	3.2	95.2	0.1	1.5	100.0
Hew Lien Lee	6.2	79.9	2.2	11.7	100.0
Non-Executive Directors					
Below S$250,000					
Tan Yew Beng	100.0	0	0	0	100.0
Dr John Chen Seow Phun	100.0	0	0	0	100.0
Foo Say Tun	100.0	0	0	0	100.0

* Appointed as Director on 31 March 2008

The above exclude employees share options granted to directors

Remuneration of Key Executives

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

Name of Key Executive	Salary %	Bonus %	Other Benefits %	Total %
S$250,000 to S$499,000				
Ng Hock Ching	97.6	0.1	2.3	100.0
Advisor				
Chow Weng Fook				
Advisor	97.9	0.1	2.0	100.0
Below S$250,000				
Tan Lay Kheng	92.0	3.9	4.1	100.0
Group Human Resource Director				
Yeo See Joo	75.1	0.0	24.9	100.0
Group Business Development Director				
Cheah Ngook Wah	89.2	0.1	10.7	100.0
Group Financial Controller				

The above excludes employees share options granted to the employees.

ACCOUNTABILITY AND AUDIT & COMMUNICATION WITH SHAREHOLDERS

Principle 11: Audit Committee

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

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

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

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

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

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

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

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

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

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

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

9. Nominates the external auditors; and

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

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

The AC meets at least four times a year with management and 2 times a year with external auditors.

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

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

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

Principle 12: Internal Controls
Principle 13: Internal Audit

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

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

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

The internal audit work for the China subsidiaries in 2008 was outsourced to Nexia TS Public Accounting Corporation ("Nexia"). Nexia had carried out the internal audit of our Suzhou, Wujiang, Wuxi and Dongguan plants during the year. The Company has set up its internal audit department in January 2009.

Principle 10: Accountability
Principle 14: Communication with Shareholders

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

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

Principle 15: Greater Participation by Shareholders

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

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 credit risk, liquidity risk, market risk, interest rate risk and foreign exchange 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 pages 70 and 71.

Dealings with Company's Securities

The Company has adopted an internal code to provide guidance to its officers with regard to dealings in the Company's securities by directors and key employees. The code states officers of the Company should not deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

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

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

There was no interested person transactions for the year ended 31 December 2008.

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 31 December 2008.

Directors

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

Ching Heng Yang
Tam Wai
Ho Nee Kit
Tan Yew Beng
Hew Lien Lee
John Chen Seow Phun
Foo Say Tun
Ho Kang Peng (Appointed on 31 March 2008)

Directors' interests

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

Name of director and corporation in which interests are held	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**
Ching Heng Yang		
Fu Yu Corporation Limited		
- ordinary shares		
- interest held	4,287,975	4,287,975
- deemed interests	338,710,000	338,710,000
Fu Yu Holding Pte Ltd		
- ordinary shares		
- interest held	1	1
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	500,000	300,000
- deemed interests	423,826,069	254,295,643

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Tam Wai		
Fu Yu Corporation Limited		
- ordinary shares		
- interest held	12,037,975	12,037,975
- deemed interests	339,010,000	339,010,000
Fu Yu Holding Pte Ltd		
- ordinary shares		
- interest held	1	1
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	610,000	366,000
- deemed interests	423,826,069	254,295,643
Ho Nee Kit		
Fu Yu Corporation Limited		
- ordinary shares		
- interest held	12,321,725	12,321,725
- deemed interests	338,710,000	338,710,000
Fu Yu Holding Pte Ltd		
- ordinary shares		
- interest held	1	1
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	615,200	369,120
- deemed interests	423,826,069	254,295,643
Tan Yew Beng		
Fu Yu Corporation Limited		
- ordinary shares		
- deemed interests	1,562,500	1,562,500
- options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	-	1,000,000
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	500,000	300,000

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Hew Lien Lee		
Fu Yu Corporation Limited		
- ordinary shares		
- interest held	100,000	100,000
- options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	-	8,000,000
LCTH Corporation Berhad		
- ordinary shares of RM0.20 each		
- interest held	5,052,541	3,031,524
John Chen Seow Phun		
Fu Yu Corporation Limited		
- options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	-	1,000,000
Foo Say Tun		
Fu Yu Corporation Limited		
- options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	-	1,000,000
Ho Kang Peng		
Fu Yu Corporation Limited		
- ordinary shares		
- interest held	1,130,000	1,130,000
- options to subscribe for ordinary share at S$0.09 between 6 October 2009 and 5 October 2014	-	11,000,000

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

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

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2009.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 31 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

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

Other information regarding the Scheme is set out below:

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

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

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2008	Options granted	Options outstanding at 31 December 2008	Exercise period
5 October 2008	$0.09	-	84,270,000	84,270,000	6 October 2009 to 5 October 2014

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

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

	Aggregate options granted since commencement of scheme to 31 December 2008	Aggregate options exercised since commencement of scheme to 31 December 2008	Aggregate options outstanding as at 31 December 2008
Tan Yew Beng	1,000,000	-	1,000,000
Hew Lian Lee	8,000,000	-	8,000,000
John Chen Seow Phun	1,000,000	-	1,000,000
Foo Say Tun	1,000,000	-	1,000,000
Ho Kang Peng	11,000,000	-	11,000,000

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

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

	Aggregate options granted since commencement of Scheme to 31 December 2008	Aggregate options exercised since commencement of Scheme to 31 December 2008	Aggregate options outstanding as at 31 December 2008
Directors			
Hew Lian Lee	8,000,000	-	8,000,000
Ho Kang Peng	11,000,000	-	11,000,000
Employees			
Ng Hock Ching	11,000,000	-	11,000,000
Chow Weng Fook	11,000,000	-	11,000,000
Chang Cheng Ann	5,000,000	-	5,000,000
Tang Bee Lian	5,000,000	-	5,000,000

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

Audit Committee

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

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

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

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

The Audit Committee also reviewed the following:

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

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

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

Auditors

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

On behalf of the Board of Directors

Ho Nee Kit
Director

Tam Wai
Director

31 March 2009

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 32 to 75 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 2008 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Ho Nee Kit
Director

Tam Wai
Director

31 March 2009

INDEPENDENT AUDITORS' REPORT

Members of the Company
Fu Yu Corporation Limited

We have audited the accompanying financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and of the Company as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 75.

Management's responsibility for the financial statements

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

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

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

Auditors' responsibility

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

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

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

Opinion

In our opinion:

(a) the consolidated financial statements of the Group, and the balance sheet of the Company, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
31 March 2009

BALANCE SHEETS
As at 31 December 2008

		Group		Company	
	Note	2008	2007	2008	2007
		$	$	$	$
Non-current assets					
Property, plant and equipment	3	134,376,175	190,215,181	18,846,612	26,497,475
Investment property	4	9,787,256	10,622,281	-	-
Prepaid land lease	5	9,320,031	9,311,185	-	-
Subsidiaries	6	-	-	59,409,344	113,996,257
Associates	7	2,974,406	242,165	-	-
Deferred tax assets	8	-	1,715,335	-	-
		156,457,868	212,106,147	78,255,956	140,493,732
Assets classified as held for sale	9	-	29,150,045	-	-
Current assets					
Inventories	10	20,566,064	34,994,013	2,112,987	3,022,160
Trade and other receivables	11	101,057,372	107,938,051	79,310,890	46,431,774
Cash and cash equivalents	14	57,389,350	70,248,270	8,230,888	21,585,975
		179,012,786	213,180,334	89,654,765	71,039,909
Total assets		335,470,654	454,436,526	167,910,721	211,533,641
Equity attributable to equity holders of the Company					
Share capital	15	117,330,143	117,330,143	117,330,143	117,330,143
Reserves	16	65,443,202	123,938,894	24,387,535	66,592,897
		182,773,345	241,269,037	141,717,678	183,923,040
Minority interest		25,450,784	35,480,286	-	-
Total equity		208,224,129	276,749,323	141,717,678	183,923,040
Non-current liabilities					
Financial liabilities	18	894,581	1,020,263	84,629	9,148
Deferred tax liabilities	8	6,296,795	8,170,600	1,964,426	1,937,706
		7,191,376	9,190,863	2,049,055	1,946,854
Current liabilities					
Trade and other payables	19	92,909,445	113,129,312	21,085,692	15,505,442
Financial liabilities	18	23,195,449	53,251,644	2,026,705	9,126,714
Income tax payable		3,950,255	2,115,384	1,031,591	1,031,591
		120,055,149	168,496,340	24,143,988	25,663,747
Total liabilities		127,246,525	177,687,203	26,193,043	27,610,601
Total equity and liabilities		335,470,654	454,436,526	167,910,721	211,533,641

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Note	2008	2007
		$	$
Revenue	20	326,254,284	410,540,179
Cost of sales		(322,805,294)	(400,026,913)
Gross profit		3,448,990	10,513,266
Other income	21	12,343,670	5,513,503
Selling and administrative expenses		(35,603,005)	(44,972,090)
Other expenses - exceptional expenses	22	(30,977,560)	(21,781,464)
Finance costs	23	(1,993,884)	(3,712,075)
Share of results of associates, net of tax		540,649	(153,908)
Loss before income tax	24	(52,241,140)	(54,592,768)
Income tax (expense)/credit	25	(3,594,233)	1,026,119
Loss for the year		(55,835,373)	(53,566,649)
Attributable to:			
Equity holders of the Company		(56,991,155)	(55,767,884)
Minority interest		1,155,782	2,201,235
Loss for the year		(55,835,373)	(53,566,649)
Loss per share			
Basic loss per share	26	(8.02) cents	(9.20) cents
Diluted loss per share	26	(8.02) cents	(9.20) cents

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency translation reserve	Revenue reserve	Total attributable to equity holders of the Company	Minority interest	Total equity
	$	$	$	$	$	$	$	$	$
At 1 January 2007	96,748,888	140,256	8,594,933	690,595	(4,096,702)	173,636,062	275,714,032	31,006,736	306,720,768
Net effect of exchange differences	-	-	-	-	643,622	-	643,622	213,942	857,564
Effect of reduction in tax rates on revaluation reserve	-	-	-	98,012	-	-	98,012	-	98,012
Net gains recognised directly in equity	-	-	-	98,012	643,622	-	741,634	213,942	955,576
Net loss for the year	-	-	-	-	-	(55,767,884)	(55,767,884)	2,201,235	(53,566,649)
Total recognised income and expenses for the year	-	-	-	98,012	643,622	(55,767,884)	(55,026,250)	2,415,177	(52,611,073)
Dividends on ordinary shares, net of tax	-	-	-	-	-	-	-	(3,285,208)	(3,285,208)
Dilution of interests in subsidiaries	-	-	-	-	-	-	-	5,043,581	5,043,581
Issue of the Company's shares	20,581,255	-	-	-	-	-	20,581,255	-	20,581,255
Issue of shares by a subsidiary	-	-	-	-	-	-	-	300,000	300,000
At 31 December 2007	117,330,143	140,256	8,594,933	788,607	(3,453,080)	117,868,178	241,269,037	35,480,286	276,749,323

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Share option reserve	Foreign currency translation reserve	Revenue reserve	Total attributable to equity holders of the Company	Minority interest	Total equity
	$	$	$	$	$	$	$	$	$	$
At 1 January 2008	117,330,143	140,256	8,594,933	788,607	-	(3,453,080)	117,868,178	241,269,037	35,480,286	276,749,323
Net losses of exchange differences recognised directly in equity	-	-	-	-	-	(1,780,011)	-	(1,780,011)	(2,049,027)	(3,829,038)
Net loss for the year	-	-	-	-	-	-	(56,991,155)	(56,991,155)	1,155,781	(55,835,374)
Total recognised income and expenses for the year	-	-	-	-	-	(1,780,011)	(56,991,155)	(58,771,166)	(893,246)	(59,664,412)
Capital repayment to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	(8,690,325)	(8,690,325)
Transfer to statutory reserve	-	-	204,978	-	-	-	(204,978)	-	-	-
Value of employee services received for issue of share options	-	-	-	-	275,474	-	-	275,474	-	275,474
Dividends on ordinary shares, net of tax	-	-	-	-	-	-	-	-	(445,931)	(445,931)
At 31 December 2008	117,330,143	140,256	8,799,911	788,607	275,474	(5,233,091)	60,672,045	182,773,345	25,450,784	208,224,129

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	2008	2007
	$	$
Operating activities		
Loss before income tax	(52,241,140)	(54,592,768)
Adjustments for:		
Depreciation of property, plant and equipment (Note 3)	27,855,162	32,425,641
Depreciation of investment property (Note 4)	203,828	162,691
Amortisation of prepaid land lease (Note 5)	214,334	212,050
Gain on disposal of property, plant and equipment	(719,995)	(601,731)
Loss on property, plant and equipment written off	320,756	85,612
Write-back of impairment of plant and machinery	(336,182)	-
Equity-settled share-based payments transactions	275,474	-
Interest income (Note 21)	(1,061,501)	(1,378,719)
Finance costs (Note 23)	1,993,884	3,712,075
Other expenses - exceptional expenses (Note 22)	30,977,560	21,781,464
Share of results of associates	(540,649)	153,908
	6,941,531	1,960,223
Changes in working capital:		
Inventories	14,427,948	16,075,203
Trade and other receivables	5,298,408	35,890,401
Trade and other payables	(18,951,342)	(24,834,354)
Currency realignment	(5,783,727)	(38,435)
Cash generated from operations	1,932,818	29,053,038
Income tax paid	(245,105)	(4,696,348)
Cash flows from operating activities	1,687,713	24,356,690
Investing activities		
Purchase of property, plant and equipment	(6,281,169)	(36,082,639)
Proceeds from disposal of property, plant and equipment	1,259,168	2,510,282
Proceeds from sale of assets classified as held for sale	32,984,164	3,408,000
Amounts due from an associate	-	35,208
Investment in an associate	(2,258,280)	-
Capital repayment to minority shareholders of a subsidiary	(8,690,325)	-
Proceeds from disposal of shares in subsidiaries	-	5,565,053
Interest income received	1,061,501	1,378,719
Cash flows from investing activities	18,075,059	(23,185,377)
Balance carried forward	19,762,772	1,171,313

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	2008	2007
	$	$
Balance brought forward	19,762,772	1,171,313
Financing activities		
(Repayment)/Proceeds of short term borrowings	(30,181,877)	1,585,444
Dividends paid to minority shareholders	(445,931)	(4,686,217)
Net proceeds from issue of a subsidiary's shares to minority shareholders	-	300,000
Net proceeds from issue of the Company's shares (Note 15)	-	20,581,255
Finance costs paid	(1,993,884)	(3,712,075)
Deposits pledged	(7,821,963)	70,956
Advances from directors (Note 19)	-	3,000,000
Cash flows from financing activities	(40,443,655)	17,139,363
Net (decrease)/increase in cash and cash equivalents	(20,680,883)	18,310,676
Cash and cash equivalents at beginning of year	70,248,270	51,937,594
Cash and cash equivalents at end of year (Note 14)	49,567,387	70,248,270

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2009.

1 Domicile and activities

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

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

The immediate and ultimate holding company is Fu Yu Holding Pte Ltd, which is incorporated in the Republic of Singapore.

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 3 – measurement of recoverable amounts of property, plant and equipment
- Note 17 – measurement of share-based payments
- Note 32 – significant accounting estimates and judgement

There were no changes in accounting policies during the year.

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

2.2 Consolidation

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Subsidiaries

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

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2 Summary of significant accounting policies (cont'd)

2.2 Consolidation (cont'd)

Transactions eliminated on consolidation

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

Accounting for subsidiaries by the Company

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

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the various functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

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

Foreign operations

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

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

2.4 Property, plant and equipment

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

2 Summary of significant accounting policies (cont'd)

2.4 Property, plant and equipment (cont'd)

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

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

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

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

The estimated useful lives are as follows:

Leasehold properties	Over the period of the respective leases ranging from 16 to 60 years
Factory equipment, plant and machinery	10 years
Motor vehicles	5 years
Office equipment and furniture and fittings	3 to 5 years
Other assets	2 to 10 years

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

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

2.5 Investment property

Investment property is property held either to earn rental income or capital appreciation or both. It does not include properties for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Properties are transferred from property, plant and equipment to investment properties in the year when the properties are held to earn rental income or capital appreciation or both.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of the investment property. The estimated useful life is 57 years. The depreciation method, the useful life and the residual value of investment property are reassessed at the balance sheet date. Rental income from investment property is accounted for in the manner described in Note 2.12.

2 Summary of significant accounting policies (cont'd)

2.5 Investment property (cont'd)

When the Group holds a property interest under an operating lease to earn rental income or capital appreciation, the interest is classified and accounted for as investment property on a property-by-property basis. Any such property interest which has been classified as investment property is accounted for as if it is held under finance lease, and is accounted for in the same way as other investment property leased under finance leases. Lease payments are accounted for as described in Note 2.7.

2.6 Financial instruments

Non-derivative financial instruments

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits and short-term highly liquid investments which have insignificant risk of changes in value. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Bank deposits that are pledged are excluded for the purpose of the cash flow statement.

Others

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

Impairment of financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

2 Summary of significant accounting policies (cont'd)

2.6 Financial instruments (cont'd)

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

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

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

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

Intra-group financial guarantees

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

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

Share capital

Ordinary shares are classified as equity.

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

2.7 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2 Summary of significant accounting policies (cont'd)

2.7 Leases (cont'd)

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

When entities within the Group are lessors of an operating lease

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

2.8 Impairment – non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

2 Summary of significant accounting policies (cont'd)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.10 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

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

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

Share-based payments

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

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

2.11 Provisions

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

2 Summary of significant accounting policies (cont'd)

2.12 Revenue recognition

Sale of goods

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

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

Tooling contracts

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

Rental income

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.13 Finance income and expenses

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

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

2 Summary of significant accounting policies (cont'd)

2.14 Income tax expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

3. Property, plant and equipment

Group	Leasehold properties	Factory equipment, plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Other assets	Buildings under construction	Total
	$	$	$	$	$	$	$
Cost/Valuation							
At 1 January 2007	125,775,572	301,813,215	5,442,576	20,280,902	11,935,872	5,157,547	470,405,684
Currency realignment	661,808	1,446,122	21,559	55,719	31,240	35,420	2,251,868
Additions	319,245	18,735,274	557,854	1,329,516	3,108,279	8,066,418	32,116,586
Disposals/Write-off	(2,916,080)	(3,602,511)	(745,217)	(858,102)	(262,521)	-	(8,384,431)
Reclassified as assets held for sale (Note 9)	(30,127,098)	(73,488)	-	(399,686)	-	-	(30,600,272)
Reclassified as investment property (Note 4)	-	-	-	-	-	(10,784,415)	(10,784,415)
Reclassified as prepaid land lease (Note 5)	(11,119,847)	-	-	-	-	-	(11,119,847)
Reclassified to prepayments	384,567	700,502	-	(70,156)	-	(1,905,451)	(890,538)
At 31 December 2007	82,978,167	319,019,114	5,276,772	20,338,193	14,812,870	569,519	442,994,635
Currency realignment	4,254,108	5,716,527	34,622	233,617	165,375	(40,665)	10,363,584
Additions	919,699	2,103,766	268,502	591,319	863,921	265,437	5,012,644
Disposals/Write-off	(288,184)	(4,018,495)	(501,534)	(1,032,274)	(1,033,131)	(57,113)	(6,930,731)
At 31 December 2008	87,863,790	322,820,912	5,078,362	20,130,855	14,809,035	737,178	451,440,132

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

Group	Leasehold properties $	Factory equipment, plant and machinery $	Motor vehicles $	Office equipment, furniture and fittings $	Other assets $	Buildings under construction $	Total $
Accumulated depreciation							
At 1 January 2007	25,963,084	156,202,404	4,156,239	13,895,427	6,517,608	-	206,734,762
Currency realignment	77,830	564,853	13,838	14,050	9,992	-	680,563
Depreciation for the year	4,139,161	23,488,254	630,444	2,521,962	1,645,820	-	32,425,641
Impairment	-	23,002,580	-	-	-	-	23,002,580
Disposals/Write-off	(1,266,597)	(3,471,178)	(706,934)	(702,256)	(243,303)	-	(6,390,268)
Reclassified as assets held for sale (Note 9)	(1,269,854)	(23,128)	-	(157,245)	-	-	(1,450,227)
Reclassified as prepaid land lease (Note 5)	(1,596,885)	-	-	-	-	-	(1,596,885)
Reclassified to prepayments	(28,877)	(526,858)	-	(70,977)	-	-	(626,712)
At 31 December 2007	26,017,862	199,236,927	4,093,587	15,500,961	7,930,117	-	252,779,454
Currency realignment	821,619	5,621,102	55,933	177,648	29,969	-	6,706,271
Depreciation for the year	3,658,688	19,925,813	464,683	2,044,877	1,761,101	-	27,855,162
Impairment	-	36,130,055	-	-	-	-	36,130,055
Disposal - Impairment losses	-	(336,182)	-	-	-	-	(336,182)
Disposals/Write-off	(95,530)	(3,722,469)	(477,275)	(1,025,175)	(750,354)	-	(6,070,803)
At 31 December 2008	30,402,639	256,855,246	4,136,928	16,698,311	8,970,833	-	317,063,957
Carrying amount							
At 1 January 2007	99,812,488	145,610,811	1,286,337	6,385,475	5,418,264	5,157,547	263,670,922
At 31 December 2007	56,960,305	119,782,187	1,183,185	4,837,232	6,882,753	569,519	190,215,181
At 31 December 2008	57,461,151	65,965,666	941,434	3,432,544	5,838,202	737,178	134,376,175

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

	Leasehold properties	Factory equipment, plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Other assets	Total
	$	$	$	$	$	$
Company						
Cost/Valuation						
At 1 January 2007	28,339,386	50,120,043	2,295,118	8,092,600	4,945,625	93,792,772
Additions	-	344,003	-	354,172	168,110	866,285
Disposals/Write-off	(13,179)	(1,191,087)	(380,651)	(402,898)	(206,000)	(2,193,815)
Transferred to subsidiaries	-	(457,037)	-	-	-	(457,037)
At 31 December 2007	28,326,207	48,815,922	1,914,467	8,043,874	4,907,735	92,008,205
Additions	869,453	55,986	123,671	122,724	285,648	1,457,482
Disposals/Write-off	-	(2,465,502)	(102,000)	(998,051)	(1,008,020)	(4,573,573)
Transferred to subsidiaries	-	(2,047,423)	-	(11,673)	-	(2,059,096)
At 31 December 2008	29,195,660	44,358,983	1,936,138	7,156,874	4,185,363	86,833,018
Accumulated depreciation						
At 1 January 2007	13,456,586	36,507,808	2,025,997	7,498,583	3,930,316	63,419,290
Depreciation for the year	724,556	2,995,698	174,648	404,565	304,599	4,604,066
Disposals/Write-off	-	(1,188,070)	(342,460)	(402,898)	(206,000)	(2,139,428)
Transferred to subsidiaries	-	(373,198)	-	-	-	(373,198)
At 31 December 2007	14,181,142	37,942,238	1,858,185	7,500,250	4,028,915	65,510,730
Depreciation for the year	654,652	2,565,130	53,131	292,871	344,846	3,910,630
Impairment	-	4,191,000	-	-	-	4,191,000
Disposals/Write-off	-	(2,362,049)	(102,000)	(998,035)	(747,582)	(4,209,666)
Transferred to subsidiaries	-	(1,408,431)	-	(7,857)	-	(1,416,288)
At 31 December 2008	14,835,794	40,927,888	1,809,316	6,787,229	3,626,179	67,986,406
Carrying amount						
At 1 January 2007	14,882,800	13,612,235	269,121	594,017	1,015,309	30,373,482
At 31 December 2007	14,145,065	10,873,684	56,282	543,624	878,820	26,497,475
At 31 December 2008	14,359,866	3,431,095	126,822	369,645	559,184	18,846,612

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

Capitalisation of borrowing costs

The Group's leasehold properties include borrowing costs of $923,885 incurred in connection with the construction of a factory.

The Company engaged United Premas Ltd, an independent valuer to determine the fair value of its properties. Fair value is determined by reference to open market values on an existing use basis. The dates of the last revaluation were 22 November 2006 and 5 January 2007.

Revaluation of certain leasehold properties

The carrying amount of these assets included in the financial statements as at 31 December 2008 was $13,511,432 (2007: $14,145,065). Had these assets been carried at cost less depreciation, the carrying amount would have been $7,154,914 (2007: $7,605,014).

Other assets

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

Assets held under finance leases

The carrying amount of motor vehicles, factory equipment and plant and machinery held under finance leases as at 31 December 2008 for the Group and Company was $2,777,520 (2007: $2,199,774) and $105,121 (2007: $9,318) respectively.

During the year, the Group acquired property, plant and equipment with an aggregate cost of $5,012,644 (2007: $32,116,586), of which $1,056,983 (2007: $686,824) was acquired under finance leases.

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

Impairment loss

During the current year, certain cash-generating units (CGU) in the China and Singapore operations in the Group continued to incur operating loss. This has caused the Group to assess the recoverable amount of the plant and machinery of these operations. The recoverable amounts of the cash-generating units were estimated based on their value in use. Based on the assessment, the carrying amounts of the factory equipment, plant and machinery were determined to be $36,130,055 higher than their recoverable amounts, and an impairment loss of $36,130,055 was recognised. The operation of the CGU are similar in nature and are segregated in different CGUs based on the geographical locations of the plant. For this purpose, the assumptions used on projecting the value in use disclosed below are not further analysed by CGUs.

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

The estimates of recoverable amount were based on the value in use of the factory equipment, plant and machinery, and determined using a discount rate of 11.19% (2007: 8.22%) per annum derived from the management's cashflows projections of these cash-generating units, with a terminal value of 2% on the cost of the factory equipment, plant and machinery. The impairment loss was recognised and presented as other expenses - exceptional expenses in the consolidated income statement for the year. Other assumptions used on projecting the value in use are as follows:

	2008	2007
Growth rate in revenue	-23% to 15% (Average growth rate of 7%)	0% to 10%
Number of years projected in the discounted cash flow	10 years	5 to 7 years
Gross profit	-10% to 10%	4% to 13%

4 Investment property

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

	Note	Group 2008	Group 2007
		$	$
At 1 January		10,622,281	-
Transfer from property, plant and equipment	3	-	10,784,415
Depreciation		(203,828)	(162,691)
Currency realignment		(631,197)	557
At 31 December		9,787,256	10,622,281

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

The fair value of the investment property based on indicative valuation from third parties as at 31 December 2008 is approximately $12,744,000 (2007: $11,370,000).

5 Prepaid land lease

	Note	Group 2008	Group 2007
		$	$
At 1 January		9,311,185	-
Transfer from property, plant and equipment, net	3	-	9,522,962
Amortisation		(214,334)	(212,050)
Currency realignment		223,180	273
At 31 December		9,320,031	9,311,185

6 Subsidiaries

	Company 2008 $	Company 2007 $
Equity investments, at cost	123,002,792	122,299,705
Impairment losses	(63,593,448)	(8,303,448)
	59,409,344	113,996,257

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity held by the Group 2008 %	Effective equity held by the Group 2007 %
Chang Fu Resources Pte Ltd	Singapore	100	100
Fu Yu Investment Pte Ltd	Singapore	100	100
IFN Pte Ltd	Singapore	100	100
NanoTechnology Manufacturing Pte Ltd	Singapore	80	80
SolidMicron Technologies Pte Ltd	Singapore	100	100
Fu Ying Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	100	100
Fu Yu Electronics (Dongguan) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Shanghai) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Tianjin) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Wujiang) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Wuxi) Co., Ltd.	People's Republic of China	100	100
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	People's Republic of China	100	100
QingDao Fu Qiang Electronics Co., Ltd.	People's Republic of China	100	100
Classic Advantage Sdn. Bhd.	Malaysia	70.64	70.64
Fortune Mission Sdn. Bhd.	Malaysia	-	100
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	70.64	70.64
LCTH Corporation Berhad	Malaysia	70.64	70.64
Fu Yu International Enterprise Limited	Hong Kong	100	100
Fu Yu Trading Limited	Hong Kong	100	100
Fu Yu Guadalajara S.A. De C.V.	Mexico	100	100

KPMG Singapore is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for LCTH Corporation Berhad, which is audited by Ernst & Young, Malaysia. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

7 Associates

	Group 2008 $	Group 2007 $
Unquoted investment, at cost	2,692,880	434,600
Share of post-acquisition reserves		
- prior financial year brought forward	(195,242)	(41,312)
- current financial year movement	540,649	(153,930)
Currency realignment	(63,881)	2,807
At 31 December	2,974,406	242,165

Details of the associate are as follows:

Name of company	Country of incorporation	Effective equity held by the Group 2008 %	Effective equity held by the Group 2007 %
Rexam Malaysia Sdn. Bhd. (formerly known as O-I Plastics Malaysia Sdn. Bhd.)	Malaysia	28.26	28.26

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

	Group 2008 $	Group 2007 $
Assets and liabilities		
Non-current assets	5,394,128	7,004,223
Current assets	3,974,764	1,601,324
Total assets	9,368,892	8,605,547
Total liabilities	1,593,712	5,858,043
Results		
Revenue	14,851,055	5,524,772
Profit/(loss) after income tax	1,913,395	(544,691)

8 Deferred tax

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

	At 1/1/2007	Recognised in income statement (Note 25)	Recognised in equity	Exchange differences	At 31/12/2007	Recognised in income statement (Note 25)	Exchange differences	At 31/12/2008
	$	$	$	$	$	$	$	$
Group								
Deferred tax assets								
Property, plant and equipment	(132,061)	(1,582,266)	-	(1,008)	(1,715,335)	1,715,335	-	-
Employee benefits	(215,592)	32,942	-	4,881	(177,769)	93,576	3,556	(80,637)
Provision	(23,973)	4,485	-	(183)	(19,671)	-	-	(19,671)
Others	(27,813)	(704,662)	-	(862)	(733,337)	315,339	1,856	(416,142)
	(399,439)	(2,249,501)	-	2,828	(2,646,112)	2,124,250	5,412	(516,450)
Deferred tax liabilities								
Property, plant and equipment	8,796,317	(338,967)	-	28,150	8,485,500	(1,949,570)	(338,727)	6,197,203
Revaluation reserve	713,889	-	(98,012)	-	615,877	-	-	615,877
Others	-	-	-	-	-	165	-	165
	9,510,206	(338,967)	(98,012)	28,150	9,101,377	(1,949,405)	(338,727)	6,813,245
Company								
Deferred tax assets								
Employee benefits	(93,897)	17,108	-	-	(76,789)	(3,848)	-	(80,637)
Provision	-	(19,671)	-	-	(19,671)	-	-	(19,671)
Others	-	(733,337)	-	-	(733,337)	387,862	-	(345,475)
	(93,897)	(735,900)	-	-	(829,797)	384,014	-	(445,783)
Deferred tax liabilities								
Property, plant and equipment	3,111,841	(960,215)	-	-	2,151,626	(357,459)	-	1,794,167
Revaluation reserve	713,889	-	(98,012)	-	615,877	-	-	615,877
Others	-	-	-	-	-	165	-	165
	3,825,730	(960,215)	(98,012)	-	2,767,503	(357,294)	-	2,410,209

8 Deferred tax (cont'd)

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

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Deferred tax assets	-	(1,715,335)	-	-
Deferred tax liabilities	6,296,795	8,170,600	1,964,426	1,937,706

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

	Group	
	2008	2007
	$	$
Unutilised capital allowances	7,560,363	944,269
Utilised tax losses	70,600,543	50,989,091
Reinvestment allowances	2,619,352	4,365,458
Deductible temporary differences	(7,471,899)	(5,770,467)
	73,308,359	50,528,351

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

9 Assets classified as held for sale

	Group	
	2008	2007
	$	$
Assets classified as held for sale		
- Property at Taman Teknologi Johor	-	29,150,045

The assets classified as held for sale in 2007 was in respect of the sale and leaseback agreement entered into by Malaysia subsidiary for the sale and leaseback of 6 blocks of factories, 1 office block and an ancillary building erected thereon and including mechanical equipment located at No. 11 Jalan Persiaran Teknologi, Taman Teknologi Johor, 81400 Senai, Johor Darul Ta'zim. The disposal was completed on 16 May 2008.

10 Inventories

	Group 2008	Group 2007	Company 2008	Company 2007
	$	$	$	$
Raw materials	8,728,970	17,492,549	1,373,893	1,107,383
Work-in-progress	938,547	2,183,849	44,432	52,094
Finished goods	10,898,547	15,317,615	694,662	1,862,683
	20,566,064	34,994,013	2,112,987	3,022,160

11 Trade and other receivables

	Note	Group 2008	Group 2007	Company 2008	Company 2007
		$	$	$	$
Trade receivables		99,326,752	107,069,251	10,709,995	9,165,723
Allowance for impairment		(12,803,352)	(15,423,292)	(307,572)	(1,839,829)
Net receivables		86,523,400	91,645,959	10,402,423	7,325,894
Deposits		2,932,214	312,395	2,561,460	73,105
Prepayments		1,582,236	1,691,421	275,681	387,043
Advances to suppliers		2,173,897	2,835,815	378,561	146,293
Tax recoverable		2,331,276	3,913,547	-	-
Other receivables		2,175,366	6,828,249	763,946	543,284
Amounts due from					
- subsidiaries	12	-	-	62,224,493	37,521,550
- customers for contract work	13	3,338,983	710,665	2,704,326	434,605
		101,057,372	107,938,051	79,310,890	46,431,774

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

	2008 Gross trade receivables	2008 Allowance for impairment	2007 Gross trade receivables	2007 Allowance for impairment
	$	$	$	$
Group				
Not past due	65,171,963	-	65,434,759	-
Past due 0 to 30 days	17,272,847	-	19,469,033	-
Past due 31 to 90 days	3,021,056	-	4,408,242	-
More than 90 days	13,860,886	12,803,352	17,757,217	15,423,292
	99,326,752	12,803,352	107,069,251	15,423,292
Company				
Not past due	8,264,400	-	4,670,829	-
Past due 0 to 30 days	1,401,751	-	1,453,639	-
Past due 31 to 90 days	535,826	-	710,107	-
More than 90 days	508,018	307,572	2,331,148	1,839,829
	10,709,995	307,572	9,165,723	1,839,829

11 Trade and other receivables (cont'd)

Geographical area

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Singapore	9,614,704	5,181,108	8,057,428	3,658,033
China	49,054,614	49,429,587	436,715	370,851
Malaysia	22,812,051	28,566,897	1,223,779	2,016,379
United States	1,708,768	2,016,921	244,655	862,181
Hong Kong	1,575,567	3,777,216	-	1,255
Others	1,757,696	2,674,230	439,846	417,195
	86,523,400	91,645,959	10,402,423	7,325,894

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

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
At 1 January	15,423,292	26,785,842	1,839,829	1,887,505
Allowance (written back)/made	(2,463,792)	2,916,942	(828,770)	(47,676)
Allowance utilised	(971,752)	(14,439,888)	(703,487)	-
Currency realignment	815,604	160,396	-	-
At 31 December	12,803,352	15,423,292	307,572	1,839,829

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

12 Amounts due from subsidiaries

	Company	
	2008	2007
	$	$
Amounts due from subsidiaries		
- trade	3,505,149	3,160,604
- non-trade	60,269,344	34,360,946
	63,774,493	37,521,550
Allowance for impairment – non-trade	(1,550,000)	-
	62,224,493	37,521,550

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

12 Amounts due from subsidiaries (cont'd)

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

	Company	
	2008	2007
	$	$
At 1 January	-	-
Allowance made during the year	1,550,000	-
At 31 December	1,550,000	-

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

	Note	Group		Company	
		2008	2007	2008	2007
		$	$	$	$
Contract costs incurred to date		16,571,252	14,936,264	12,953,332	10,495,756
Recognised profits less recognised losses to date		976,860	561,862	1,060,955	(415,519)
		17,548,112	15,498,126	14,014,287	10,080,237
Progress billings		(16,032,617)	(17,237,994)	(12,062,272)	(11,818,721)
Amount due from/(to) customers, net		1,515,495	(1,739,868)	1,052,015	(1,738,484)
Gross amount due from customers for contract work	11	3,338,983	710,665	2,704,326	434,605
Gross amount due to customers for contract work	19	(1,823,488)	(2,450,533)	(1,652,311)	(2,173,089)
		1,515,495	(1,739,868)	1,052,015	(1,738,484)

14 Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank and in hand	29,000,638	33,002,795	3,368,845	792,575
Deposits with licensed banks	17,298,942	25,789,657	4,862,043	20,793,400
Short-term investments	11,089,770	11,455,818	-	-
Cash and cash equivalents	57,389,350	70,248,270	8,230,888	21,585,975
Deposit pledged	(7,821,963)	-		
Cash and cash equivalents in the cash flow statement	49,567,387	70,248,270		

14 Cash and cash equivalents (cont'd)

Fixed deposits of $7,821,963 (2007: $Nil) 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 (2007: 12 months) from the financial year end. Effective interest rates range from 1.25% to 3.20% (2007: 1.47% to 3.36%) per annum. Short term debt securities earn a weighted average effective interest rate of 3.26% (2007: 2.62%) per annum during the year.

15 Share capital

	Group and Company			
	2008	2007	2008	2007
	$	$	No. of shares	
Fully paid ordinary shares, with no par value:				
At 1 January	117,330,143	96,748,888	710,254,775	593,254,775
Issue of shares	-	20,581,255	-	117,000,000
At 31 December	117,330,143	117,330,143	710,254,775	710,254,775

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

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

Capital management

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

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

16 Reserves

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Capital reserve	140,256	140,256	-	-
Statutory reserve	8,799,911	8,594,933	-	-
Revaluation reserve	788,607	788,607	788,607	788,607
Foreign currency translation reserve	(5,233,091)	(3,453,080)	-	-
Share option reserve	275,474	-	220,124	-
Revenue reserve	60,672,045	117,868,178	23,378,804	65,804,290
	65,443,202	123,938,894	24,387,535	66,592,897

16 Reserves (cont'd)

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

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

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

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

17 Employee share options

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

Information regarding the Scheme are as follows:

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

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

	2008		2007	
	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
	$		$	
At 1 January	-	-	-	-
Granted	0.09	84,270,000	-	-
At 31 December	0.09	84,270,000	-	-

The options were not exercisable at 31 December 2008.

17 Employee share options (cont'd)

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

Date of grant of options	Expiry date	Exercise price	Options outstanding	
		$	2008	2007
5 October 2008	5 October 2014	0.09	84,270,000	-

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

Fair value of share options and assumptions

Date of grant of options	5 October 2008
Fair value at measurement date	$0.09
Share price	$0.09
Exercise price	$0.09
Expected volatility	19%
Expected option life (years)	5 years
Expected dividend rate	0%
Risk-free interest rate	2.25%

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

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

18 Financial liabilities

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Non-current liabilities				
Finance lease liabilities	894,581	1,020,263	84,629	9,148
Current liabilities				
Secured bank loans	22,247,995	-	2,000,000	-
Unsecured bank loans	-	52,536,678	-	9,114,912
Finance lease liabilities	947,454	714,966	26,705	11,802
	23,195,449	53,251,644	2,026,705	9,126,714
	24,090,030	54,271,907	2,111,334	9,135,862

18 Financial liabilities (cont'd)

Secured bank loans

The Group's and the Company's short-term secured loans bear interest rates ranging from 2.09% to 6.41% (2007: Nil) and 2.09% (2007: Nil) respectively per annum and can be rolled forward for periods of between 1 week and 1 year after the maturity date.

The secured bank loans are secured by:

(i) Fixed and floating charges over various assets and mortgages over the Company's Singapore properties;
(ii) Fu Yu Investment Pte Ltd's 254,295,643 ordinary shares (after bonus issue, capital reduction and share consolidation) in the share capital of LCTH Corporation Berhad; and
(iii) Mortgages over the Company's subsidiary, Fu Yu Moulding & Tooling (Suzhou) Co., Ltd's properties.

Unsecured bank loans

In last financial year, the Group's and the Company's short-term unsecured loans bear interest rates ranging from 2.66% to 10.50% per annum and can be rolled forward for periods of between 1 week and 5 months after the maturity date.

Included in loans and borrowings of the Group is an amount of approximately $7,203,700 (2007: $23,346,000) denominated in US dollars. Other loans and borrowings are denominated in the functional currencies of the respective Group entities.

Finance lease liabilities

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

	2008			2007		
	Principal	**Interest**	**Payments**	**Principal**	**Interest**	**Payments**
	$	$	$	$	$	$
Group						
Payable:						
Within 1 year	947,454	74,181	1,021,635	714,966	49,388	764,354
After 1 year but within 5 years	894,581	37,659	932,240	1,020,263	84,560	1,104,823
	1,842,035	111,840	1,953,875	1,735,229	133,948	1,869,177
Company						
Payable:						
Within 1 year	26,705	5,197	31,902	11,802	702	12,504
After 1 year but within 5 years	84,629	9,455	94,084	9,148	170	9,318
	111,334	14,652	125,986	20,950	872	21,822

The effective interest rates implicit in the leases range from 2.30% to 6.14% (2007: 2.30% to 6.14%) per annum.

19 Trade and other payables

	Note	Group 2008	Group 2007	Company 2008	Company 2007
		$	$	$	$
Trade payables		52,535,406	70,849,469	6,252,012	3,989,230
Accrued expenses		12,295,193	15,479,287	3,061,511	2,323,989
Amounts payable for purchase of property, plant and equipment		3,608,623	4,877,148	101,954	760
Amounts due to customers for contract work	13	1,823,488	2,450,533	1,652,311	2,173,089
Advance billings		2,469,335	493,643	2,264,856	493,643
Other payables		15,187,946	14,696,842	1,139,560	930,193
Deposits and advances		1,989,454	1,278,484	1,111,305	640,678
Deferred income – asset grants		-	3,906	-	3,906
Amounts due to subsidiaries					
- trade		-	-	1,356,179	1,111,543
- non-trade		-	-	1,146,004	838,411
Advances from directors		3,000,000	3,000,000	3,000,000	3,000,000
		92,909,445	113,129,312	21,085,692	15,505,442

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

20 Revenue

	Group 2008	Group 2007
	$	$
Sale of goods	282,949,279	320,514,673
Revenue from tooling contracts	43,305,005	90,025,506
	326,254,284	410,540,179

21 Other income

	Group 2008	Group 2007
	$	$
Interest and investment income	1,061,501	1,378,719
Rental income	3,995,264	2,976,314
Government grants		
- assets related	3,903	10,079
- income related	125,583	20,000
Loss on liquidation of a subsidiary	(26,608)	-
Gain on disposal of property, plant and equipment	719,995	601,731
Sale of scrap and raw materials	1,666,178	1,771,913
Foreign exchange gain/(loss), net	4,617,064	(1,880,520)
Others	180,790	635,267
	12,343,670	5,513,503

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

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

22 Other expenses - exceptional expenses

	Group 2008	Group 2007
	$	$
Gain on sale of a leasehold property previously classified as an asset held for sale	5,152,495	-
Loss on sale of an associate previously classified as an asset held for sale	-	(344,392)
Dilution of interest in subsidiaries	-	521,472
Impairment of property, plant and machinery (Note 3)	(36,130,055)	(23,002,580)
Gain on liquidation of a subsidiary	-	1,044,036
	(30,977,560)	(21,781,464)

23 Finance costs

	Group 2008	Group 2007
	$	$
Interest expenses		
- bank loans	1,875,646	3,666,582
- finance leases	118,238	45,493
	1,993,884	3,712,075

24 Loss before income tax

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

	Group 2008	Group 2007
	$	$
Directors of the Company		
- fees	293,957	336,173
- contributions to defined contribution plans	47,169	64,337
- share options granted	80,506	-
- other emoluments	2,447,544	2,632,856
Directors of subsidiaries		
- fees	67,293	83,756
- contributions to defined contribution plans	7,323	-
- other emoluments	190,120	-
Non-audit fees paid to		
- auditors of the Company	-	218,773
- other auditors	23,104	72,268
Staff costs		
- salaries, bonuses and other costs	60,652,333	76,011,467
- contributions to defined contribution plans	6,624,942	6,246,783
Operating lease expenses	8,241,157	6,923,666
Property, plant and equipment written off	320,756	85,612
(Write-back)/Allowance made for doubtful trade and other receivables	(2,427,585)	3,140,716
Allowance made for inventory obsolescence and inventories written off	1,358,416	10,311,339

25 Income tax expense/(credit)

	Group 2008	Group 2007
	$	$
Current tax expense		
Current year	3,860,899	1,202,742
(Over)/Under provision of prior years	(441,511)	359,607
	3,419,388	1,562,349
Deferred tax expense/(credit)		
Movements in temporary differences	(1,386,971)	(2,595,190)
(Over)/Under provision in prior years	1,561,816	6,722
	174,845	(2,588,468)
Income tax expense/(credit)	3,594,233	(1,026,119)

25 Income tax expense/(credit) (cont'd)

Reconciliation of effective tax rate

	Group	
	2008	**2007**
	$	**$**
Loss before income tax	(52,241,140)	(54,592,768)
Tax calculated using Singapore tax rate of 18% (2007: 18%)	(9,403,405)	(9,826,698)
Effect of reduction in tax rates	-	(482,285)
Effect of different tax rates in foreign jurisdictions	1,610,527	708,881
Income not subject to tax	(1,549,492)	(734,096)
Expenses not deductible for tax purposes	6,264,495	1,784,575
Utilisation of capital allowances, reinvestment allowances and tax losses	(314,299)	(1,511,295)
Recognition of deferred tax assets on reinvestment allowances	-	(1,715,335)
Under/(Over) provision in prior years	1,120,305	366,329
Deferred tax assets not recognised	4,376,826	10,643,136
Deferred tax assets no longer qualified for recognition	-	185,901
Shortfall of tax credit	1,845,362	-
Others	(356,086)	(445,232)
	3,594,233	(1,026,119)

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

26 Loss per share

	Group	
	2008	**2007**
Net loss attributable to ordinary shareholders ($)	(56,991,155)	(55,767,884)
Number of shares:		
Issued ordinary shares at 1 January	710,254,775	593,254,775
Effect of shares issued during the year	-	13,142,466
Weighted average number of ordinary shares at 31 December	710,254,775	606,397,241
Basic loss per share (cents)	(8.02)	(9.20)
Diluted loss per share (cents)	(8.02)	(9.20)

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares is adjusted to take into account the dilutive effect arising from the dilutive share options to ordinary shares, with the potential ordinary shares weighted for the period outstanding. As the effect is anti-dilutive, the dilutive loss per share (cents) is the same as the basic loss per share (cents).

27 Segment reporting

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

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

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

Geographical segments

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

Business segment

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

27 Segment reporting (cont'd)

Geographical segments

	Singapore		China		Malaysia		Others		Total operations	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$	$	$	$	$	$	$	$	$	$
Revenue and expenses										
Total external revenue	51,337,503	57,042,713	154,741,077	199,302,726	120,175,704	154,194,740	-	-	326,254,284	410,540,179
Segment results	(7,641,968)	(11,385,354)	(18,273,357)	(28,043,308)	5,043,949	9,104,833	(470)	(211)	(20,871,846)	(30,324,040)
Interest income									1,061,501	1,378,719
Finance costs									(1,993,884)	(3,712,075)
Other expenses - exceptional expenses (Note 22)	(9,635,000)	1,044,036	(26,495,055)	(23,002,580)	5,152,495	177,080	-	-	(30,977,560)	(21,781,464)
Share of results of associates									540,649	(153,908)
									(52,241,140)	(54,592,768)
Income tax (expense)/credit									(3,594,233)	1,026,119
Net loss for the year									(55,835,373)	(53,566,649)
Assets and liabilities										
Segment assets	48,941,769	53,639,536	163,610,601	217,410,968	111,053,050	140,433,567	54,476	69,508	323,659,896	411,553,579
Other assets									11,810,758	42,882,947
Total assets									335,470,654	454,436,526
Segment liabilities	16,658,309	11,768,952	55,806,202	74,009,721	17,447,243	24,350,638	-	-	89,911,754	110,129,311
Other liabilities									37,334,771	67,557,892
Total liabilities									127,246,525	177,687,203
Other segment information										
Capital expenditure	1,755,984	5,284,691	1,287,334	12,335,123	1,969,326	14,496,772	-	-	5,012,644	32,116,586
Depreciation of property, plant and equipment, investment property and amortisation of prepaid land lease	6,084,129	6,518,058	15,100,671	18,966,121	7,088,524	7,316,203	-	-	28,273,324	32,800,382

28 Financial risk management

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

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

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

Liquidity risk

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

Market risk

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

Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

Sensitivity analysis

	Increase/(decrease) in profit or decrease/(increase) in loss			
	Group		Company	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Group	$	$	$	$
2008				
Variable rate instruments	(222,480)	222,480	(20,000)	20,000
2007				
Variable rate instruments	(525,367)	525,367	(91,149)	91,149

28 Financial risk management (cont'd)

Foreign currency risk

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

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

	Group		Company	
	2008 US dollar	2007 US dollar	2008 US dollar	2007 US dollar
	$'000	$'000	$'000	$'000
Trade and other receivables	58,684	57,654	8,981	20,003
Cash and cash equivalents	17,235	16,579	2,997	666
Financial liabilities	(7,204)	(23,346)	-	-
Trade and other payables	(29,704)	(27,632)	(3,460)	(4,123)
	39,011	23,255	8,518	16,546

Sensitivity analysis

A one percentage point strengthening/weakening of the Singapore dollar against the US dollar at the balance sheet date would decrease/increase the Group's loss before income tax by approximately $369,000 (2007: $233,000) and decrease/increase the Company's profit before income tax by approximately $85,000 (2007: $165,000). This analysis assumes that all other variables in particular interest rates, remain constant.

Other financial assets and liabilities

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

29 Commitments

Capital expenditure commitments

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Capital expenditure contracted for as at balance sheet date but not recognised in the financial statements: Commitments in respect of contracts placed/ agreements signed	5,977,974	8,553,363	3,968,857	4,980,889

29 Commitments (cont'd)

Operating lease commitments

As at 31 December, the Group and Company lease certain properties and land under lease arrangements that are non-cancellable within one year. Other leases, which include the renewal options, expire at various dates till 2044 (2007: 2044) and contain provisions for rental adjustments to restrict the Group and the Company to further leasing and sub-leasing. At 31 December, the Group and Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Payable:				
Within 1 year	9,292,840	5,700,661	5,636,506	5,574,184
After 1 year but within 5 years	19,066,949	11,538,214	6,427,114	11,538,214
After 5 years	28,797,451	6,504,530	6,524,910	6,504,530
	57,157,240	23,743,405	18,588,530	23,616,928

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Receivable:				
Within 1 year	4,971,394	1,315,641	4,092,162	362,283
After 1 year but within 5 years	2,786,818	1,553,147	2,633,066	454,331
	7,758,212	2,868,788	6,725,228	816,614

30 Contingent liabilities

The Company has corporate guarantees and standby letter of credit given to banks in connection with facilities granted to subsidiaries amounting to $7,900,000 (2007: $40,565,929). Amounts utilised by subsidiaries amounted to $7,203,697 (2007: $34,398,400).

The Company has an outstanding corporate guarantee given to a supplier in connection with hire purchase obligations of the subsidiaries amounting to $297,008 (2007: $686,182).

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the bank would have charged had these guarantees not been available. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results and the accumulated profits of the Company for the year ended 31 December 2008.

31 Related parties

Key management personnel compensation

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

Key management personnel compensation comprise:

	Group	
	2008	2007
	$	$
Short-term employee benefits	3,722,055	4,676,761
Contributions to national pension scheme	80,335	128,481
Share options expenses	188,796	-
	3,991,186	4,805,242
Comprise amounts paid/payable to:		
- directors of the Company	2,869,176	3,033,366
- other key management personnel	1,122,010	1,771,876
	3,991,186	4,805,242

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

	Group	
	2008	2007
Number of directors in remuneration bands		
- $500,000 and above	3	4
- $250,000 to $499,999	2	1
- below $250,000	3	5
	8	10

Other related party transactions

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

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Sale of goods to subsidiaries	-	-	9,297,175	10,118,964
Sale of equipment to subsidiaries	-	-	123,148	90,422
Rental income from a subsidiary	-	-	642,373	579,715
Dividend income from a subsidiary	-	-	21,000,000	8,000,000
Management fees from a subsidiary	-	-	639,600	388,800
Purchase of goods from subsidiaries	-	-	2,012,173	1,731,141
Transfer of property, plant and equipment to subsidiaries	-	-	642,808	83,839
Rental income from an associate	919,784	759,694	-	-
Sale of goods to an associate	17,798	328,149	17,798	328,149

32 Significant accounting estimates and judgement

Income taxes

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

Depreciation and impairment of plant and equipment

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

Impairment of plant and equipment is based on the value-in-use which is derived from management's cashflow projections from these plant and machinery as mentioned in Note 3.

Impairment of investments and financial assets

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

33 New accounting standards and interpretations not yet adopted

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

- FRS 1 (revised 2008) *Presentation of Financial Statements*
- Amendments to FRS 1 (revised 2008) *Amendments relating to puttable financial instruments and obligations arising on liquidation*
- Amendments to FRS 1 (revised 2008) *Amendments relating to current/non-current classification of derivatives (Part I)*
- Amendments to FRS 8 *Amendments relating to status of implementation guidance (Part II)*
- Amendments to FRS 10 *Amendments relating to dividends declared after the end of the reporting period (II)*
- Amendments to FRS 16 *Amendments relating to recoverable amount; sale of assets held for rental (Part I)*

33 New accounting standards and interpretations not yet adopted (cont'd)

- Amendments to FRS18 *Amendments relating to costs of originating a loan (Part II)*
- Amendments to FRS 19 *Amendments relating to curtailments and negative past service cost, plan administrative costs, replacement of term 'fall due'; guidance on contingent liabilities (Part I)*
- Amendments to FRS 20 *Amendments relating to government loans with a below-market rate of interest (Part I); consistency of terminology with other FRSs (Part II)*
- FRS 23 (revised) *Borrowing Costs*
- Amendments to FRS 23 (revised) *Amendments relating to components of borrowing costs (Part I)*
- Amendments to FRS 27 *Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to FRS 27 *Amendments relating to measurement of subsidiary held for sale in separate financial statements (Part I)*
- Amendments to FRS 28 *Amendments relating to required disclosures when investments in associates are accounted for at fair value through profit or loss; impairment of investment in associate (Part I)*
- Amendments to FRS 29 *Amendments relating to description of measurement basis in financial statements (Part I); consistency of terminology with other FRSs (Part II)*
- Amendments to FRS 31 *Amendments relating to required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss (Part I)*
- Amendments to FRS 32 *Amendments relating to puttable financial instruments and obligations arising on liquidation*
- Amendments to FRS 34 *Amendments relating to earnings per share disclosures in interim financial reports (Part II)*
- Amendments to FRS 36 *Amendments relating to disclosure of estimates used to determine recoverable amount (Part I)*
- Amendments to FRS 38 *Amendments relating to advertising and promotional activities; unit of production method of amortisation (Part I)*
- Amendments to FRS 39 *Amendments relating to reclassification of derivatives into or out of the classification of at fair value through profit or loss; designating and documenting hedges at the segment level; applicable effective interest rate on cessation of fair value hedge accounting (Part I)*
- Amendments to FRS 40 *Amendments relating to property under construction or development for future use as investment property (Part I); consistency of terminology with FRS 8; investment property held under lease (Part II)*
- Amendments to FRS 41 *Amendments relating to discount rate for fair value calculations; additional biological transformation (Part I); examples of agricultural produce and products; point-of-sale costs (Part II)*
- Amendments to FRS 101 *Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to FRS 102 *Amendments relating to vesting conditions and cancellation*
- Amendments to FRS 105 *Amendments relating to plan to sell controlling interest in subsidiary (Part I)*
- Amendments to FRS 107 *Amendments relating to presentation of finance costs (Part II)*
- FRS 108 *Operating Segments*

The Group is evaluating the initial application of these standards and interpretations for the impact on the Company's financial statements. The Company has not considered the impact of accounting standards issued after the balance sheet date.

STATISTICS OF SHAREHOLDINGS

As at 25 March 2009

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

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	245	3.37	99,792	0.01
1,000 - 10,000	3,974	54.73	20,220,152	2.85
10,001 - 1,000,000	3,011	41.47	141,566,813	19.93
1,000,001 and above	31	0.43	548,368,018	77.21
	7,261	100.00	710,254,775	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 25 MARCH 2009

(As recorded in the Register of Substantial Shareholders)

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

Notes:

1. Mr Ching Heng Yang is deemed to be interested in the shares held in the name of Fu Yu Holding Pte Ltd by virtue that he holds not less than 20% voting rights in Fu Yu Holding Pte Ltd.

2. Mr Tam Wai is deemed to be interested in 300,000 held in the name of his spouse. By virtue that Mr Tam holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is also deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.

3. Mr Ho Nee Kit is deemed to be interested in the shares held in the name of Fu Yu Holding Pte Ltd by virtue that he holds not less than 20% voting rights in Fu Yu Holding Pte Ltd.

4. Mr Lui Choon Hay is deemed to be interested in 14,000 shares held in the name of his spouse. By virtue that Mr Lui holds not less than 20% voting rights in Fu Yu Holding Pte Ltd, he is also deemed to be interested in the shares held by Fu Yu Holding Pte Ltd.

5. Mr Ng Hock Ching is deemed to be interested in the shares held in the name of Citibank Nominees.

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Fu Yu Holding Pte Ltd	338,710,000	47.69
2.	Raffles Nominees Pte Ltd	30,159,749	4.25
3.	Citibank Nominees Singapore Pte Ltd	23,182,000	3.26
4.	Ng Hock Ching	20,829,000	2.93
5.	DBS Nominees Pte Ltd	16,839,075	2.37
6.	UOB Kay Hian Pte Ltd	13,347,500	1.88
7.	Ho Nee Kit	12,321,725	1.73
8.	Tam Wai	12,037,975	1.69
9.	Lui Choon Hay	10,853,975	1.53
10.	Lim Chye Huat @ Bobby Lim Chye Huat	10,689,000	1.50
11.	United Overseas Bank Nominees Pte Ltd	6,129,529	0.86
12.	DBSN Services Pte Ltd	5,707,250	0.80
13.	Ng Chung Ming	5,000,000	0.70
14.	OCBC Securities Private Ltd	4,565,250	0.64
15.	Ching Heng Yang	4,287,975	0.60
16.	Kim Eng Securities Pte. Ltd.	4,026,505	0.57
17.	OCBC Nominees Singapore Pte Ltd	3,666,760	0.52
18.	Phillip Securities Pte Ltd	3,042,750	0.43
19.	UOB Nominees (2006) Pte Ltd	2,942,500	0.41
20.	Dennis Ng Kok Kee	2,500,000	0.35
	Total	530,838,518	74.71

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

41.27% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fu Yu Corporation Limited (“the Company”) will be held at Function Room, Level 2, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Thursday, 30 April 2009 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 December 2008 together with the Auditors’ Report thereon. **(Resolution 1)**

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

   a) Mr Ho Nee Kit **(Resolution 2)**
   b) Mr Tan Yew Beng **(Resolution 3)**

   Mr Tan Yew Beng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered independent.

3. To approve the payment of Directors’ fees of S$237,000/- for the year ended 31 December 2008. [2007: S$246,000/-] **(Resolution 4)**

4. To re-appoint Messrs KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

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

AS SPECIAL BUSINESS

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

6. **Authority to issue shares**

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

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

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

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

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

provided that:

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

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

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

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

(3) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issues;

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

(5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 6)**

7. **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST.**

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares other than on a pro-rata basis at a discount not exceeding twenty per centum (20%) to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that :-

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

(b) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 7)**

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

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorized and empowered to offer and grant options under the Fu Yu Employees Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Low Geok Eng Susie
Company Secretary
Singapore, 15 April 2009

Explanatory Note:

(i) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled “SGX introduces further measures to facilitate fund raising” dated 19 February 2009 and which became effective on 20 February 2009. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders’ approval, in the event the need arises. Minority shareholders’ interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(ii) The Ordinary Resolution 7 in item 7 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled “SGX introduces further measures to facilitate fund raising” dated 19 February 2009 and which became effective on 20 February 2009. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders’ approval be obtained in a separate resolution (the “Resolution”) at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders’ approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

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

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint 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 8 Tuas Drive 1 Singapore 638675 not less than 48 hours before the time appointed for holding the Meeting.

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

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ...

of ....

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 30 April 2009 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2008		
2	Re-election of Mr Ho Nee Kit as a Director		
3	Re-election of Mr Tan Yew Beng as a Director		
4	Approval of Directors' fees amounting to $237,000		
5	Re-appointment of Messrs KPMG LLP as Auditors		
6	Authority to issue shares		
7	Authority to issue shares up to discount of 20%		
8	Authority to issue shares under the Fu Yu Employees Share Option Scheme		

Dated this ____________ day of ____________ 2009

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

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

*Delete where inapplicable

Notes :

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

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

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

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

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Tuas Drive 1 Singapore 638675 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.

富裕
FuYu

www.fuyucorp.com

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