

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Huang Junli, Christopher,  
*Chairman*  
Seow Jun Hao David  
Hew Lien Lee  
Poh Kai Ren Daniel  
Tan Tong Loong Royston

## EXECUTIVE DIRECTORS

Seow Jun Hao David  
Hew Lien Lee

## NON-EXECUTIVE DIRECTORS

Huang Junli, Christopher  
Poh Kai Ren Daniel  
Tan Tong Loong Royston

## AUDIT COMMITTEE

Poh Kai Ren Daniel,  
*Chairman*  
Huang Junli, Christopher  
Tan Tong Loong Royston

## NOMINATING COMMITTEE

Tan Tong Loong Royston,  
*Chairman*  
Huang Junli, Christopher  
Poh Kai Ren Daniel

## REMUNERATION COMMITTEE

Huang Junli, Christopher,  
*Chairman*  
Tan Tong Loong Royston  
Poh Kai Ren Daniel

## COMPANY SECRETARIES

Kong Wei Fung  
Cheok Hui Yee

## REGISTERED OFFICE

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## SHARE REGISTRAR

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Singapore 098632

## EXTERNAL AUDITORS

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

Audit Partner: Chiang Yong  
Torng  
Since financial year 2020

## BANKERS

DBS Bank Ltd  
Malayan Banking Berhad  
Oversea-Chinese Banking  
Corporation Limited  
RHB Bank Berhad  
Sumitomo Mitsui Banking  
Corporation  
The Bank of East Asia, Limited  
United Overseas Bank Limited

## INVESTOR RELATIONS CONSULTANT

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## CORPORATE PROFILE

Fu Yu Corporation Limited (“Fu Yu”) provides vertically-integrated services for the manufacture of precision plastic components and the fabrication of precision moulds and dies.

Since its inception in 1978, the Group has grown to become one of the largest manufacturers of high precision plastic parts and moulds in Asia. Today, the Group has established a strong presence in the region with manufacturing facilities located in Singapore, Malaysia and China.

Leveraging on its extensive operating history, Fu Yu has built a broad and diversified customer base of blue chip companies in the printing and imaging, networking and communications, consumer, medical and automotive and power tool sectors.

To enhance its value add to customers and build mutually beneficial long term partnerships, the Group offers a One-Stop Solution to customers through its vertically integrated services.

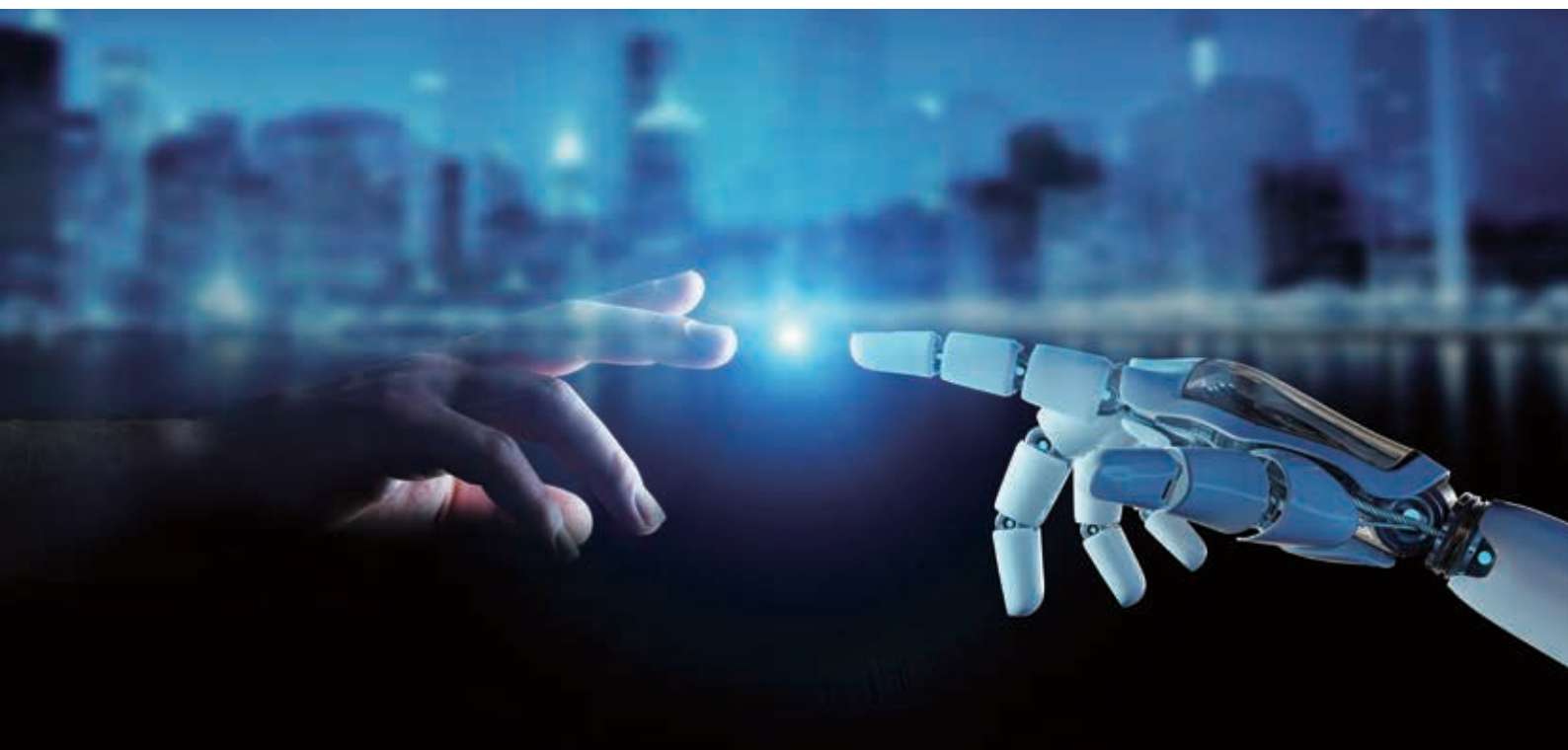
Its comprehensive capabilities range from precision tool design and fabrication, precision injection moulding to secondary processes, such as silk screen printing, ultrasonic welding, heat staking and spray painting, as well as sub-assembly.

To broaden its revenue base beyond the core manufacturing business, the Group formed a new business arm in July 2021 under Fu Yu Supply Chain Solutions Pte Ltd which is engaged in the business of providing supply chain management services for commodity raw materials.

Fu Yu was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 14 June 1995.

## 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.



## CHAIRMAN'S MESSAGE

“ **FY2022 will herald the beginning of a new chapter for the Group as we embark on initiatives to rejuvenate Fu Yu and elevate our profile as an advanced solutions provider in the high precision plastics manufacturing industry.** ”

**Mr Christopher Huang**  
Non-Executive Chairman



### DEAR SHAREHOLDERS,

It is my pleasure to deliver my inaugural message to shareholders as Chairman of Fu Yu Corporation Limited (“Fu Yu” or the “Group”) following my appointment to the Board of Directors in July 2021. In this report, I will present Fu Yu’s financial performance for the year ended 31 December 2021 (“FY2021”) and share the Group’s strategic thrusts to enhance long term shareholder value.

### FY2021 Financial Performance

Notwithstanding the strong headwinds that afflicted businesses worldwide during the year, the Group delivered a commendable financial performance in FY2021. Net profit rose 4.0% to S\$17.6 million on the back of revenue growth of 27.4% to S\$195.5 million in FY2021.

On top of prevailing business uncertainties caused by the COVID-19 pandemic, operating conditions turned more demanding in the second half of FY2021 as a result of significant bottlenecks in global supply chains.

The market supply of resins, which is a key raw material for the Group’s manufacturing business, remained tight due to logistics issues stemming from shortage of shipping containers and labour. This was exacerbated by disruptions in the production of raw materials. Delays in shipping schedules also hampered some deliveries of the Group’s products to customers. Additionally, shortages in the supply of semiconductors disrupted customers’ production activities and consequently affected their orders from the Group. In China, the Group also had to contend with electricity power rationing directives which affected our operations there to a certain extent.

Despite facing a multitude of challenges in the operating environment, the Group’s core manufacturing business chalked up a stable top line in FY2021 compared to FY2020, excluding the contribution from its factory in Chongqing, China (“Fu Yu Chongqing”) which ceased operations in the last quarter of FY2020.

It is also noteworthy that our new business arm, Fu Yu Supply Chain Solutions Pte Ltd (“FYSCS”), made a maiden contribution of S\$51.9 million to the Group’s revenue in FY2021. FYSCS, which provides supply chain management services for commodity raw materials, was acquired in July 2021 to broaden the Group’s revenue base beyond the core manufacturing business.

The contribution from FYSCS counterbalanced a 6.4% revenue decline in the Group’s manufacturing business to S\$143.6 million in FY2021 which was due mainly to the cessation of Fu Yu Chongqing. Our manufacturing operations in Singapore posted higher revenue in FY2021, which helped to partially buffer lower sales recorded for our China operations. Revenue from Malaysia operations eased only slightly in FY2021 compared to FY2020.

For FY2021, the Group’s gross profit remained relatively stable at S\$36.5 million compared to S\$36.8 million in FY2020. Including FYSCS, the Group registered a composite gross profit margin of 18.6% in FY2021 versus 24.0% in FY2020 which was derived solely from our manufacturing business.

At the bottom line, the Group’s net profit of S\$17.6 million in FY2021 was buoyed by earnings of S\$16.5 million from our manufacturing business and a maiden profit of S\$1.1 million from FYSCS. For FY2020, the Group recorded net profit of S\$16.9 million.

As a demonstration of Fu Yu’s appreciation to shareholders for their support and our confidence in long term sustainability, the Group has proposed to maintain its final tax exempt dividend at 1.25 cents per share for FY2021. Together with the interim dividend and special dividend paid in September 2021, this would bring total dividends in respect of FY2021 to 4.95 cents per share as compared to 1.6 cents per share for FY2020.

The Group closed the financial year under review with a sound balance sheet comprising shareholders’ equity of S\$153.9 million and net cash of S\$78.3 million.



### A New Chapter Unfolds

FY2022 will herald the beginning of a new chapter for the Group as we embark on initiatives to rejuvenate Fu Yu and elevate our profile as an advanced solutions provider in the high precision plastics manufacturing industry. This path of progression that we have set out to achieve, will undoubtedly take time to unfold, especially in the face of prevailing challenges in the operating landscape.

While countries are moving to reopen their economies, the spread of the highly transmissible Omicron variant and geopolitical tensions could still pose risks and impede global economic growth in 2022. Supply chain and raw material production challenges, as well as cost pressures may also persist. In addition, the Group's operational and financial performance could be affected by other factors such as industry competition, pressure on selling prices and movements in the US Dollar.

But we are not putting the brakes on the Group's business plans. Instead, we are looking to evolve and reshape the Group to mitigate the ongoing challenges and be better prepared to seize opportunities in the future.

To this end, the Group is seeking to enhance the long term growth potential of our manufacturing business by executing initiatives to drive sales, enhance capabilities and expand the breadth of our services.

One of our immediate goals in FY2022 is to improve the utilisation rates of our strategically-located factories in Asia. We will strengthen our business development team to acquire new customers and raise penetration rates of existing customers.

In parallel with our strategy to build a diversified product portfolio for business resilience and stability, Fu Yu intends to optimise its business mix to keep pace with current market trends. This will see the Group channeling greater resources towards growing its business in market segments that display longer term stability and growth potential such as medical, automotive, eco-friendly and smart home consumer products.

An exciting milestone that we are looking forward to in FY2022 is the completion of the redevelopment of our factory in Singapore as it will see the Group's manufacturing operations shifting into higher gear.

With the adoption of Industry 4.0, this "smart factory" in Singapore will serve as a showcase of the Group's advanced manufacturing capabilities. In addition to higher precision manufacturing capabilities and increased automation, our new factory will also feature seamless workflow across its tooling, moulding and assembly operations to achieve higher operational efficiency and reduction of carbon footprint.

We believe our new "smart factory" in Singapore will help to drive the Group's rebranding efforts and facilitate our plans to boost sales in target markets. The redevelopment project is in the final stages of completion and operations are scheduled to begin in the third quarter of 2022, barring any unforeseen circumstances.

To further sharpen our competitive edge, we are also in the process of broadening our value-added services to customers. The Group has initiated a new division – Corporate Development – to work with research institutes in Singapore and other partners regionally to explore R&D programs and identify commercially-viable technologies that could augment our manufacturing services.

Going forward, we also plan to leverage on FYSCS to reap potential cost savings for the Group, even as it pursues opportunities to contribute additional revenue streams. Besides our organic initiatives, the Group may also enter into joint ventures, partnerships, and/or strategic mergers or acquisitions that could enhance the potential of its businesses, as Fu Yu continues to pursue its goal of sustainable and profitable growth over the long term.

### Appreciation

In closing, the Board and I would like to express our heartfelt appreciation to our management and staff for their relentless hard work, dedication and cooperation. They are the cornerstones of the Group's ability to successfully continue our business operations as we deal with the reverberating effects and shifting challenges arising from the COVID-19 pandemic. We also wish to extend our gratitude to our valued shareholders, customers, suppliers and business partners for their trust and support of the Group. Last but not least, I wish to thank my fellow Directors for their counsel and contributions.

### MR CHRISTOPHER HUANG

Independent Non-Executive Chairman

# OPERATIONS REVIEW

## REVENUE

For the year ended 31 December 2021 ("FY2021"), the Group's revenue gained 27.4% to S\$195.5 million from S\$153.4 million in FY2020.

The Group's manufacturing business registered revenue of S\$143.6 million in FY2021, a decrease of 6.4% from S\$153.4 million in FY2020 due mainly to the cessation of its factory operations in Chongqing ("Fu Yu Chongqing") in the last quarter of FY2020. Excluding Fu Yu Chongqing, revenue of the manufacturing business would have remained relatively stable in FY2021 compared to FY2020.

Softer revenue of the manufacturing business in FY2021 was however counterbalanced by the maiden revenue contribution of S\$51.9 million from the Group's new business arm, Fu Yu Supply Chain Solutions Pte Ltd ("FYSCS") which provides supply chain management services for commodity raw materials.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit remained relatively stable at S\$36.5 million compared to S\$36.8 million in FY2020. The manufacturing business registered gross profit of S\$34.3 million in FY2021 compared to S\$36.8 million in FY2020, while FYSCS contributed gross profit of S\$2.2 million in FY2021.

Gross profit margin of the manufacturing business held steady at 23.8% in FY2021 compared to 24.0% in FY2020. When combined with FYSCS' gross profit margin of 4.3%, the Group recorded a composite gross profit margin of 18.6% in FY2021 versus 24.0% in FY2020 which was derived solely from its manufacturing business.

## OTHER INCOME

Other income in FY2021 decreased to S\$3.3 million from S\$8.7 million in FY2020. The decrease was attributed mainly to lower interest income, a decline in rental income following the end of a sale-and-lease back arrangement for a property in Malaysia ("Leased Property"), lower profit on sale of property, plant and equipment, as well as a reduction in the amount of grants received under government schemes to support businesses amid the Covid-19 pandemic ("government grants"). The government grants received in FY2021 amounted to S\$0.4 million compared to S\$2.3 million in FY2020.

## SELLING AND ADMINISTRATIVE EXPENSES

The Group's selling and administrative expenses declined 14.5% to S\$19.5 million in FY2021 from S\$22.8 million in FY2020. This was attributed mainly to reduced depreciation expenses in relation to the Leased Property in Malaysia, as well as lower headcount and the Group's ongoing cost control measures.

## OTHER OPERATING INCOME/(EXPENSES), NET

For FY2021, the Group recorded other operating income of S\$1.2 million which arose primarily from a foreign exchange gain. In contrast, the Group incurred other operating expenses of S\$2.8 million in FY2020 as a result of a foreign exchange loss.

The Group recognises foreign exchange gains or losses as a result of transactions denominated in foreign currencies, and the translation of receivables, cash and payables denominated in foreign currencies to the functional currencies of the respective companies in the Group as at each reporting date. As the Group is in net US Dollar assets position, the appreciation of the US Dollar against the Singapore Dollar, Malaysia Ringgit and Renminbi resulted in the foreign exchange gain in FY2021.

## PROFITABILITY

The Group's profit before income tax in FY2021 rose 8.4% to S\$21.2 million from S\$19.6 million in FY2020. Profit before tax excluding foreign exchange impact and share of results of joint venture ("operating profit") in FY2021 declined 10.1% to S\$19.9 million from S\$22.1 million in FY2020, owing mainly to a decline in other income.

After deducting tax expenses, the Group's net profit increased 4.0% to S\$17.6 million from S\$16.9 million in FY2020. This was attributed to net profit of S\$16.5 million generated from the manufacturing business and S\$1.1 million from FYSCS.

## FINANCIAL POSITION

The Group remained in a sound financial position as at 31 December 2021 with net cash of S\$78.3 million. It had cash and bank balances of S\$83.9 million while total unsecured bank loans amounted to S\$5.6 million as at 31 December 2021. Shareholders' equity stood at S\$153.9 million, equivalent to net asset value of 20.43 cents per share (based on the total number of issued shares of approximately 753.0 million shares) which included net cash of around 10.4 cents per share.

Total assets as at 31 December 2021 decreased to S\$212.9 million from S\$223.0 million as at 31 December 2020. The reduction was attributed mainly to decreases in trade and other receivables, and cash and bank balances, which were offset partially by an increase in property, plant and equipment, recognition of goodwill on acquisition of FYSCS, and higher inventories.



The Group's total liabilities as at 31 December 2021 increased to S\$59.0 million from S\$50.7 million as at 31 December 2020. This was due mainly to new loans and borrowings, as well as lease liabilities, which were partially offset by a decline in trade and other payables.

The Group generated net cash from operating activities of S\$22.7 million in FY2021. Net cash used in investing activities amounted to S\$13.7 million during FY2021. The Group incurred capital expenditure of S\$13.2 million mainly for its redevelopment project in Singapore, and net cash outflow of S\$1.8 million for the acquisition of FYSCS. These were offset partially by interest income and proceeds from disposal of property, plant and equipment. Net cash used in financing activities totalled S\$32.7 million in FY2021, excluding cash restricted in-use of S\$10.1 million. This was attributed mainly to the payment of dividends to shareholders of the Company and repayment of lease liabilities, offset partially by proceeds from loans and borrowings.

As a result of the above, the Group's cash and bank balances decreased to S\$83.9 million (including cash deposits pledged of S\$0.1 million and cash restricted-in-use of S\$10.1 million) at the end of FY2021 as compared to S\$106.6 million as at 31 December 2020.

## BUSINESS SEGMENT REVIEW

### Manufacturing Business

The Group's manufacturing business generated revenue of S\$143.6 million in FY2021, a decline of 6.4% from S\$153.4 million in FY2020. This business made up 73.5% of Group revenue in FY2021 versus 100% in FY2020. Higher revenue from the Singapore segment in FY2021 helped to partially buffer lower sales from the China and Malaysia operations.

### SINGAPORE

Revenue of the Singapore segment rose 3.9% to S\$49.9 million in FY2021 from S\$48.0 million in FY2020, buoyed mainly by higher demand from the medical segment which offset softer sales of automotive and consumer products. As a percentage of total sales from the manufacturing business, the Singapore segment's revenue contribution expanded to 34.7% in FY2021 (FY2020: 31.3%).

Excluding the dividend income received from Malaysia and China subsidiaries totalling S\$22.1 million, Singapore segment posted a higher profit of S\$11.7 million in FY2021 compared to S\$7.8 million in FY2020.

### CHINA

The China segment's revenue decreased 15.9% to S\$58.2 million in FY2021 from S\$69.2 million in FY2020, attributed largely to the cessation of Fu Yu Chongqing. Excluding Fu Yu Chongqing in FY2020, the China segment would have recorded a smaller sales decline of 5.5% in FY2021 due mainly to lower orders for printing & imaging, and networking & communications products. As a result, China operations accounted for a lower 40.6% of the manufacturing business' revenue in FY2021 (FY2020: 45.1%). In line with lower revenue, China segment posted a profit of S\$2.2 million in FY2021 compared to S\$4.6 million in FY2020.

### MALAYSIA

Revenue from the Malaysia segment eased slightly to S\$35.5 million in FY2021 compared to S\$36.2 million in FY2020. While orders of consumer products decreased in FY2021, this was counterbalanced mainly by higher sales of printing & imaging products and power tools, as well as incremental revenue from new industrial products. Revenue contribution from the Malaysia segment as a percentage of the manufacturing business expanded to 24.7% in FY2021 (FY2020: 23.6%). Malaysia segment's profit decreased marginally to S\$7.7 million in FY2021 from S\$8.9 million in FY2020.

### Supply Chain Management Services – FYSCS

Following the completion of the acquisition of FYSCS in July 2021, its revenue was consolidated into the Group's revenue in FY2021. FYSCS recorded revenue of S\$51.9 million which made up 26.5% of Group revenue in FY2021. Segment profit derived from FYSCS amounted to S\$1.1 million in FY2021.

As FYSCS' operations are based primarily in Singapore, there is no geographical breakdown for this business.

# FINANCIAL HIGHLIGHTS

Financial year ended 31 December

## INCOME STATEMENT SUMMARY

(S\$ million)	FY2021	FY2020	Change
Revenue	195.5	153.4	27.4%
Gross Profit Margin	18.6%	24.0%	(5.4 ppt)
Profit Before Tax	21.2	19.6	8.4%
Operating Profit *	19.9	22.1	(10.1%)
Net Profit	17.6	16.9	4.0%
Earnings Per Share (Cents)	2.34	2.25	4.0%

\* Profit Before Tax excluding foreign exchange impact and share of results of joint venture

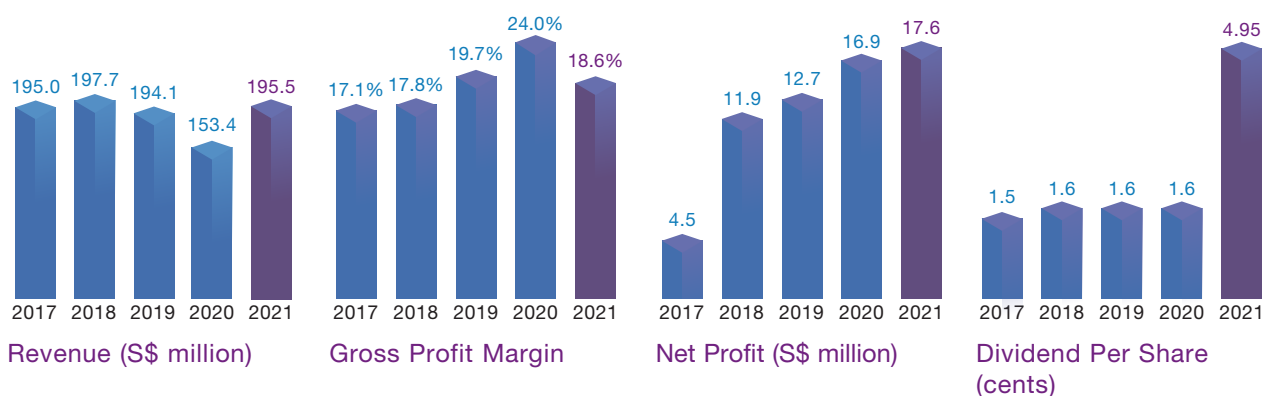
## BALANCE SHEET SUMMARY

(S\$ million)	As at 31 Dec 2021	As at 31 Dec 2020
Total Non-Current Assets	74.4	60.4
Total Current Assets	138.5	162.6
Total Non-Current Liabilities	11.4	7.8
Total Current Liabilities	47.6	42.9
Shareholders' Equity	153.9	172.3
Cash and bank balances	83.9	106.6
NAV per share (cents)	20.43	22.88

## KEY FINANCIAL RATIOS

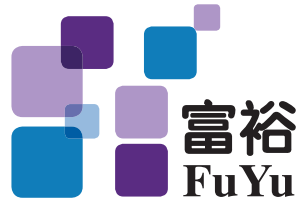
	FY2021	FY2020
Gearing	Net Cash	Zero debt
Return on Equity (excluding cash)	25.2%	25.7%
Dividend Per Share <sup>#</sup>	4.95 cents	1.6 cents
Dividend Payout	211.5%	71.1%

<sup>#</sup> Included special dividend of 3.30 cents per share for FY2021

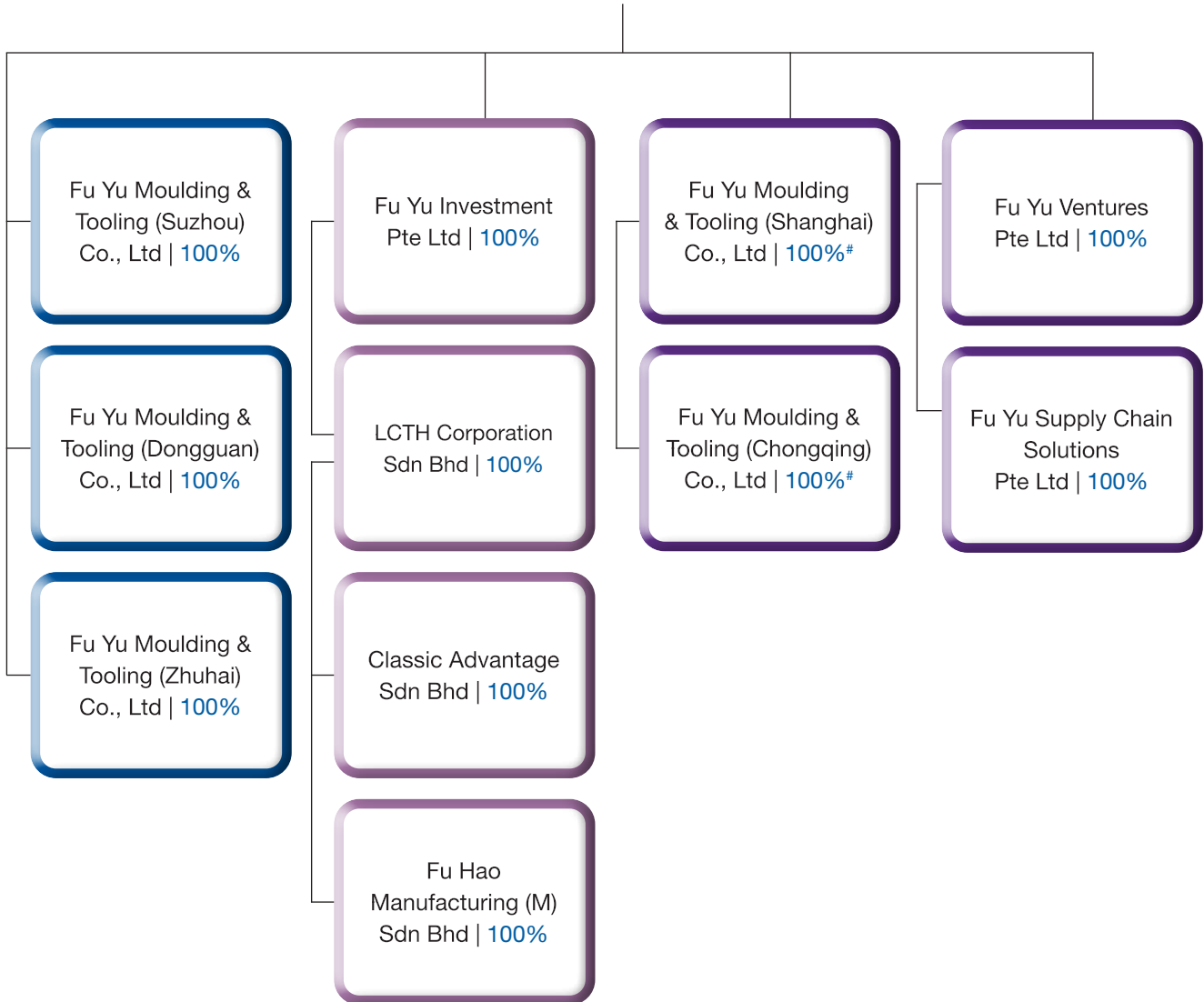




# GROUP STRUCTURE



FU YU CORPORATION LIMITED



# Ceased manufacturing operations

## BOARD OF DIRECTORS



*Huang Junli, Christopher*



*Poh Kai Ren Daniel*



*Tan Tong Loong Royston*



*Seow Jun Hao David*



*Hew Lien Lee*

### **HUANG JUNLI, CHRISTOPHER**

*Non-Executive Chairman,  
Independent Director*

Mr Christopher Huang, 36, was appointed as Independent Non-Executive Director on 19 July 2021 and Chairman of the Board on 4 October 2021. He will stand for re-election as a Director in the forthcoming Annual General Meeting ("AGM"). Mr Huang is the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees.

Mr Huang is currently the managing director of CHP Law LLC and advises on various areas of law, with a focus on the legal and tax aspects of cross border commercial transactions, including transfer pricing. Prior to his founding of CHP Law LLC in April 2019, Mr Huang headed CNP Tax and Advisory Pte Ltd and the tax

practice group of Colin Ng & Partners LLP. He joined Colin Ng & Partners LLP (now known as CNPLaw LLP) in April 2015 and was made a partner in 2018. He started his career as an accountant at Hastings Deering Australia Limited and has also worked as business manager at Adcomp Technology Pte Ltd, as tax associate in the transfer pricing department of PricewaterhouseCoopers and as tax lawyer at VoskampLawyers.

Mr Huang holds a dual degree in law (LL.B.) and commerce (B.Com) from the University of Queensland (Australia). He also serves as an independent director of another SGX-ST listed company, Aztech Global Ltd.

As at the date of this Annual Report, Mr Huang does not hold any direct or indirect interest in the Company.

### **POH KAI REN DANIEL**

*Non-Executive Director,  
Independent Director*

Mr Daniel Poh, 35, was appointed as Independent Non-Executive Director of the Company on 4 October 2021. He will stand for re-election as a Director in the forthcoming AGM. Mr Poh is the Chairman of the Audit Committee and member of the Remuneration and Nominating Committees.

Mr Poh is currently the executive director and investment partner of Hildrics Capital Pte. Ltd., a private equity fund manager registered with the Monetary Authority of Singapore, focusing on direct investments into mid-sized and established companies in Singapore and selectively into other South-East Asian countries. He started his career as Senior Associate of PwC Singapore in 2011, and joined

Seavi Advent Private Equity Group in 2013, commencing his career in the direct investments business with geographical coverage spanning Greater China and South-East Asia. He was made an investment partner of Seavi Advent Private Equity Group in 2018.

Mr Poh holds a Bachelor of Accountancy from Nanyang Technological University.

As at the date of this Annual Report, Mr Poh does not hold any direct or indirect interest in the Company.

### **TAN TONG LOONG ROYSTON**

*Non-Executive Director,  
Independent Director*

Mr Royston Tan, 47, was appointed as Independent Non-Executive Director of the Company on 31 January 2022. He will stand for re-election as a Director in the forthcoming AGM. Mr Tan is the Chairman of the Nominating Committee and member of the Audit and Remuneration Committees.

Mr Tan is currently the general manager of Pine Labs Pte Ltd. Prior to this, he was with American Express International Inc. from 2018 to 2021 and held various leadership roles in Singapore and Malaysia. Mr Tan has rich experience in several areas such as payments services, operations, customer service. He last held the role of Head of Sales, SME in American Express Singapore focusing on the Small Business segment and Middle Market segment in Singapore. Mr Tan is also a member of the Singapore Business Federation, SME Committee (SMEC) Main Committee. SMEC was established as a key platform for SME engagement on business issues and to help SMEs build capabilities and access markets.

Mr Tan holds a Bachelor in Business Studies from Nanyang Technological University.

As at the date of this Annual Report, Mr Tan does not hold any direct or indirect interest in the Company.

### **SEOW JUN HAO DAVID**

*Executive Director,  
Group Managing Director*

Mr David Seow, 37, was appointed as Executive Director of the Company on 18 January 2021. He was last re-elected on 27 April 2021.

Mr Seow was appointed as the Group Managing Director on 2 August 2021. He is responsible to develop and formulate the overall direction, goals and strategies of the Group. He works closely with senior management to enhance operational efficiency and processes and optimise financial position of the Group.

Mr Seow was the Senior Banker, Vice President of Structured Trade & Commodity Finance of Societe Generale, Singapore Branch from February 2011 to March 2020. Since May 2020, he is the Managing Director of Noir Asia Pte. Ltd. Mr Seow holds a Bachelor of Economics, Second Major in Finance from Singapore Management University.

As at the date of this Annual Report, Mr Seow does not hold any direct or indirect interest in the Company.

### **HEW LIEN LEE**

*Executive Director, Chief Executive Officer and Chief Operating Officer*

Mr Hew, 65, was appointed as Executive Director of the Company on 22 March 2007. He was last re-elected on 24 June 2020 and will stand for re-election as a Director in the forthcoming AGM.

Mr Hew has over 40 years of experience in the plastic injection moulding industry and is in charge of the overall strategic direction and

management of the manufacturing business segment. After joining Fu Yu in 1984, he was appointed as Managing Director of LCTH Corporation Sdn Bhd and played a key role in the successful expansion of its operations in Malaysia.

Mr Hew was appointed as the Group's Chief Operating Officer on 22 March 2007, and promoted to acting Chief Executive Officer on 21 May 2014. Since taking the reins as Chief Executive Officer on 26 February 2016, Mr Hew has been instrumental in the strategic development and growth of the Group's manufacturing business. Mr Hew holds a Diploma in Electrical Engineering and is a member of the Singapore Institute of Directors.

As at the date of this Annual Report, Mr Hew holds 0.53% direct interest in the Company.

## KEY EXECUTIVES

### HEE SIEW FONG

*Chief Financial Officer*

Ms Hee, 50, joined the Group as Chief Financial Officer on 9 June 2016. She has more than 25 years of experience in both public and private sectors of which more than half was corporate finance work covering diverse areas including corporate accounting and reporting, treasury, risk management and investor relations.

At Fu Yu, Ms Hee is responsible for overseeing the Group's financial and management accounting, treasury, taxation, risk management and investor relations of our Group. She has also played a key role in several corporate exercises for the Group. These include the amalgamation of the company with two of its wholly-owned subsidiaries, Nano Technology Manufacturing Pte Ltd ("NTM") and SolidMicron Technologies Pte Ltd ("SMT"); the privatisation of LCTH Corporation Bhd (a subsidiary that was previously listed on Bursa Malaysia); a consolidation exercise to streamline and optimise the China operations; and rationalisation of the Group's structure.

Prior to joining Fu Yu, Ms Hee was the Chief Financial Officer of MFS Technology Ltd, Group Chief Financial Officer of Auric Pacific Group Limited, Group Financial Controller of SATS Ltd and Asia Enterprises Holding Limited. She is a member of both The Institute of Singapore Chartered Accountants and The Certified Public Accountants Australia. She holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University and a Master's degree in Business Administration from the National University of Singapore.

### ONG KANG LYE

*General Manager, Fu Yu Corporation Limited (Singapore operations)*

Mr Ong, 54, joined the sales team of the Company in April 1994. In 2002, he was seconded to Classic Advantage Sdn Bhd to reform the system of Sales, Purchasing and Logistics departments for one year due to the relocation

of manufacturing site by a major customer. From 2003 to 2014, Mr Ong held several positions in Fu Yu Singapore including Program Manager, Sales Manager, Account Director and Assistant General Manager. He was promoted to General Manager overseeing the entire operations and management of Fu Yu Singapore in November 2014.

Prior to joining Fu Yu, Mr Ong was a Sales Supervisor in Tooling and Plastics Injection Moulding at SLK Manufacturing Pte Ltd for five years. With over 30 years of experience in plastics injection moulding industry, he played an instrumental role in the successful amalgamation of NTM and SMT into Fu Yu Corporation Limited in March 2017. Mr Ong holds a Diploma in Sales and Marketing from Marketing Institute of Singapore.

### TEH TUAN HOCK

*General Manager, Fu Hao Penang*

Mr Teh, 62, joined the Group in May 2003 as the Assistant General Manager of Fu Hao Penang overseeing the entire operations of the subsidiary. He was promoted to General Manager in July 2007. Mr Teh has been actively involved in developing new customers and diversifying product lines for Fu Hao Penang. He has also improved the factory operations through Lean implementation since 2008. With the rollout of Manufacturing Execution System ("MES") under the Industrial 4.0 roadmap, all the injection moulding machines in Fu Hao Penang are now linked and the next phase is to increase automation, drive IoT and digitalisation to further improve the plant performance and staff development.

Prior to joining Fu Hao Penang, Mr Teh was the General Manager of Unipipes Malaysia Sdn Bhd, a plastic injection moulding factory in the northern region of Malaysia for 12 years. He graduated with a Bachelor of Science in Economics (major in Industry & Trade) from London School of Economics, United Kingdom. Mr Teh also received training from AOTS Japan on Company Wide Problem Solving.

### HOO LIANG HOCK

*General Manager, Fu Yu Dongguan and Zhuhai*

Mr Hoo, 54, joined the Group in June 2019 as General Manager of Fu Yu Dongguan and is responsible for the operations of Fu Yu Dongguan. As part of the Group strategy to rationalize the operations in southern China, he also oversees the operations of Fu Yu Zhuhai with effect from June 2020. Mr Hoo started his career with Sunningdale Singapore in 1990 as a shift supervisor and he has worked in companies like Seagate, Hewlett Package and Wyeth Nutritional before he shifted to China.

Prior to joining the Group, Mr Hoo had held the positions of Assistant General Manager and General Manager in several plastic injection moulding companies in China overseeing the entire operations, including sales and marketing. He has more than 20 years of experience in plastic injection moulding industry and holds a Diploma in Business Efficiency and Productivity (Supervisory Management) from National Productivity Board.

### BAI FENG

*General Manager, Fu Yu Suzhou*

Mr Bai, 53, joined the Group in July 2021 as General Manager of Fu Yu Suzhou and is responsible for the operations of Fu Yu Suzhou. Mr Bai started his career as project engineer in Tianjin in 1990 and he joined Sunningdale Singapore as project manager in 1999. In 2003, Mr Bai returned to his hometown in China and joined Nolato Mobile Communication Polymers (Beijing) Co., Ltd as Tooling Director. From 2007 to 2016, Mr Bai had held the position of general manager in several US companies established in China, overseeing the entire factory operations.

Prior to joining the Group, Mr Bai was the Operations Director (Asia) of Berry Global Inc and he was overall in charge of its plants in China. Mr Bai has more than 20 years of technical experience in injection moulding industry. He holds a Master degree in Industrial and Systems Engineering from National University of Singapore and a Bachelor degree in Mechanical Engineering from Tianjin University.



# OUR NETWORK

## SINGAPORE

### FU YU CORPORATION LIMITED HEADQUARTERS

8 Tuas Drive 1, Singapore 638675  
Tel: (65) 6578 7338  
Fax: (65) 6578 7347  
www.fuyucorp.com

### FU YU SUPPLY CHAIN SOLUTIONS PTE LTD

9 Temasek Boulevard,  
#26-03, Suntec Tower Two  
Singapore 038989  
Tel: (65) 6578 7395  
Fax: (65) 6578 7396  
www.fuyu-scs.com

## MALAYSIA

### FU HAO MANUFACTURING (M) SDN BHD

Plot 562 Mukim 1  
Jalan Perusahaan Baru 1 Perai III  
Perai Industrial Estate,  
13600 Perai Penang, Malaysia  
Tel: (604) 398 0500  
Fax: (604) 398 3221

### CLASSIC ADVANTAGE SDN BHD

21 Jalan Teknologi 4  
Taman Teknologi Johor  
81400 Senai  
Johor Darul Takzim, Malaysia  
Tel: (607) 599 9980  
Fax: (607) 599 9982

## CHINA

### FU YU MOULDING & TOOLING (DONGGUAN) CO., LTD

Jing Fu Road, Xin Cheng Industry Area  
Heng Li Town, Dongguan  
Guangdong, China 523477  
Tel: (86769) 8982 1818  
Fax: (86769) 8982 1816

### FU YU MOULDING & TOOLING (SUZHOU) CO., LTD

89 Xing Nan Road  
Wuzhong Economic Skill Development Zone  
Suzhou, China 215128  
Tel: (86512) 6562 1838  
Fax: (86512) 6563 9463

### FU YU MOULDING & TOOLING (ZHUHAI) CO., LTD

477 Jinhaian Road, Sanzao Town  
Jin Wan District,  
Zhuhai Guangdong, China 519040  
Tel: (86756) 7761 862  
Fax: (86756) 7761 851



# CORPORATE MILESTONES

## 1978

- Established and commenced operations in Singapore

## 1990 – 1995

- Listed on the Main Board of the SGX-ST
- Set up new plant in Dongguan, China
- Set up new plants in Klauang\*, Malaysia and Tianjin\*, China
- Commenced overseas expansion by setting up new plant in Penang, Malaysia

## 1996 – 2000

- Set up new plants in Suzhou, China and Guadalajara\*, Mexico
- Started precision tooling activity in Singapore
- Set up plant in Senai (Johor), Malaysia
- Established R&D division for product design, 3D, IMold and CAD/CAM
- Set up new plant in Shanghai\*, China

## 2001 – 2003

- Set up new plant in Zhuhai, China
- Implemented SAP ERP System in Singapore
- Built additional factory for plant in Suzhou, China
- Implemented SAP Enterprise Resource Planning (ERP) System for plant in Johor, Malaysia
- Built additional warehouse for plant in Tianjin\*, China

## 2006 – 2010

- Set up new plant in Shenzhen\*, China
- Completed Capital Repayment and Shares Consolidation of LCTH Corporation Berhad
- Implemented SAP ERP System at Fu Yu Moulding & Tooling (Suzhou) Co., Ltd, China
- Set up new plant in Wuxi\*, China
- Incorporated SolidMicron Technologies Pte. Ltd.#, Singapore

## 2005

- LCTH Corporation Bhd (Malaysia) entered into a Memorandum of Understanding with Knobs Sdn Bhd (Malaysia) to form a strategic alliance
- Implemented SAP ERP System at Fu Yu Moulding & Tooling (Dongguan) Co., Ltd, China
- Incorporated Fu Yu Electronics (Dongguan) Co., Ltd, China\*

## 2004

- Changed the Company's name from Fu Yu Manufacturing Limited to Fu Yu Corporation Limited
- Listing of the Group's Malaysian operations under LCTH Corporation Berhad ("LCTH") on the Main Board of Bursa Malaysia Securities Berhad
- Expanded manufacturing capacity in Johor, Malaysia
- Joint venture with EDB Ventures Pte. Ltd. to incorporate NanoTechnology Manufacturing Pte. Ltd.# in Singapore
- Set up new plants in Wujiang\* and Qingdao\*, China
- Set up additional plant in Shanghai\*, China

## 2011 – 2015

- Completed capital reduction and cash distribution to shareholders
- Set up new plant in Chongqing\*, China
- Set up new plant in Senawang\*, Malaysia by Classic Advantage Sdn Bhd

## 2016

- Adopted dividend policy to distribute at least 50% of profit attributable to the owners of the Company
- Acquired remaining 20% equity interest in NanoTechnology Manufacturing Pte. Ltd.# from EDB Ventures Pte Ltd

## 2017 – 2018

- Completed the privatisation of LCTH through a Selective Capital Repayment exercise
- Amalgamation with Nanotechnology Manufacturing Pte. Ltd. and Solidmicron Technologies Pte. Ltd., in Singapore

## 2019 – 2020

- Completed a consolidation exercise to optimise the Group's China operations by shifting the business activities of our Shanghai factory to our Suzhou factory
- Continued to streamline operations with closure of Chongqing factory in 2020
- Commenced redevelopment of our factory in Singapore

## 2021

- Acquired FYSCS to broaden Group's revenue base with supply chain management services for commodity raw materials

# Amalgamated into Fu Yu Corporation Limited

\* Ceased operations

## AWARDS AND CERTIFICATIONS

### AWARDS RECEIVED BY FU YU GROUP IN YEAR 2021

COMPANY	AWARDS
Fu Yu Corporation Ltd	Singapore 1000 Company 2021

### CORPORATE ISO AND QS CERTIFICATION FOR FU YU GROUP AS AT END OF YEAR 2021

COMPANY	ISO 9001:2015	ISO 13485:2016	ISO 14001:2015	IATF 16949:2016	ISCC EU
Fu Yu Corporation Limited	^	^	^	^	
Classic Advantage Sdn Bhd	^		^	^	
Fu Hao Manufacturing (M) Sdn Bhd	^	^	^		
Fu Yu Moulding & Tooling (Dongguan) Co., Ltd.	^		^	^	
Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	^	^	^	^	
Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd.	^	^	^	^	
Fu Yu Supply Chain Solutions Pte. Ltd.					^

# SUSTAINABILITY REPORT

## BOARD STATEMENT – SUSTAINABILITY AT FU YU

The Board of Directors at Fu Yu Corporation Limited (the “Company”) and its subsidiaries (the “Group”) are pleased to present the fifth sustainability report for the financial year from 1 January 2021 to 31 December 2021 (“FY2021”).

In 2021, the Group has broadened its revenue base beyond its core manufacturing business. A new business segment formed through the acquired subsidiary, Fu Yu Supply Chain Solutions Pte Ltd (“FYSCS”) is engaged in the business of providing supply chain management services for commodity raw materials. Due to FYSCS nature of business, it is excluded from “Environment” section.

As a leading provider of vertically-integrated services for the manufacture of precision plastic components and the fabrication of precision moulds and dies, together with the new business segment, we recognize the importance of measuring, monitoring and managing the Group’s performance in Economic, Environment, Social and Governance (EESG) factors.

The Board is firmly committed to sustainable business practices, which are in line with the Group’s strategy to deliver satisfaction to our customers, provide continuous learning for our people, while creating higher value and maximizing returns for our shareholders. Our Sustainability Steering Committee will also continue to instill a sustainable culture that reflects our commitment to the environment and society at large.

The Board has specifically considered sustainability issues as part of our strategic formulation, and overseen the management of sustainability related risk, opportunities, practices and development of sustainability reports.

This report describes the EESG factors material to the Group, the related policies, practices and performance, as well as the targets for the forthcoming year.

## OUR REPORT

The Company’s sustainability report is prepared in compliance with the requirements of SGX-ST Listing Rules 711A and 711B, and references the Global Reporting Initiative (GRI) Standards 2016 – Core reporting requirements. On the topic of Occupational Health and Safety, the Company has transited from GRI 2016 to GRI 2018 to be in line with updates to the GRI Standards.

This report describes the Group’s commitments, goals, programmes, performance and challenges across a broad range of global sustainability issues. The scope covers all operating entities under the Group. This includes our headquarters in Singapore, the moulding and tooling companies in Singapore, Malaysian, China and the newly acquired FYSCS in Singapore.

We welcome all feedback to help us improve our sustainability practices. Please send your comments or feedback to [sustainability@fuyucorp.com](mailto:sustainability@fuyucorp.com).





## HIGHLIGHTS OF ACHIEVEMENTS



### ENVIRONMENT

**Maintained** average water consumption per dollar of revenue

**Zero** significant chemical spillage



### SOCIAL

Permanent employees turnover rate not exceeding **30%**

**100%** of employees receive an annual performance review

**Zero** incidents of workplace fatalities

**Zero** incidents of non-compliance with forced or compulsory labour

**Zero** incidents of non-compliance with child labour



### GOVERNANCE

**No** confirmed incidents of corruption

**Zero** incidents of non-compliance with environmental laws and regulations resulting in significant fines or sanctions

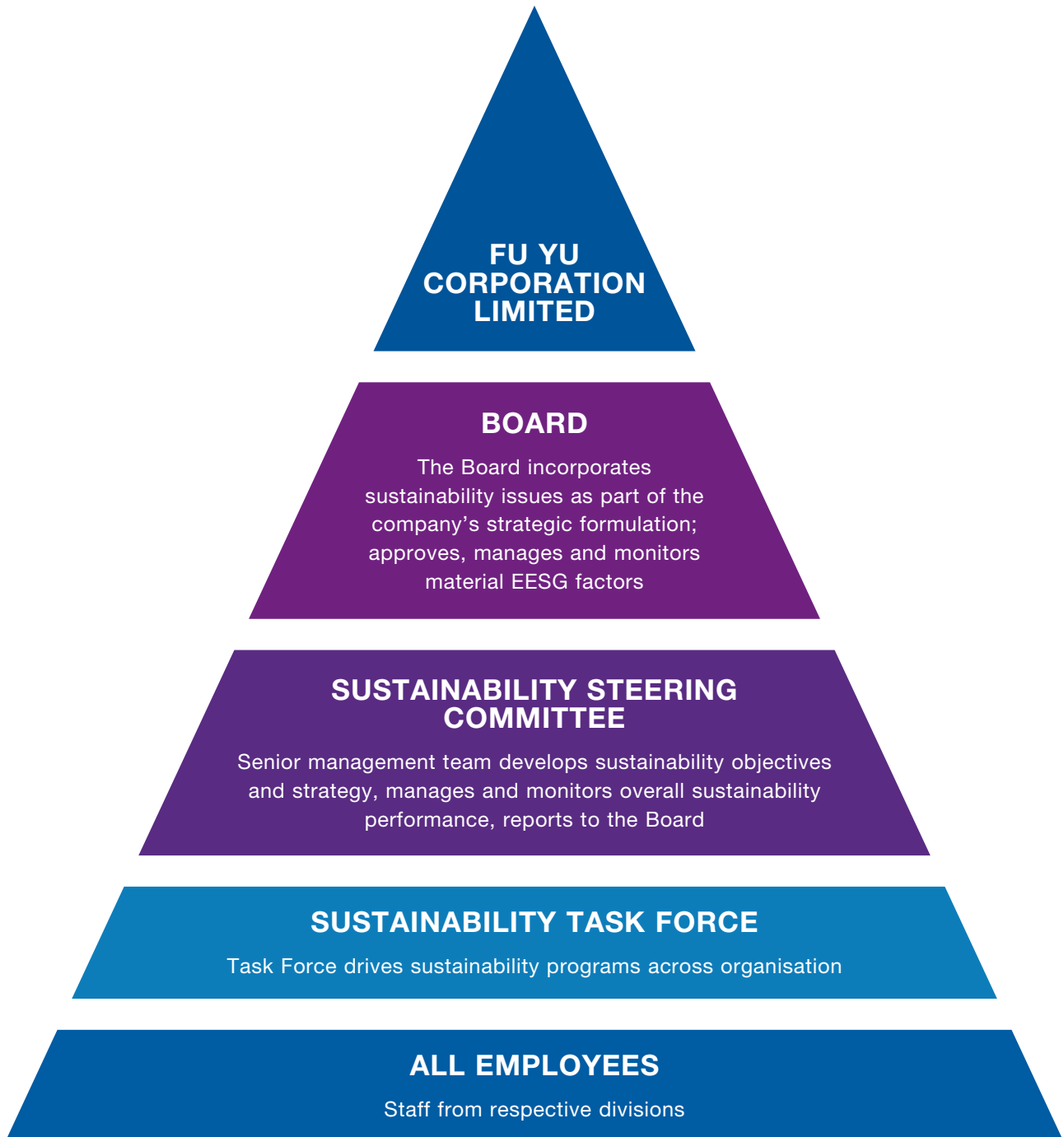
**No** identified leaks, thefts or losses of customer confidential information

# SUSTAINABILITY REPORT

## OUR APPROACH TO SUSTAINABILITY

Fu Yu manages our sustainability performance under the governance of our Sustainability Steering Committee (“SSC”). Our Corporate SSC is led by our GMD, and supported by senior management comprising CEO, CFO and departmental heads in the organisation. Our SSC develops sustainability objectives and strategy, sets performance measurement indicators and targets, manages and monitors overall sustainability performance, as well as provides sustainability report updates to the Board on a periodic basis. The SSC is supported by our Sustainability Task Force (“STF”) which consists of the general managers responsible for our factory operations in Asia. Our STF is tasked to drive and execute our sustainability initiatives and programs in their respective departments, as well as to report the outcomes of our sustainability efforts to the SSC.

Our governance structure is shown in the following diagram:



## STAKEHOLDER ENGAGEMENT

We engage our stakeholders through various channels to understand their needs to ensure our business interests are aligned. We also seek to collaborate efficiently with our stakeholders and address their concerns as this will improve our business operations for the long-term success of the Group. Our approach towards stakeholder engagement is summarised as follow:

Key Stakeholders	Engagement Methods	Frequency	Key Topics of Interest	Our response
Investors	Timely updates of financial results and announcements, business developments, press releases, and other relevant disclosures via SGXNet and website	– Throughout the year	<ul style="list-style-type: none"> <li>– Sustain profitability and enhance shareholder returns</li> <li>– Transparent reporting</li> <li>– Sound corporate governance practices</li> <li>– Active portfolio management</li> </ul>	<ul style="list-style-type: none"> <li>– Sustained growth in profit</li> <li>– Periodic and transparent communication of financial and non-financial information</li> <li>– Prompt response to feedback and queries</li> </ul>
	Regular results briefing	– At least twice a year		
	Annual General Meeting*	– Annually		
	Extraordinary General Meeting	– When required		
Customers	Customer satisfaction surveys/feedback	– Annually	<ul style="list-style-type: none"> <li>– Delivery of affordable, quality products and services</li> <li>– Compliance with environmental laws and regulations</li> <li>– Responsiveness to customers' requests and feedback</li> <li>– Compliance to ethical and responsible Environment, Social and Governance standards along the supply chain</li> <li>– Protection of confidential information (includes "PDPA" Personal Data Protection Act)</li> </ul>	<ul style="list-style-type: none"> <li>– Yearly assessment by the third-party certification body to achieve certification for the aforementioned quality standards (i.e. ISO14001, ISO9001, IATF16949, ISO13485, ISCC EU)</li> <li>– Project Managers respond to their customers promptly and meet their needs aforementioned quality standards</li> <li>– Committed to provide the best quality in timely manner</li> <li>– Conduct quality audits on customers' products</li> </ul>
	Regular meetings and discussions with respective Project Managers	– Throughout the year		
	Business review (BR)/Quality score review (QSR)	– Annually		
	Regular visits to customers by management	– Throughout the year		
	Regular after sales follow-up	– Throughout the year		
Employees	Induction programme for new employees	– Throughout the year	<ul style="list-style-type: none"> <li>– Equitable remuneration</li> <li>– Fair and competitive employment practices and policies</li> <li>– Safe and healthy work environment</li> <li>– Employee development and well-being includes career development and training opportunities</li> <li>– Update on company latest strategic developments</li> <li>– Employee empowerment</li> <li>– To maintain work-life balance</li> <li>– Labour and human rights</li> </ul>	<ul style="list-style-type: none"> <li>– Employees' concerns will be discussed by the management by company and improvement plans will be implemented</li> <li>– Assimilate new hires into the company's culture</li> <li>– Foster corporate conscience, corporate citizenship or responsible business</li> <li>– Biennially review of training needs analysis and competency framework across all job levels/category</li> <li>– Foster teamwork and social interaction amongst employees</li> </ul>
	Training and development programmes	– Throughout the year		
	Career development performance appraisals	– Annually		
	Recreational and wellness activities such as dinner and dance, CSR activities	– Annually		
	Regular e-mailers and meetings	– Throughout the year		
	Site visits by senior and middle management to observe work environment	– Throughout the year		
	Employee's satisfaction surveys	– Annually		

\* Due to the Covid-19 pandemic and safe-distancing measures, the Group's AGMs have been conducted by way of virtual meetings since 2020.

# SUSTAINABILITY REPORT

Key Stakeholders	Engagement Methods	Frequency	Key Topics of Interest	Our response
Communities	Corporate volunteering includes Corporate Social Responsibility activities such as blood donation and cash donation to charitable organisations	– Annually	<ul style="list-style-type: none"> <li>– Contributions to communities of operations</li> <li>– Responsible and ethical business practices</li> <li>– Engagement with local communities</li> </ul>	<ul style="list-style-type: none"> <li>– Continue to render support to charitable organisations</li> <li>– Outreach community activities to serve the local community's needs</li> </ul>
	Open feedback channels	– Throughout the year		
Government and regulators	Meetings and dialogue sessions	– Throughout the year	<ul style="list-style-type: none"> <li>– Compliance with, and keep abreast of ever-changing laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>– Keep all relevant employees abreast with changes to statutory requirements</li> <li>– Comply with all applicable laws and regulations</li> <li>– Focus on building good relationship with the government and industry associations</li> </ul>
	Membership in industry associations: Singapore: Singapore Institute of Directors; Singapore Chinese Chamber of Commerce & Industry; Singapore National Employers Federation; Singapore Business Federation Malaysia: Federation of Malaysian Manufacturers Malaysian Employers Federation; Malaysian Plastic Manufacturers Association	– Throughout the year		
Suppliers	Regular dialogue sessions with key suppliers and service providers	– Throughout the year	<ul style="list-style-type: none"> <li>– Equitable treatment of suppliers</li> <li>– Regular and punctual payment upon engagement of services</li> <li>– Collaborative partnership for mutual growth</li> <li>– Streamline procurement workflows and clearly defining expectations</li> <li>– Good working relationship</li> </ul>	<ul style="list-style-type: none"> <li>– Comply with contractual terms and ensure punctual payment for goods and services rendered</li> </ul>
	Establish channels of communication	– Throughout the year		
	QSR score review	– Throughout the year		
	Quality on-company audits	– Annually		
	Supplier performance feedback	– Throughout the year		





## MATERIAL FACTORS





The Group conducted our first formal materiality assessment in 2016 to review, prioritise and validate the EESG issues that are significant to business operations and of interest to key stakeholders. In subsequent years, we continue to review the material factors for relevance and importance using a four-step materiality assessment approach.

Following our review, the EESG factors reported in FY2020 remained relevant in FY2021. The Group's materiality assessment approach for our EESG factors is summarised below:

### Materiality Assessment Approach



# SUSTAINABILITY REPORT

	Material Factors
 <p><b>Economic Performance</b> <i>Enhancing value for stakeholders</i></p>	<ol style="list-style-type: none"> <li>1. Direct economic value generated and distributed</li> </ol>
 <p><b>Protecting the Environment</b> <i>Reducing our environmental footprint</i></p>	<ol style="list-style-type: none"> <li>2. Energy</li> <li>3. Water</li> <li>4. Effluents and Waste</li> </ol>
 <p><b>Developing Our Workforce</b> <i>Talent management strategies and practices</i></p>	<ol style="list-style-type: none"> <li>5. Employment and Talent Retention</li> <li>6. Diversity &amp; Equal Opportunity</li> <li>7. Training and Education</li> <li>8. Occupational Health &amp; Safety</li> <li>9. Forced or Compulsory Labour</li> <li>10. Child Labour</li> </ol>
 <p><b>Practicing Good Governance</b> <i>Compliance with applicable laws and regulations including ethics and integrity, and anti-corruption</i></p>	<ol style="list-style-type: none"> <li>11. Anti-corruption</li> <li>12. Environmental Compliance</li> <li>13. Protection of Confidential Information</li> </ol>



## ECONOMIC PERFORMANCE

Notwithstanding a challenging business environment, the Group has displayed a resilient financial performance in FY2021. While revenue from manufacturing segment was affected by business disruptions as a result of bottlenecks in global supply chains, causing disruptions in the production of raw materials and delay in shipments, the Group managed to sustain its profitability in FY2021.

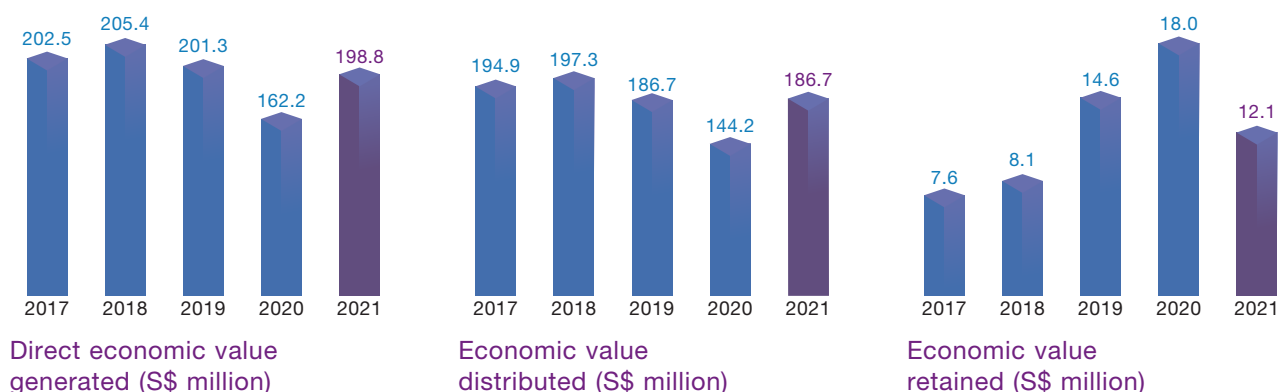
Group revenue rose 27.4% to S\$195.5 million in FY2021 from S\$153.4 million in FY2020 due mainly to revenue contribution from FYSCS at S\$51.9 million. The net profit attributable to owners of the Company ("net profit") grew 4.0% to S\$17.6 million in FY2021 from S\$16.9 million in FY2020. This was attributed to net profit of S\$16.5 million generated from the manufacturing business and S\$1.1 million from FYSCS.

The table below shows the amount of direct economic value generated by the Group through our operations, and the distribution of this value to our stakeholders including suppliers and contractors, employees, shareholders, government authorities and local communities. For FY2021, the Group generated direct economic value of S\$198.8 million. Approximately 93.9% or S\$186.7 million of the economic value generated in FY2021 was distributed to various stakeholder groups.

In particular, around 20.4% of the value distributed was allocated to the remuneration of employees, and 6.9% or \$12.5 million was allocated to shareholders in the form of dividends, excluding special dividends of \$24.8 million. The economic value retained was \$12.1 million.

### Economic Value Generated and Distributed (S\$ million)

	FY2021	FY2020	FY2019	FY2018	FY2017
<b>Direct economic value generated</b>	<b>198.8</b>	<b>162.2</b>	<b>201.3</b>	<b>205.4</b>	<b>202.5</b>
– Revenue	195.5	153.4	194.1	197.7	195.0
– Other income	3.3	8.8	7.2	7.7	7.5
<b>Economic value distributed*</b>	<b>186.7</b>	<b>144.2</b>	<b>186.7</b>	<b>197.3</b>	<b>194.9</b>
– Purchases of goods and services	132.7	90.2	121.9	130.9	129.9
– Employee salaries and benefits	38.1	39.6	50.0	52.0	51.2
– Payments to providers of capital*	12.8	10.5	12.5	12.0	11.3
– Payments to government	3.1	3.7	2.3	2.4	2.5
– Community investments/donations	–	0.2	–	–	–
<b>Economic value retained*</b>	<b>12.1</b>	<b>18.0</b>	<b>14.6</b>	<b>8.1</b>	<b>7.6</b>



\* Excludes special dividends of S\$24.8 million paid in FY2021. There was no special dividends from FY2017 to FY2020.

# SUSTAINABILITY REPORT

## PROTECTING THE ENVIRONMENT

### ENERGY

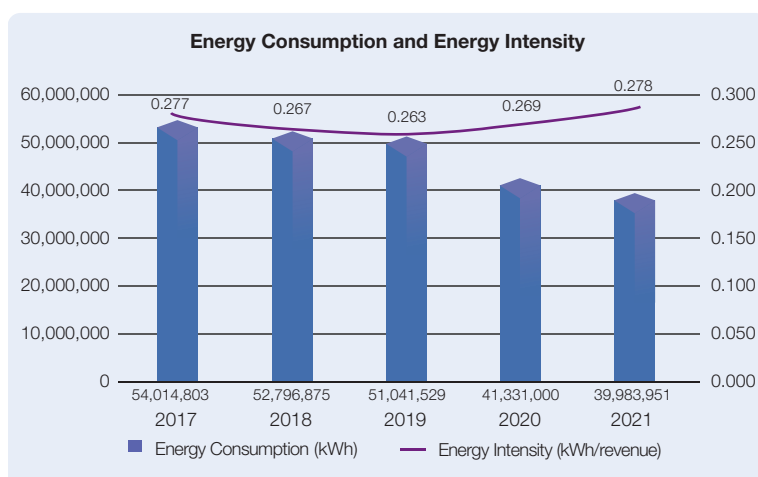
The Group places a high level of emphasis on achieving optimal standards of energy efficiency which helps to contribute positively to environment sustainability and also result in cost savings. We are constantly working to implement initiatives that can enhance energy efficiency in all aspects of our manufacturing operations.



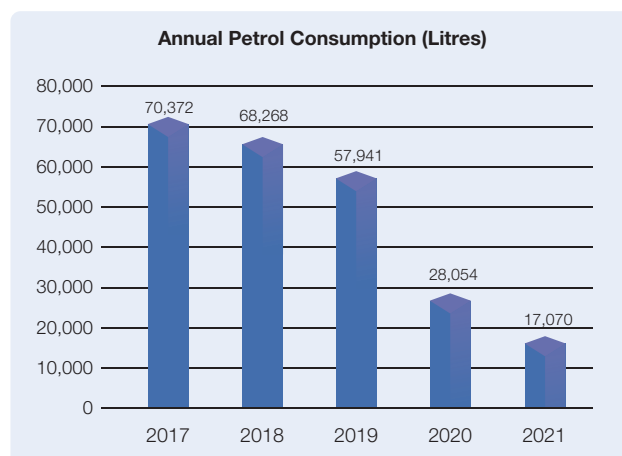
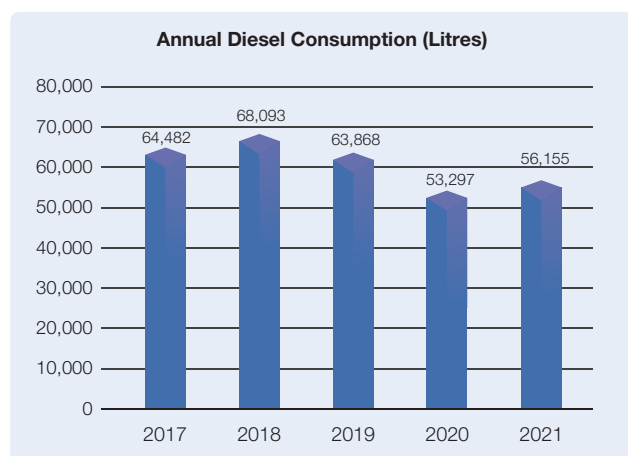
The Group purchases electricity from the local power grids in various geographical locations.

In 2021, our electrical energy consumption amounted to 39,983,951 kilowatt hours (kWh), representing a 3.3% year-on-year decrease from 41,331,000 kWh in 2020. The overall energy intensity for the Group has increased marginally by 3.3% to 0.278 kWh per dollar of revenue in 2021 from 0.269 kWh per dollar of revenue in 2020 due to fixed energy consumption such as usage for cooling tower, air compressor which cannot be reduced despite the decrease in manufacturing revenue in 2021.

Nevertheless, we strive on continual efforts to improve energy efficiency.



Moving forward, the Group targets to maintain current average electricity consumption per dollar of revenue.



Besides electrical consumption, the Group also monitors our diesel and petrol consumption and strives to control the level of usage in a bid to reduce our carbon footprint. Diesel is used mainly for forklift machines, truck deliveries and staff canteen operations. In 2021, our annual diesel consumption increased 5.4% from 53,297 litres in 2020 to 56,155 litres. This increase was due mainly to increase in cross border deliveries for new customer in one Malaysia subsidiary.

Petrol is used mainly for company cars and vehicles. Annual petrol consumption in 2021 decreased 39.2% from 28,054 litres in 2020 to 17,070 litres. This was mainly attributed to the closure of Chongqing plant in end of 2020, fewer visits to customers' premises and work from home arrangements amid the coronavirus outbreak. Most of the interactions and communications with customers were conducted mainly through virtual meetings, email and telephone conversations.



# SUSTAINABILITY REPORT

## WATER

Sustainable and efficient water usage is practised at the Group’s manufacturing operations as part of our commitment to environment conservation. The Group relies primarily on the municipal water supply for our needs. The primary uses of water for our operations are as follow:

- Cooling tower usage
- Cooling purpose for injection moulding and tooling machines during manufacturing process
- Cleaning purposes

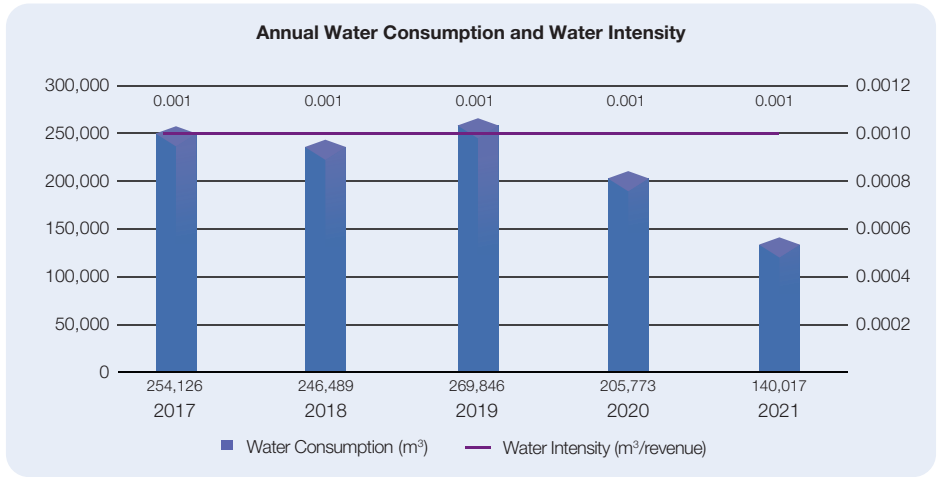
We endeavour to minimise our water usage through a number of efficiency initiatives. To this end, the Group has implemented the following initiatives to improve water management and promote water conservation:

Record/monitor meter readings and cross-check with water consumption bills on a monthly basis

Regular maintenance of water fittings and drainage systems to minimise the risk of leakage

Influence human behaviour by providing education on the importance of water saving

Encourage employees to report to Human Resources Department if any water leakage is observed in the factory



In 2021, water consumption amounted to 140,017 cubic metres (m³), representing a 32.0% year-on-year decrease from 205,773 m³ in 2020. The decrease was attributed mainly to the closure of Chongqing plant in end of 2020, rectification of water leakage and remote working arrangements amid the Covid-19 situation. We have kept the overall water intensity steady at approximately 0.001 m³ per dollar of revenue in 2021.

Moving forward, the Group targets to maintain our water intensity at the current level.

## EFFLUENTS AND WASTE

At the heart of the Group’s operations is our “3R” approach towards waste management – “REDUCE, REUSE AND RECYCLE”.

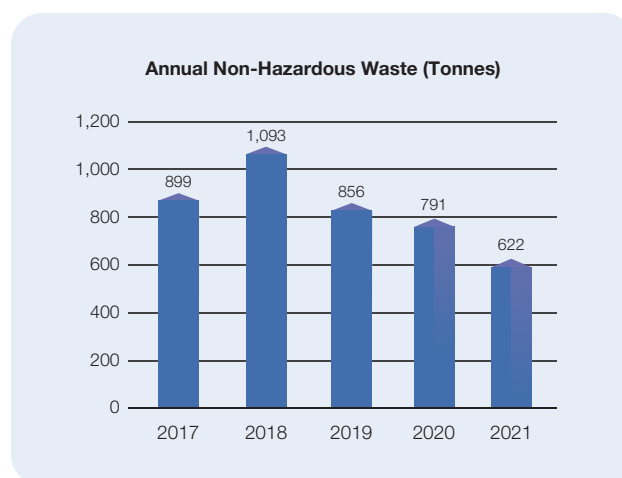
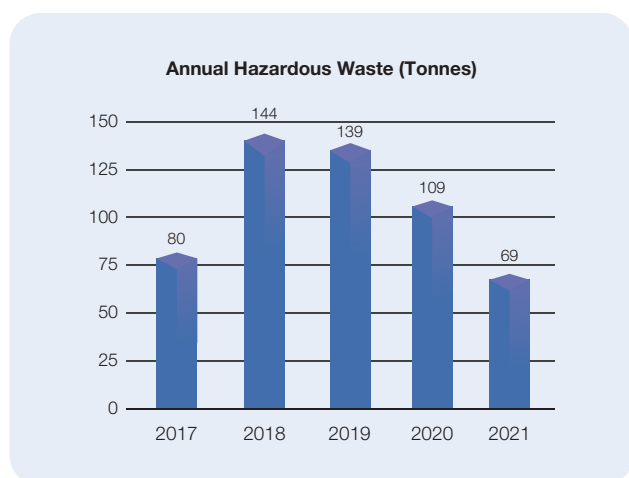
We believe that proper management of waste and effective use of resources underpins our responsibility towards the environment and also helps to lower overall operating cost. As such, our enhanced waste management approach starts with “reduction of waste”, followed by “waste reuse on-site” and “material recycling”.

 <p><b>REDUCE</b></p>	 <p><b>REUSE</b></p>	 <p><b>RECYCLE</b></p>
<p>We put effective and efficient management into practice to reduce raw material wastage.</p>	<p>During the manufacturing process, resins are reused to clean the machines.</p> <p>Our product packaging is reused as we help manage our customers’ waste by requesting the return of the package.</p>	<p>We initiate a waste bin management programme to sort paper, food and electronic waste which are recycled or properly disposed accordingly.</p>

The Group’s factories are certified with the ISO 14001 Environmental Management System. We are committed to responsible procurement of materials and work closely with our vendors to replace toxic substances with environmentally-friendly substitutes. We will also purchase environmentally-friendly materials with accredited green labels upon requests from customers.

As part our supply chain management, we carry out vendor evaluation assessment on a yearly basis to assess our new vendors. We also measure/monitor our existing vendors’ performance to reduce costs, mitigate risks and drive continual improvement towards environmental sustainability.

We adopt a stringent attitude towards proper waste sorting (i.e., hazardous and non-hazardous) and appropriate disposal methods that comply with the local regulations. The Group also engages licensed toxic waste collection companies to ensure that toxic waste is properly disposed to minimise any negative impact to the environment.



# SUSTAINABILITY REPORT

The amount of hazardous waste in 2021 was reduced by 36.7% to 69 tonnes from 109 tonnes in 2020. The lower volume of hazardous waste was attributed from the replacement of hydraulic machines that started in 2020. In addition, Fu Yu Suzhou (FYSZ) outsourced their spray-painting production line to a third party.

Non-hazardous waste has also decreased in 2021 by 21.4% to 622 tonnes from 791 tonnes in 2020. This was largely attributed from the change in packaging for some of the Group's customers.

The decrease in both hazardous and non-hazardous wastes in 2021 were also in line with the closure of Chongqing plant in 2020.



The Group also rolled out a recycling programme in FYSCS office. This consists of different bins for recyclable materials, as well as training our staff on the importance of proper separation of waste, the types of waste suitable for recycling and how waste must be processed before dispensing.

In addition, our subsidiary in Penang, Malaysia (FHM) practices the 3Rs – reduce, reuse, recycle and manage monthly usage through limiting the purchases of paper (as per ISO 14000 requirement). Recyclable waste is stored separately, scheduled to be collected on a monthly basis and to be reported to the Department of Environment.



In the unlikely event of a chemical spillage, we are able to activate our in-house Chemical Spillage Control Team immediately and reduce the potential impact of such chemical pollution to the environment. We conduct yearly refresher training courses to ensure that our team is always ready to remedy any chemical spillage if the situation arises.

In 2021, there was no incident of significant chemical spillage in production facilities.

Moving forward, the Group continues to aim for zero significant cases of chemical spillage and improper disposal of waste at our manufacturing facilities in the forthcoming year.



### **Paper Usage Reduction Efforts**

Many of our business processes still require hard copy paper documentation to be printed for banking and contractual reasons. Where possible, we have encouraged staff to reduce paper usage by using e-signatures and printing on double sides.

Since 2020, our operations in Singapore, have put in place 7,000 reusable containers to replace paper carton boxes for storage of products on our production floor. Following this change, we achieved estimated annual saving of at least 300 tonnes of paper.

In 2021, FHM has moved into paperless documentation with Manufacturing Execution System (MES) where all drawing and documents can be retrieved digitally through the system.

#### *Singapore's paper reduction initiative*



## **DEVELOPING OUR WORKFORCE**

### **EMPLOYMENT AND TALENT RETENTION**

Fu Yu recognises that our most valuable asset is our employees as they determine the Group's success in the long term. We believe it is the Group's responsibility to help our employees excel in their roles by ensuring a safe and healthy work environment and cultivating a positive culture that embodies the Group's corporate values.

All our employees are treated with respect and dignity. The Group has a zero-tolerance policy regarding disrespectful, hostile, intimidating or threatening behaviour in our workplace. This includes sexual advances, actions or comments of racial or religious slurs.

In line with our commitment towards creating a positive work environment, the Group has a strategic reward system in place. This system takes into account our employees' abilities, performance, contributions and experience to make a positive contribution to the values and business objectives of the Group.

The Group supports the concept of fostering good work-life balance for our employees. We believe healthy work-life balance promotes the well-being of individuals, families, communities and strengthens our employees' commitment to the organisation. We employ human resource strategies and policies that encourage social and recreational activities, such as food fairs, company trips, festive celebrations, team building, annual dinner and dance, for our employees on a regular basis.



# SUSTAINABILITY REPORT

In 2021, FHM held an annual company Dinner and Dance in appreciation of the staff for their loyalty and commitment. Long-term staff were presented with awards for their long-service.



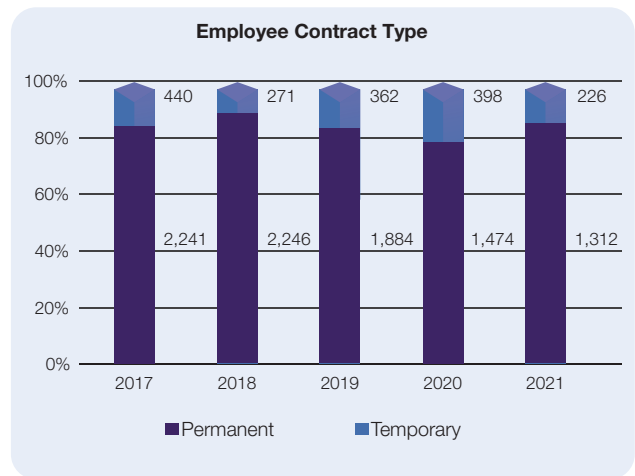
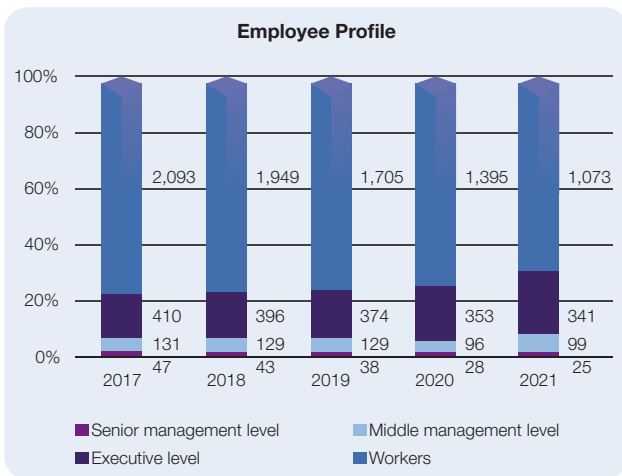
In November 2021, our subsidiary in Zhuhai, China (FYZH) organised a recreational trip for its employees, providing the team with leisure time and opportunities to bond and build better relationships outside of work.



As of 31 December 2021, the Group had a total of 1,538 employees across our headquarters and subsidiaries in Asia. This was a reduction from 1,872 employees at the end of 2020, due mainly to the right-sizing exercises in certain subsidiaries with reduced business activities and the resignations of employees who were affected by travel restrictions and borders closure as a result of the Covid-19 pandemic.

The Group's workforce comprises mainly of permanent and full-time employees. We supplement our workforce by hiring temporary workers in tandem with the level of our manufacturing activities. In 2020, we have reassessed the turnover rate to exclude temporary workers as hiring of temporary workers is dependent on our business requirements. The turnover rate for permanent staff decreased from 48.4% in 2020 to 28.6% in 2021. In 2020, excluding the reduction in headcount arising from closure of Chongqing plant, the turnover rate for permanent staff would have been 38.3% in 2020.





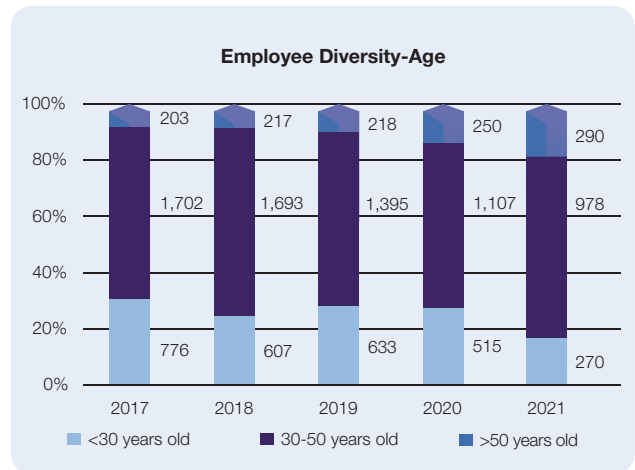
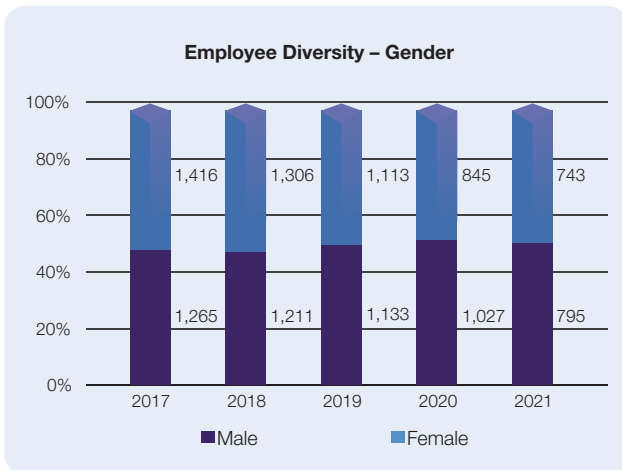
Moving forward, the Group's target is to achieve permanent employee turnover rate not exceeding 30%.

### DIVERSITY AND EQUAL OPPORTUNITY

The Group advocates fair and equal opportunities for all our employees regardless of age, race, gender, religion, marital and family status or disability. We believe in treating our people fairly without bias, and creating a workplace that values diversity and promotes dignity.

We have developed policies to stipulate fair and equal opportunities to all employees and job applicants. Our selection and recruitment criteria are based solely on an applicant's skills, experience and/or ability to perform the job.

The gender ratio between our male and female employees remained fairly stable in 2021. Most of our employees are in the 30-50-year age group, which is relatively common in the industry that the Group operates in.



Moving forward, the Group will continue employing fair recruitment practices.

# SUSTAINABILITY REPORT

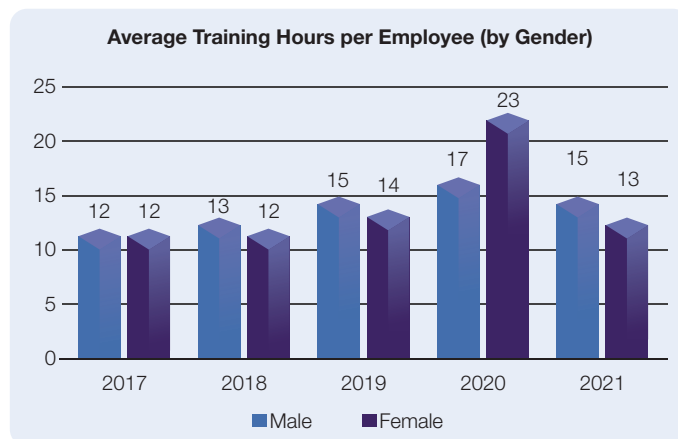
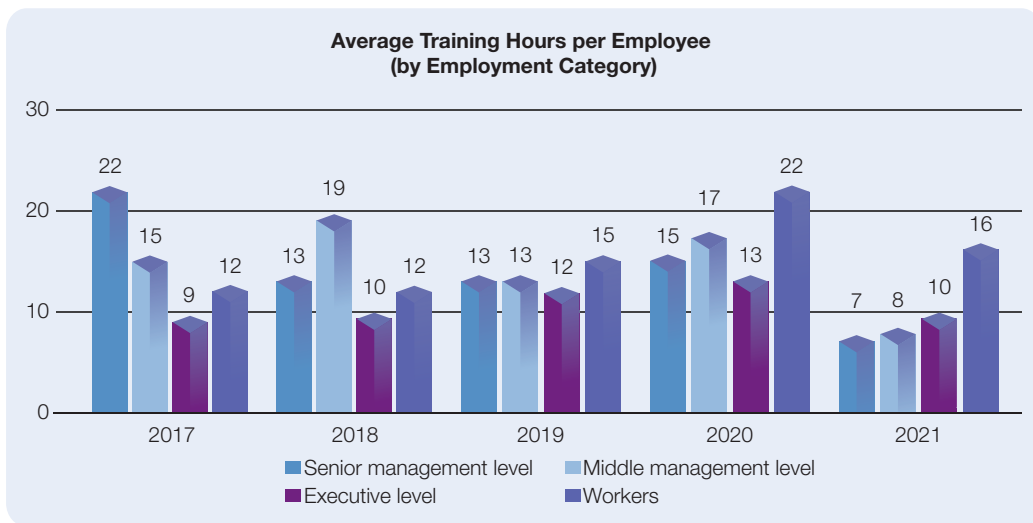
## TRAINING AND EDUCATION

As Fu Yu navigates our business through an increasingly challenging global environment, we recognise that developing the potential of our human capital is a critical factor for the progress of our Group. Employee training and development will always remain our key priorities. We are confident that continuous career development enhances the organisation’s talent pool and will contribute to higher levels of employee satisfaction. This in turn should lead to improved performance and success for the Group in the long term.

To help our employees achieve their full potential, we encourage them to upgrade their knowledge and skillset. In this regard, the Group provides opportunities for employees to increase their capabilities by offering them a variety of training and personal development programs based on their strengths and needs. All eligible employees are assessed at an annual performance review when each individual’s training needs are discussed and determined. Supervisors will recommend certain training and development initiatives and employees can request for specific training which they believe will be beneficial to upgrade their skills.

Despite the many challenges posed by the Covid-19 pandemic, the Group has continued to place significant emphasis on developing and managing our talent. We believe that a competent workforce will enable the Group to better seize new opportunities as the global economy charts its path towards recovery.

Average Training Hours Per Employee	2017	2018	2019	2020	2021
Fu Yu Corporation (including Fu Yu Corporation Limited and its subsidiaries)	12	12	14	20	14



In 2021, average training hours per employee returned to 2019 levels. In 2020, our China subsidiaries leveraged on government grants to pursue additional training, hence the higher number of average training hours per employee.

Moving forward, the Group's target is to ensure that 100% of our employees receives an annual performance review.

### OCCUPATIONAL HEALTH AND SAFETY

The Group endeavours to create an organisational culture that prioritises the health and safety of our people in the workplace, which is of particular importance for our manufacturing facilities. As such, we have made considerable efforts to ensure a conducive and safe working environment in our manufacturing facilities.

The Group has established a Workplace Safety and Health Committee (WSHC) to review and monitor the overall performance of our health and safety practices on a regular basis, as well as to ensure compliance with the relevant laws and regulations of the countries where we have operations.

The WSHC also initiates various programmes and activities to raise awareness of occupational health and safety (OHS). All new employees are required to attend a compulsory safety briefing as part of the Group's Induction Training. In our day-to-day operations, employees have to ensure that all necessary safety measures are properly implemented prior to carrying out work. As part of the assurance process, we also conduct practice sessions regularly for employees to reinforce the OHS requirements, in-house safety rules and job-specific safety requirements.

As part of the employees' safety awareness and resilience training, fire drill is conducted annually to familiarize the employees with the proper evacuation routes and practices so that every employee evacuates safely in an orderly manner whenever fire alarms sound. Employees are also trained on the proper and safe use of fire extinguishers.



Additionally, regular inspections are conducted to ensure that our infrastructure and manufacturing facilities are well maintained, and our employees observe the correct work processes and practices.

The Group continuously seeks to improve workplace conditions by proactively identifying potential hazards and risks, establishing better measurement methods to monitor the working environment and obtaining the necessary legal permits/licenses.

The Group has made improvements to workplace safety throughout the years, for examples the safety barrier control system, safety sensor control system and continuous replacement of existing safety signs and adding on new signs as necessary.

# SUSTAINABILITY REPORT

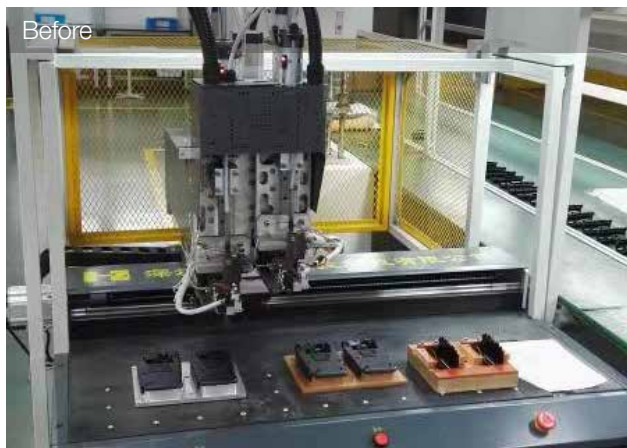
## Safety Barrier Control System



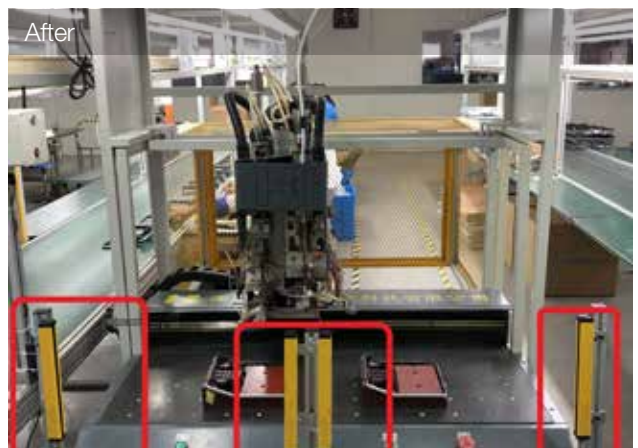
Emergency Stop Button

▶ The Safety Barrier Control system, which fences up our automation equipment, has been further enhanced with the placement of an Emergency Stop Button. In case of emergency, the machine can be stopped immediately when its users press the stop button. This will help to avoid risks of accidents, personal injury or machine damage.

## Safety Sensor Control System



Before



After

▶ The automatic nut-embedding machine is equipped with safety grating sensors which can prevent accidents when the machine is operating. The machine will stop immediately when the operators accidentally reach into the machine.

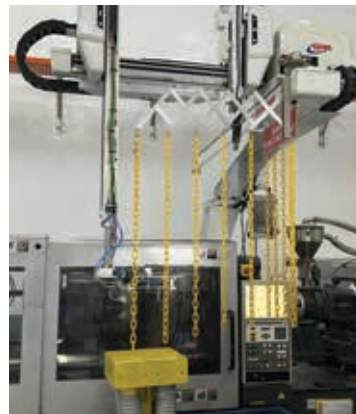
In 2021, new safety installation included more safety signs being placed on site, safety barrier warning system and safety guards.

## Safety warning signs



▶ Safety warning signs that have been newly added and upgraded for clearer safety instructions for staff.

## Safety Barrier



▶ Installed new safety barrier warning system onto a robotic arm to discourage staff from going near the area while it is in motion.



**Safety Guards**



Installed safety guard on the milling machine to protect operators from hot flying chips, coolant and accidental contact with the rotating cutter.



Safety guard holder being added onto the pad printing blade. This protects user from cutting themselves, while fitting it to machines.

The Group recorded zero incidents of workplace fatalities in 2021. It is encouraging that three of our subsidiaries maintained a “zero injuries” record in their manufacturing plants. We will continue working to strengthen our safety management practices to minimise injuries in the workplace.

Lost-Time Injury Rate (%)	2017	2018	2019	2020	2021
Fu Yu Corporation (including Fu Yu Corporation Limited and its subsidiaries)	7.48	4.93	4.64	4.54	8.97

Lost-time injury rate increased from 4.54 in 2020 to 8.97 in 2021. The increase was caused by cases of inattention to safety requirements. Also, it was made mandatory by the Singapore government to report work-related light duties in addition to medical leaves, which contributed to the increased number of lost time injury.

The Group has sought further workplace safety implementations in direct response to this and employee safety briefings have been stepped up as a reminder to adhere to guidelines and protocols.

Moving forward, the Group’s target is to achieve zero workplace incidents that result in permanent disability or fatality of employees.



# SUSTAINABILITY REPORT

The Group is also expending efforts to minimise employee ill health due to work-related causes. We have identified several work-related hazards that pose high risks of injury or ill health and put in place various preventive measures. Examples of work-related hazards are as follow:

## CHEMICAL HAZARDS

### How these hazards have been determined:

Adopt Global Harmonised System ("GHS") of Classification and Labelling of Chemicals as guideline

### Did it cause/contribute to ill health in FY2021:

No

### Action taken/underway to eliminate this hazard and minimise risks using the hierarchy of controls

- Departments are advised to observe safe work procedures based on the chemical characteristics on Safety Data Sheet ("SDS") labels
- Identify and classify chemical hazards with reference to GHS
- Monitor the department's monthly usage and workers' exposure
- Ensure that risk control processes and procedures are in place
- Annual refresher training for spill control team members
- Provision of suitable personal protective equipment ("PPE") and periodic review of chemical exposure, such as masks.

## NOISE HAZARDS

### How these hazards have been determined:

Compliance with Workplace Safety & Health Act – (Noise) Regulation

### Did it cause/contribute to ill health in FY2021:

No

### Action taken/underway to eliminate this hazard and minimise risks using the hierarchy of controls

- Monitor noise level on weekly basis using dosimeter
- Enforce wearing of ear plugs for areas with noise level between 86 db and 95 db. For areas >95db, workers have to wear both ear muffs and ear plugs.
- Hearing examination during health checks

## DUST/EXHAUST EMISSION

### How these hazards have been determined:

Compliance with Workplace Safety & Health Act (Occupational Disease)

### Did it cause/contribute to ill health in FY2021:

No

### Action taken/underway to eliminate this hazard and minimise risks using the hierarchy of controls

- Enforce employees to use anti-dust mask respirator with goggles to carry out work assignments
- Examination of lungs during health checks

## REPETITIVE ACTIONS

### How these hazards have been determined:

Compliance with Workplace Safety & Health Act (Occupational Disease)

### Did it cause/contribute to ill health in FY2021:

No

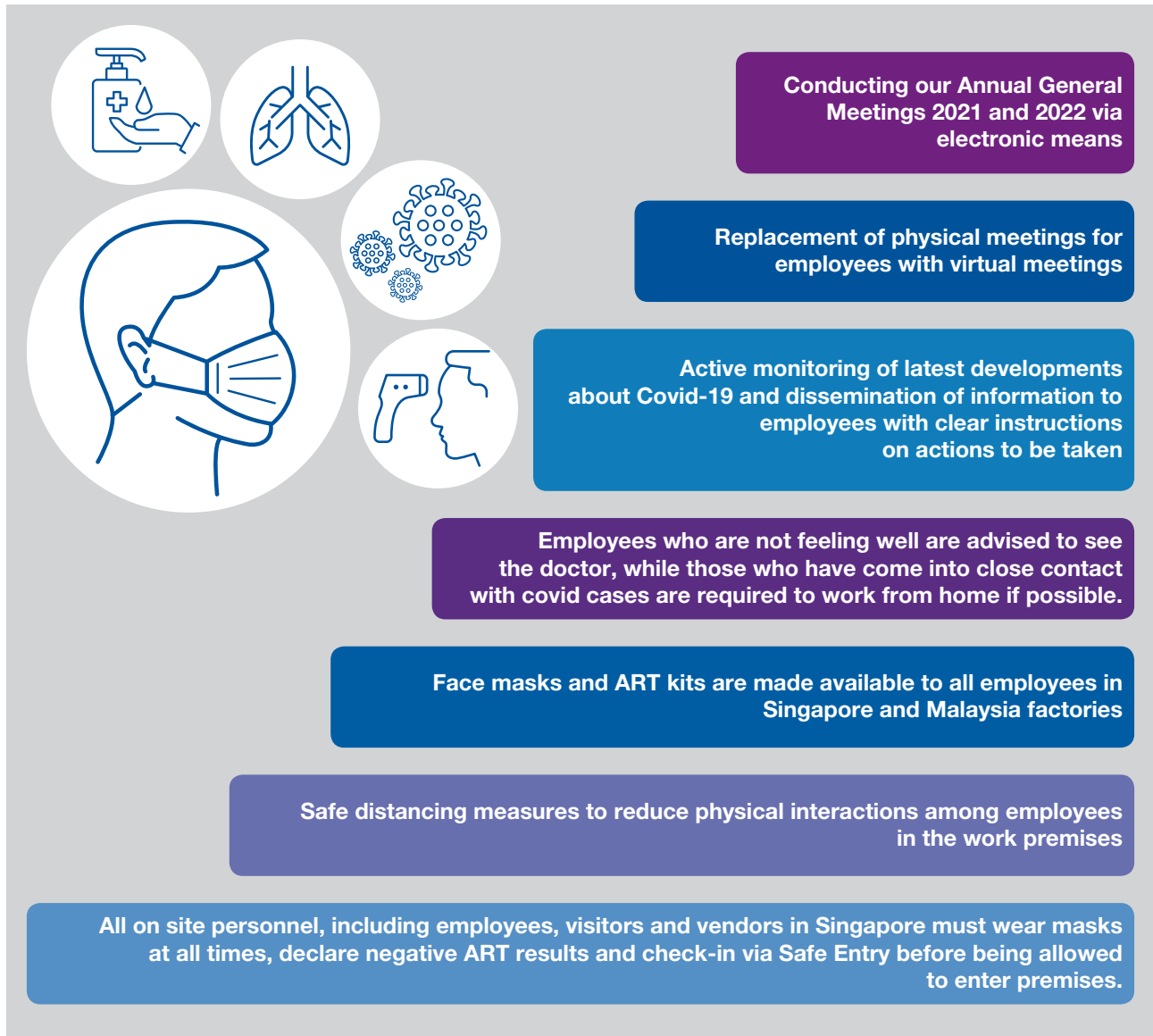
### Action taken/underway to eliminate this hazard and minimise risks using the hierarchy of controls

- Rotation of job duties in intervals of 4 hours

## INFECTIOUS DISEASES & PANDEMIC CONTINUITY PLAN

The Group has implemented several measures at our workplace to minimise the impact of Covid-19 on our business operations, safeguard the well-being of our employees and comply with the advisories issued by the various government agencies in Singapore, Malaysia and China.

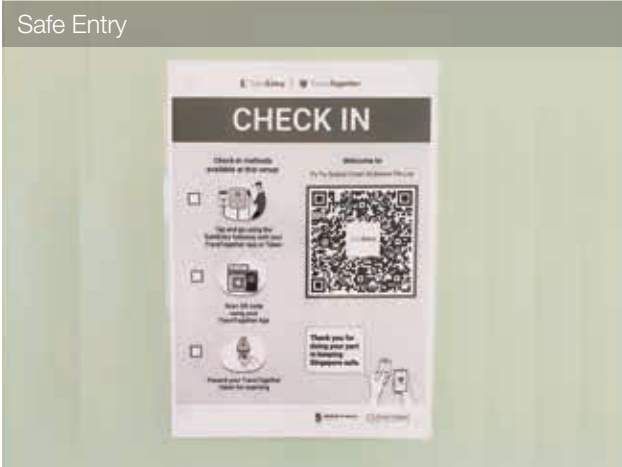
These health and safety measures include:



# SUSTAINABILITY REPORT

In accordance with Singapore Ministry of Health (MOH), below are the examples of safe management measures (SMM):

Safe Entry



Covid Test Kits for Staff



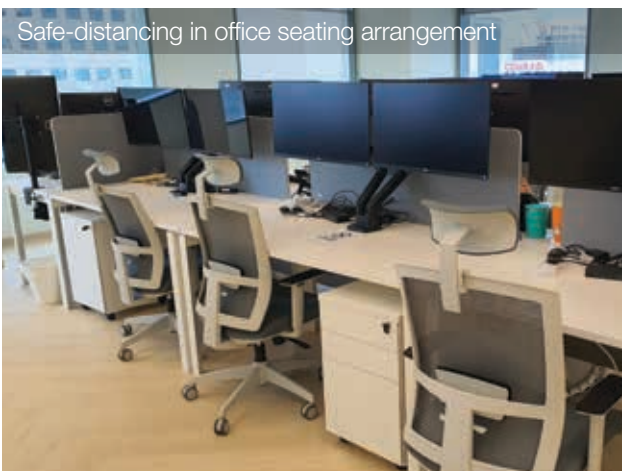
Safe-distancing markings in Conference Room



Safe-distancing markings in Meeting Room



Safe-distancing in office seating arrangement



Hygiene and SMM Education



## FORCED OR COMPULSORY LABOUR

The Group endeavours to prevent and combat all forms of forced or compulsory labour within the scope of our activities. Firstly, we have a clear policy which strictly forbids the use of forced, bonded or indentured labour, including debt bondage, involuntary prison labour and slavery or human trafficking.

We also carry out a factory audit for each of our factories in Singapore, Malaysia and China when requested by customers by following the guidance of Responsible Business Alliance, which is a set of standards on social, environmental and ethical issues in the electronics industry supply chain. The standards set out in the Code of Conduct reference international norms and standards including the Universal Declaration of Human Rights, ILO International Labour Standards, OECD Guidelines for Multinational Enterprises, ISO and SA standards, and many more.

In addition, we ensure that our employment contracts are drawn up in languages that are easily understood by workers, to facilitate their understanding of the job scope and procedures for leaving the company.

In 2021, there were no incidents of non-compliance with forced or compulsory labour at our manufacturing facilities. Moving forward, the Group's target is to achieve zero incidents of non-compliance with Labour Laws relating to forced or compulsory labour. We also aim to achieve a rating of "satisfactory" or above on all Responsible Business Alliance factory audits, if any.

## CHILD LABOUR

The Group strictly prohibits the use of child labour in all our activities. We encourage customers to request an audit of our manufacturing facilities to assess the risk of child labour under the Responsible Business Alliance Guidelines, whenever they believe it to be appropriate.

In 2021, there were no incidents of non-compliance with child labour at our manufacturing facilities. Moving forward, the Group's target is to achieve zero incidents of non-compliance with Labour Laws relating to child labour. We also aim to achieve a rating of "satisfactory" or above on all Responsible Business Alliance factory audits, if any.

## PRACTISING GOOD GOVERNANCE

At Fu Yu, we are committed to ensuring and maintaining high standards of corporate governance and business conduct to uphold market integrity and safeguard the interests of our stakeholders for the Group's long-term success. We believe in fostering an organisational culture that promotes the highest level of integrity and ethical business practices, including compliance with applicable laws and regulations, respect for human rights and environmental conservation.



To strengthen our ethical culture and reinforce professional conduct, we organise training sessions to communicate the Group's Corporate Business Ethics and Code of Conduct Policy to our employees. Our policy provides detailed guidelines on employees' business conduct, including requirements for employees to declare any direct or indirect interest in, or relationship with other businesses and organisations where potential conflicts of interest may arise.

# SUSTAINABILITY REPORT

## ANTI-CORRUPTION

Our management takes the lead in fostering a strong corporate governance culture and implementation of policies that promote ethical behaviour. With zero tolerance towards unethical and corrupt practices, the Group places significant emphasis on effective prevention and detection of fraudulent activities and misconduct. We have adopted a Fraud Risk Management Framework and Policy that guides all employees on anti-fraud measures to minimise the risks of fraud. Our respective General Managers conduct a fraud risk assessment yearly, and reports any key fraud risks and anti-fraud mitigation measures to Audit Committee and the Board.

### Fraud Risk Assessment Process



In addition, we have also put in place a Whistle Blowing Policy that provides a transparent channel for employees to raise concerns about possible fraud, improprieties in financial reporting and other matters. At the same time, this policy also provides reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith. We conduct refresher training sessions annually on anti-corruption and whistle blowing policies for all our employees at the Group’s operating sites.

There were no confirmed incidents of corruption during the year. Moving forward, the Group targets to maintain zero confirmed incidents of corruption continuously.

## ENVIRONMENTAL COMPLIANCE

The Group adheres to the highest standards of business practices to ensure compliance to all applicable environmental laws and regulations. We are mindful of the potential impact on the Group’s operations, and reputation as well as legal liabilities that could result from a breach of applicable laws or regulations. To this end, we ensure that all of the Group’s factories are ISO 14001 certified.

In 2021, there were no incidents of non-compliance with environmental laws and regulations resulting in significant fines or sanctions. Moving forward, the Group targets to maintain zero incidents of non-compliance with environmental laws and regulations resulting in significant fines or sanctions.



**Our Environmental Compliance Projects**

<p><b>2018</b></p> <p><b>ZHUHAI</b></p> <ul style="list-style-type: none"> <li>Exhaust gas treatment system for moulding department</li> <li>Dust removal equipment</li> </ul>	<p><b>2019</b></p> <p><b>SUZHOU</b></p> <ul style="list-style-type: none"> <li>Waste gas treatment system for spray painting processes</li> <li>Exhaust gas treatment equipment for oil mixing room and hazardous waste warehouse</li> </ul>	<p><b>2020</b></p> <p><b>DONGGUAN</b></p> <ul style="list-style-type: none"> <li>Redesigned Sewage and pipework to prevent water pollution and enhance water quality standards</li> </ul>	<p><b>2021</b></p> <p><b>DONGGUAN</b></p> <ul style="list-style-type: none"> <li>Organic waste gas treatment system for spray painting processes</li> <li>Exhaust gas treatment system for moulding department</li> </ul> <p><b>SUZHOU</b></p> <ul style="list-style-type: none"> <li>Exhaust gas treatment system for moulding department</li> </ul>
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**Latest Projects Completed in 2021**

In fulfilling our corporate responsibility in sustainability initiatives, investment has been made at our China sites, to upgrade our VOC exhaust gas treatment to prevent air pollution.

**Fu Yu Dongguan (FYDG)**



# SUSTAINABILITY REPORT

## Fu Yu Suzhou (FYSZ)



## Previously Completed Projects



▶ To resolve the issue of exhaust gas generated by our injection molding workshop and the secondary processing pad printing workshop, FYZH has installed an exhaust gas treatment system. This system comprises equipment that utilises decomposition and oxidation processes to transform the exhaust gas into odorless compounds or completely mineralised into water and carbon dioxide which can be safely discharged into the atmosphere. The entire purification process takes one second to complete.

The Group uses crushers to recycle plastic waste materials. As the main pollutant of the crushing process is dust, FYZH has installed dust removal equipment that will separate, filter and trap dust particles before releasing clean air back into the atmosphere.





FYSZ – Exhaust Gas Treatment for Spray Painting Processes (completed in 2019)

▶ To treat exhaust gas generated from the spray-painting process, FYSZ has a system to remove harmful gases and reduce concentration of paint mist emitted from the spraying process. This system undergoes annual inspections to ensure it meets the requirements for environmental protection.

▶ FYSZ has installed equipment to treat exhaust gas emitted from the oil mixing room and hazardous waste warehouse. This exhaust gas treatment system cleans gases through processes that utilise ultraviolet photocatalytic oxidation and an activated carbon absorption tower.

FYSZ – Exhaust Gas Treatment System for Oil Mixing Room and Hazardous Waste Warehouse (completed in 2019)



## PROTECTION OF CONFIDENTIAL INFORMATION

We conduct our business in compliance with data protection laws and standards such as the Personal Data Protection Act (“PDPA”). Our Group’s Personal Data Protection Policy (“PDPP”) sets out the rules on data protection and the legal conditions that must be satisfied in relation to the collection, handling, processing, storage, transportation and destruction of personal data. All employees are encouraged to familiarise themselves with the PDPP and ensure that they shall manage or handle any personal data in adherence to the PDPP.

With the increasing prevalent and complexity of cyberattacks and data theft threats, the Group’s Information Technology (“IT”) department has established a Cybersecurity framework across the Group’s business subsidiaries. This risk assessment based approach translates into a holistic Cyber Defence Strategy and work plan involving investment into Upgrade of Hardware, Detection of Intrusion and Prevention and Response etc across the Group.

The Group has also put in place a Cybersecurity awareness training programme for existing staff and all newly joined employees. We conduct phishing email simulation testing to test all our employees annually.

We have established policies to manage Cybersecurity Risk. These policies are audited by external auditors on a regular basis.



# SUSTAINABILITY REPORT

## Customer Privacy

The Group enforces strict customer privacy which underpins the level of trust and the quality of relationships we have established with stakeholders over the years. We strive to inform customers of the privacy and data security policies, practices and technologies that we have put in place. The Group has also developed responsible measures to ensure the security of personal data that we collect, store, process and disseminate. To protect the interests of customers, the Group adheres to strict confidentiality through legally enforceable contracts and Non-Disclosure Agreements with customers in a bid to protect their competitive data, proprietary information and other intellectual property.

There were no identified leaks, thefts or losses of customer confidential information in 2021. Moving forward, the Group targets to maintain zero incidents in the forthcoming year.

## CORPORATE SOCIAL RESPONSIBILITY

Fu Yu strongly believes in giving back and creating positive impact for our local communities. Hence, we have continued putting in the effort despite the pandemic, through the different donation channels.

In 2021, FHM made donations to the Children's Protection Society and MAA Medicare Charitable Foundation. The Children's Protection Society offers services to neglected or abandoned children in Penang. The cash donation would aid in providing these children at risk with a safe and supportive environment conducive to their healthy development. Whereas, MAA Medicare Charitable Foundation aid in making treatment for heart diseases affordable to the underprivileged Malaysians. Aside from these cash donations, FYSZ bravely volunteered in the participation of blood donation, in spite of this sensitive times where people fear of Covid-19 exposure.



## RESTATEMENT OF INFORMATION

The information on the energy consumption for FY2020 was restated due to conversion error by certain subsidiary in the Group. The effect of the restatements of information given in the previous Sustainability Reports are presented as follow:

	Previously Reported	Restated
<b>Energy Consumption (kWh)</b>	38,260,378	41,331,000
<b>Energy Intensity (kWh/revenue)</b>	0.249	0.269

## GRI CONTENT INDEX

GRI Standards		Notes/Page number(s)
<b>General Disclosures</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	Fu Yu Corporation Limited
102-2	Activities, brands, products, and services	Corporate Profile, page 1 Operations Review, pages 4 to 5
102-3	Location of headquarters	Operations Review, pages 4 to 5 Our Network, page 11
102-4	Location of operations	Operations Review, pages 4 to 5 Our Network, page 11
102-5	Ownership and legal form	Group Structure, page 7
102-6	Markets served	Corporate Profile, page 1 Operations Review, pages 4 to 5
102-7	Scale of the organisation	Corporate profile, page 1 Operations Review, pages 4 to 5 Our Network, page 11
102-8	Information on employees and other workers	Employment and Talent Retention, pages 27 to 29
102-9	Supply chain	Stakeholder Engagement, pages 17 to 18 Effluents and Waste, pages 25 to 27
102-10	Significant changes to organisation and its supply chain	No significant changes
102-11	Precautionary principle or approach	Fu Yu Corporation Limited does not specifically refer to the Precautionary principle
102-12	External initiatives	Stakeholder Engagement, pages 17 to 18
102-13	Membership of associations	Stakeholder Engagement, pages 17 to 18
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Board Statement, page 14 Our Approach to Sustainability, page 16
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Board Statement, page 14 Our Approach to Sustainability, page 16
<b>Governance</b>		
102-18	Governance structure	Board Statement, page 14 Our Approach to Sustainability, page 16
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Stakeholder Engagement, pages 17 to 18
102-41	Collective bargaining agreements	FYC Singapore has collective bargaining agreements in place
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, pages 17 to 18
102-43	Approach to stakeholder engagement	Stakeholder Engagement, pages 17 to 18
102-44	Key topics and concerns raised	Stakeholder Engagement, pages 17 to 18



# SUSTAINABILITY REPORT

GRI Standards		Notes/Page number(s)
<b>General Disclosures</b>		
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	Group Structure, page 7 Our Network, page 11
102-46	Defining report content and topic Boundaries	Our Report, page 14
102-47	List of material topics	Material Factors, pages 19 to 20
102-48	Restatements of information	Restatement Information page 42
102-49	Changes in reporting	There are no changes in reporting
102-50	Reporting period	1 January 2021 – 31 December 2021
102-51	Date of most recent report	2020 Sustainability Report
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Our Report, page 14
102-54	Claims of reporting in accordance with GRI Standards	With reference to GRI Standards
102-55	GRI content index	GRI Content Index, pages 43 to 45
102-56	External assurance	Fu Yu Corporation Limited has not sought external assurance for this reporting period and may consider it for future periods
<b>Management Approach</b>		
103-1	Explanation of the material topic and its boundary	Board Statement, page 14
103-2	The management approach and its components	Our Approach to Sustainability, page 16
103-3	Evaluation of the management approach	Material Factors, pages 19 to 20
<b>Material Topics</b>		
<b>Economic</b>		
201-1	Direct economic value generated and distributed	Economic performance, page 21
<b>Anti-corruption</b>		
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption, page 38
<b>Energy</b>		
302-1	Energy consumption within the organisation	Energy, pages 22 to 23
302-3	Energy intensity	Energy, pages 22 to 23
<b>Water</b>		
303-1	Water withdrawal by source	Water, page 24

GRI Standards		Notes/Page number(s)
<b>General Disclosures</b>		
<b>Effluents and Waste</b>		
306-2	Waste by type and disposal method	Effluents and Waste, pages 25 to 27
<b>Environmental Compliance</b>		
307-1	Non-compliance with environmental laws and regulations	Environmental Compliance, pages 38 to 41
<b>Employment</b>		
401-1	New employee hires and employee turnover	Employment and Talent Retention, pages 27 to 29
<b>Occupational Health &amp; Safety</b>		
403-9	Work-related injuries	Occupational Health and Safety, pages 31 to 34
403-10	Work-related ill health	Occupational Health and Safety, pages 31 to 34
<b>Training and Education</b>		
404-1	Average hours of training per year per employee	Training and Education, page 30
<b>Diversity &amp; Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity, page 29
<b>Child Labour</b>		
408-1	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Child Labour, page 37
<b>Forced or Compulsory Labour</b>		
409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Forced or Compulsory Labour, page 37
<b>Customer Privacy</b>		
418-1	Total number of substantiated complaints received concerning breaches of customer privacy, and total number of identified leaks, thefts, or losses of customer data	Protection of confidential information, page 41 to 42





## FINANCIAL CONTENTS

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<b>70</b>	Risk Management Report
<b>75</b>	Directors' Statement
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# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The Board of Directors (the “Board”) and Management of Fu Yu Corporation Limited (the “Company” or “Fu Yu”) recognise the importance of having in place a set of well-defined and good corporate governance processes to engender investor confidence and achieve long-term sustainable business performance.

This report describes Fu Yu’s corporate governance policies and practices in accordance with the Principles and Provisions set out in the Singapore Code of Corporate Governance 2018 (the “Code”), with references to the accompanying Practice Guidance.

The Company is required under Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) to describe in this Annual Report its corporate governance practices with reference to both the Principles and Provisions of the Code and how the Company’s practices conform to the Principles of the Code. Compliance with, and observation of, the Principles is mandatory and variations from Provisions are explained appropriately in this Annual Report.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

*The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

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

1. oversee the business affairs of the Group, monitor and review management performance;
2. approve corporate and strategic direction and policies with considerations for sustainability issues;
3. approve annual budgets, financial reporting, major funding and investment proposals;
4. ensure the Company’s compliance with prescribed legislations and regulations that are relevant to the business;
5. establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interest and Company’s assets;
6. set the company’s values and standards (including ethical standards), and ensure obligations to shareholders and other stakeholders are understood and met;
7. identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation; and
8. assume responsibility for corporate governance.

All the Directors exercise due diligence, independent judgment and consider the interests of the Group at all times in making decisions for the Group’s affairs. Directors facing any conflicts of interest with the Group will recuse themselves from participating in any discussions and decisions on the transaction or proposed transaction involving the issues of conflict.





# CORPORATE GOVERNANCE REPORT

- (\*) By invitation
- (#) Represents the number of meetings held as applicable to each individual Director.
- (1) Dr John Chen Seow Phun has resigned as Non-Executive Chairman of the Board and Independent Director with effect from 5 July 2021.
  - (2) Mr Ching Heng Yang has resigned as Vice Chairman of the Board and Executive Director with effect from 18 January 2021.
  - (3) Mr Tam Wai and Mr Ho Nee Kit have resigned as Executive Director with effect from 18 January 2021.
  - (4) Mr Tan Yew Beng and Mr Foo Say Tun have resigned as Independent Non-Executive Director with effect from 5 July 2021 and 27 April 2021 respectively.
  - (5) Mr Choo Boon Tiong was appointed as Vice Chairman of the Board and Executive Director with effect from 18 January 2021 and resigned as Vice Chairman of the Board and Executive Director with effect from 31 March 2021.
  - (6) Mr Seow Jun Hao David was appointed as Executive Director with effect from 18 January 2021 and became the Group Managing Director with effect from 2 August 2021.
  - (7) Mr Haytham T KH S Al Essa was appointed as Independent Non-Executive Director with effect from 18 January 2021 and resigned as Independent Non-Executive Director with effect from 31 October 2021.
  - (8) Mr Huang Junli, Christopher was appointed as Independent Non-Executive Director and Chairman of Remuneration Committee with effect from 19 July 2021 and became the Non-Executive Chairman of the Board with effect from 4 October 2021.
  - (9) Mr Poh Kai Ren Daniel was appointed as Independent Non-Executive Director and Chairman of the Audit Committee with effect from 4 October 2021.
  - (10) Mr Tan Tong Loong Royston was appointed as Independent Non-Executive Director with effect from 31 January 2022, and chairman of the Nominating Committee with effect from 25 February 2022.

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

1. allotment and issue of new shares and additional listing applications;
2. banking matters such as opening of bank accounts and acceptance of bank facilities;
3. material acquisition and disposal of subsidiaries and other assets;
4. announcements for public release, quarterly (if applicable), half year and full year results;
5. any major agreements to be entered into whether in the ordinary or outside of the ordinary course of business of the Group;
6. dividend recommendations and payments; and
7. appointments and resignations of Directors.

The Board recognises the importance of appropriate training for its Directors. Newly appointed Directors would be briefed by Management on the business operations of the Group and, where necessary, plant visits would be organised. First-time Directors are also provided training opportunities in areas such as accounting, legal and industry-specific knowledge as appropriate, as well as compliance, regulatory and corporate governance matters. In accordance with the SGX-ST Listing Rules, unless the NC is of the view that training is not required because a director has other relevant experience, any new director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, must undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST. All directors are required to undergo a one-time training on sustainability.

Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston, who are newly appointed, do not have any prior experience as a director of an issuer listed on the SGX-ST. The Company has made arrangements for them to attend the training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST within one year from the date of their appointments to the Board.

# CORPORATE GOVERNANCE REPORT

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. During the year, the Board had been briefed and updated on changes or amendments to accounting standards and Listing Rules. Updates on relevant legal, regulatory and technical developments and good corporate governance may be in writing or disseminated by way of briefings, presentations and/or handouts. The Company also encourages Directors to undergo continual professional development each financial year and is prepared to undertake funding for such continuing education.

## **Access to Information**

Directors receive the agendas and complete and adequate meeting materials such as budgets, forecasts and monthly/quarterly internal financial statements, background or explanatory information in a timely manner in advance of Board and Board Committees meetings to facilitate the effective discharge of their duties. The annual budgets are submitted to the Board for review and approval and actual performance is compared against budgets periodically to monitor the Group's performance.

The Directors have separate and independent access to the Executive Directors, Management, company secretaries, internal and external auditors at all times, (where necessary) at the expense of the Company, and vice versa. Directors are entitled to request for information from the Management and are provided with such additional information as needed for them to make informed decisions in a timely manner. The Board is informed of all material events and transactions as and when they occur.

The Management also provides all members of the Board with periodic updates that give a balanced summary of the Group's performance and financial position such as monthly financial statements and other management reports. Apart from the regular Board meetings, discussions are conducted via electronic means or ad hoc meetings, as and when required.

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 appointment and the removal of the Company Secretary is a matter for the Board as a whole.

The Board also has access to independent professional advice, where necessary, at the Company's expense to enable them to discharge their duties. The Chief Financial Officer ("CFO") also assists the Board in obtaining such advice.

## **Principle 2: Board Composition and Guidance**

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

As at the date of this Annual Report, the Board comprises five (5) Directors of whom two (2) are executive and three (3) are independent and non-executive. The Board notes that there should be a strong and independent element on the Board to exercise objective judgement on corporate affairs independently. The independent and non-executive Directors make up a majority of the Board. Accordingly, the Company has complied Rule 210(5)(c) of the Listing Manual which requires independent directors to make up at least one-third of the Board.

# CORPORATE GOVERNANCE REPORT

The Board considers an “Independent Director” as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement in the best interests of the Company.

The independence of each Director is reviewed annually by the NC in accordance with the Code’s definition of independence. Each Director is required to complete a ‘Confirmation of Director’s Independence’ form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Provision 2.1 in the Code and the Practice Guidance to the Code, requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code.

None of the independent Directors is or has been employed by the Company or any of its related corporations in the current or any past three (3) financial years or has an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years, and whose remuneration is or was determined by the RC.

The NC and the Board review the size and composition of the Board and Board Committees annually, taking into account, *inter alia*, the scope and nature of the Group’s business and operations and the benefits of all aspects of diversity, including but not limited to gender, age, and professional experience in order to provide the board access to an appropriate range and balance of skills, experience and backgrounds. The Board has no specific policy on gender, age and ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates’ competency, knowledge, character, time commitment, integrity and experience in meeting the needs of the Company. The NC will, however, continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of the appointment procedure.

While the Board has not implemented a formal Board diversity policy, the Board has taken the following steps to maintain or enhance its balance and diversity:

1. Annual review by the NC to assess if the existing attributes and core competencies of the Directors are complementary to one another and will enhance the efficacy of the Board; and
2. Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which the Board is lacking.

Taking into account the scope and nature of the operations of the Group, the Board, in concurrence with the NC, is satisfied that the present size of five (5) Directors, aged between 37 to 65, is appropriate in facilitating effective decision-making. The present Board members comprise the necessary mix of nationality, age, experience and competencies such as financial, accounting, business or management experience, legal and industry backgrounds who are able to contribute their area of expertise in leading the Group.

While the Board does not comprise any female director at the moment, its current composition with appropriate mix of expertise and experience enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board. No individual or group dominates the Board’s decision-making process.

With the introduction of Rule 710(A) of the Listing Manual effective from 1 January 2022, the Board will endeavour to maintain a board diversity policy that addresses gender, skills and experience, and any other relevant aspects of diversity, and describe such policy in its Annual Report for the financial year ending 31 December 2022.

# CORPORATE GOVERNANCE REPORT

As at the date of this Annual Report, two (2) out of the five (5) Directors of the Board are non-independent. They are Mr Seow Jun Hao David and Mr Hew Lien Lee. To ensure greater accountability to shareholders, the Group has established the AC, RC and NC. Membership in each of the Board Committees comprises only Independent Directors.

The Non-Executive and Independent Directors contribute accounting and finance knowledge, legal expertise and business management experience to the Group, and provide the Executive Directors and the Management with diverse and objective perspectives on issues considered by the Board.

The Non-Executive and Independent Directors constructively challenge and assist to develop proposals on the Group's short-term and long-term strategies and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance and operations by the Company as an appropriate check and balance. Management provides the Independent Directors with accurate, complete and timely information. Further, the Independent Directors have unrestricted access to Management to query and request for further information on proposed significant transactions and the development of business strategies. The Non-Executive and Independent Directors meet without the presence of the Executive Directors and Management where necessary, and at least once a year, to facilitate a more effective check on Management. The Non-Executive Directors make up a majority of the Board as required under Provision 2.3 of the Code and the Board believes that there is a strong independent element on the Board as no individual or small group of individuals dominates the Board's decision-making process. Further, the Board has an independent Chairman. The Board is also satisfied that the current board composition reflects an appropriate balance of skills and experience, which the Group may tap for assistance in furthering its business objectives and shaping its business strategies.

The Board is therefore of the view that its size, and that of the Board Committees, and level of independence is appropriate and comprises Directors who as a group, have an appropriate balance and mix (as well as breadth and depth) of skills, knowledge and experience, and diversity of thought, so as to foster constructive and robust debate and avoid "groupthink". Hence, while there is no formal board diversity policy, the Board believes that its current composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2 of the Code.

Following the resignation of independent directors, Mr Foo Say Tun, Dr John Chen Seow Phun, Mr Tan Yew Beng and Mr Haytham T KH S Al Essa on 27 April 2021, 5 July 2021 and 31 October 2021 respectively, the Company has appointed three new independent directors Mr Huang Junli, Christopher, Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston on 19 July 2021, 4 October 2021 and 31 January 2022 respectively. The professional experience and qualifications of these newly appointed directors have been disclosed in separate SGXNet announcements made by the Company. Given their experience in the accounting and financial, legal and commercial sectors, the Board believes the Group can tap on their experience, knowledge, and business network to broaden strategic perspectives, drive improvements and facilitate new opportunities to generate shareholder value in future.

### **Principle 3: Chairman and Chief Executive Officer**

*There is a clear division of responsibilities between the leadership of the Board and Management, no one individual has unfettered powers of decision-making.*

With the acquisition of Fu Yu Supply Chain Services Pte Ltd (formerly known as Avantgarde Enterprise Pte Ltd) completed on 28 July 2021, Mr Seow Jun Hao was appointed as the Group Managing Director ("GMD") of the Company with effect from 2 August 2021 and he oversees both the manufacturing segment as well as the supply chain management services segment of the Group. The CEO Mr Hew Lien Lee continues to oversee the manufacturing segment and reports to the GMD.

# CORPORATE GOVERNANCE REPORT

The Board recognises the importance of the roles of Chairman and GMD being held by separate persons; hence the roles of Chairman of the Board and GMD are separate to ensure a clear division of responsibilities, increased accountability and greater capacity of the Board for independent decision-making. No one individual has unfettered powers of decision-making.

Mr Huang Junli, Christopher is the Independent Non-Executive Chairman of the Company and is not part of the management team. The Chairman and the GMD are not immediate family members.

The division of responsibilities between the Chairman and the GMD has been demarcated with the concurrence of the Board.

The roles of the Non-Executive Chairman include:

1. leading the Board to ensure its effectiveness in all aspects of its role and setting the meeting agenda;
2. ensuring that Directors receive complete, accurate and timely information on matters relating to the Group;
3. promoting a culture of openness and debate at the Board;
4. encouraging constructive relations within the Board and between the Board and the Management;
5. ensuring effective communication with shareholders; and
6. promoting high standards of corporate governance and compliance with the Listing Rules.

The GMD is responsible for the Group's day-to-day operations and leads the Management in setting strategies, objectives and missions, as well as executing the Board's decisions and plans and driving the Group's growth and development.

Taking into account the relatively small size of the Board, that the roles of the Chairman and GMD are separate and that the Company has three Independent Non-Executive Directors, the Board is of the view that there is currently no need to appoint one of them as the Lead Independent Director per Provision 3.3 of the Code. Shareholders can channel any concerns they may have to any of the Independent Non-Executive Directors.

## **Principle 4: Board Membership**

*The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

As at the date of this Annual Report, the NC comprises Mr Huang Junli, Christopher, Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston. The NC is chaired by Tan Tong Loong Royston, who is an Independent Director. All members of the NC are Independent Directors.

The NC meets at least once a year. The NC has written Terms of Reference that describe the operating procedures and responsibilities of its members. The duties of the NC are as follows:

1. reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments in the structure, size and composition of the Board that are deemed necessary;
2. reviews the succession plans for the Directors and Management;



## CORPORATE GOVERNANCE REPORT

3. reviews all nominations for the appointments and re-appointment of Directors for the purpose of proposing such nominations to the Board for approval;
4. conducts a review to determine the independence of each Director;
5. reviews the training and professional development programmes for the Directors;
6. 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;
7. decides how the Board's and the Board Committees' performance may be evaluated and proposes objective performance criteria;
8. 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
9. recommends to the Board the maximum number of listed company representations which any Director may hold.

In its annual review, the NC was of the view that Mr Huang Junli, Christopher, Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston are objective and independent in expressing their views and in participating in deliberations and decision-making of the Board and Board Committees. None of these Directors fall under the circumstances described in Rule 210(5)(d) of the SGX Listing Rules. The NC, having considered the provisions set out in the Code, the Practice Guidance and SGX Listing Rules, confirmed all of them are independent. The NC is satisfied that these Directors are able to devote sufficient time and attention to attend to the affairs of the Company and adequately carry out their duties as Directors of the Company. Effective from 1 January 2022, Rule 210(5)(d)(iii) of the SGX Listing Rules provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer, and their respective associates. The Company has no Independent Directors that have served on the Board beyond nine (9) years from the dates of their first appointment.

Based on the current and past working experience with the Board members of the Company, the NC is of the view that the appropriate maximum number of the listed company board representations for each Director is four (4). The NC will continue to assess whether this number needs to be revised to ensure the Directors devote sufficient time and attention to the affairs of the Company.

In accordance with the Company's Constitution, at least one-third of the Directors are required to retire from office by rotation every year and each Director shall retire from office at least once every three (3) 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 but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. All Directors to be appointed or re-elected have to be assessed and recommended by the NC before submission to the Board for approval.

In recommending a candidate for appointment or re-appointment to the Board, the NC considers his contributions to the Board and his independence, skills and experience and an appropriate mix of core competencies for the Board to fulfill its roles and responsibilities.

# CORPORATE GOVERNANCE REPORT

Mr Hew Lien Lee is retiring by rotation at the forthcoming AGM pursuant to Regulation 110 of the Company's Constitution. In addition, Mr Huang Junli, Christopher, Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston who were newly appointed on 19 July 2021, 4 October 2021 and 31 January 2022 respectively, will retire under Regulation 115 of the Company's Constitution. Each of these retiring Directors has consented to stand for re-election.

The NC had recommended to the Board the re-election of all the retiring Directors. The NC had considered criteria such as the diversity, composition, progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour). The Board has endorsed the re-elections as recommended by the NC and recommends to the shareholders to approve the re-election of the retiring Directors. The details of the proposed resolutions are stipulated in the Notice of AGM.

The NC takes the lead in identifying, evaluating and selecting candidates for new directorships. In its search and selection process, the NC considers factors such as commitment and ability of prospective candidates to contribute to discussion, deliberations and activities of the Board and Board Committees. The NC also takes into account the existing mix of expertise, skills and attributes of the Directors so as to identify the needed and/or desired competencies to supplement the Board's existing attributes. The NC conducts interviews with potential candidates and recommends short-listed candidates to the Board for consideration. The NC also ensures that new directors are aware of their duties and obligations. Where it deems necessary or appropriate, the NC may tap on its networking contacts and/or engage external professional headhunters to assist with identifying and shortlisting candidates. The Board and NC will also take into consideration whether a candidate/director had previously served on the board of company with adverse track records or a history of irregularities or is or was under investigation by regulators, and seek clarity on the director's involvement therein. The Board and NC also assess whether a director's resignation from the board of any such company would cast any doubt on his qualification and ability to act as a Director of the Company.

There is currently no Alternate Director on the Board. Each member of the NC is also required to abstain from voting on resolutions, making recommendations and/or participating in matters in which he is interested.

Please refer to the 'Board of Directors' section in the Annual Report for key information on the Directors.

## Directors' key information

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed companies	Other Principal Commitments
Mr Seow Jun Hao David	18/01/2021	27/04/2021	Executive Director, Group Managing Director	–	–	Director in: 1. Noir Asia Pte Ltd 2. Social Capital Partners Pte Ltd
Mr Hew Lien Lee	22/03/2007	24/06/2020	Executive Director, CEO and Chief Operating Officer	–	–	–
Mr Huang Junli, Christopher	19/07/2021	–	Independent Non-Executive Chairman	1. Chairman of RC 2. Member of AC and NC	Present: 1. Aztech Global Ltd	Director in: 1. CHP Law LLC 2. Digital Crest Global Pte Ltd 3. Fund Asia Pte. Ltd. 4. Fund Singapore Pte. Ltd.

# CORPORATE GOVERNANCE REPORT

## Directors' key information (cont'd)

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed companies	Other Principal Commitments
Mr Poh Kai Ren Daniel	4/10/2021	–	Independent Non-Executive Director	1. Chairman of AC 2. Member of RC and NC	–	Director in: 1. Hildrics Capital Pte. Ltd. 2. Hongtu Capital Pte. Ltd. 3. Unidit Pte. Ltd. 4. Hildrics Asia Growth Fund VCC
Mr Tan Tong Loong Royston	31/01/2022	–	Independent Non-Executive Director	1. Chairman of NC 2. Member of AC and RC	–	Other Principal Commitment: 1. Pine Labs Pte Ltd

## Principle 5: Board Performance

*The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The NC has implemented a process to assess the performance and effectiveness of the Board as a whole, Board Committees, as well as the contribution by the Chairman and each individual Director to the effectiveness of the Board. The evaluation is carried out on an annual basis without the engagement of an external facilitator.

For assessing the effectiveness of the Board as a whole, and Board Committees, each Director is required to complete a questionnaire which will be submitted to the NC. The NC reviews and assesses the Board's performance based on both quantitative and qualitative criteria. Such criteria include profitability and net assets per share and the achievement of strategic objectives. The completed assessment is compiled into a consolidated report on a no-names basis and reviewed by the NC. The NC also views that the Board's performance will be better reflected and evidenced through proper guidance to the Management, able leadership of the Board and the support that it lends to Management in steering the Group in the appropriate direction.

For evaluating the performance of each Director, a peer and self-assessment of Directors is conducted annually in areas including Director's duties, knowledge of finance, business, industry and the Company, interaction with internal and external parties, attendance and participation at Board and Board Committees meetings, the time and effort dedicated to the Group's business and affairs including management's access to the Directors for guidance or exchange of views as and when necessary. The compiled results of the assessment are reviewed by the NC. The performance of each individual Director is taken into account in recommending his re-election to shareholders for approval.

The NC was of the view that the performance of the Board as a whole and of the Board Committees was satisfactory and that each Director was contributing to the overall effectiveness of the Board and Board Committees and had adequately discharged his duties for the year under review.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION MATTERS

### Principle 6: Procedures for Developing Remuneration Policies

*The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

As at the date of this Annual Report, the RC comprises Mr Huang Junli, Christopher, Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston. The RC is chaired by Mr Huang Junli, Christopher, an Independent Director. All members of the RC are Independent Directors.

The RC meets at least once a year. The RC has written Terms of Reference that describe the responsibilities of its members. The primary functions of the RC are as follows:

1. reviews and recommends a general framework of remuneration for the Board and key management personnel (CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company and who are not also Directors and the CEO of the Company);
2. reviews and recommends specific remuneration packages and terms of employment for each Executive Director and key management personnel;
3. reviews all aspects of remuneration, including termination terms, to ensure they are fair;
4. recommends any long-term incentive schemes which are generally encouraged for Executive Directors and key management personnel;
5. ensures that a formal and transparent procedure is in place for fixing the remuneration packages of the Executive Directors as well as key management personnel of the Group; and
6. reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service.

The RC's recommendations are submitted for endorsement by the entire Board.

The RC has unrestricted access to expert advice within and/or outside of the Company, when required. No remuneration consultants were engaged for the year in review.

### Principle 7: Level and Mix of Remuneration

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

In setting the remuneration package for the Executive Directors and key management personnel, the RC takes into consideration the pay and employment conditions within the industry and comparable companies, the individual's performance and that of the Company and subsidiary companies. The remuneration package is designed to allow the Company to better align the interests of the Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance. As part of its review, the RC ensures that the performance-related elements of remuneration would form a certain proportion

# CORPORATE GOVERNANCE REPORT

of the total remuneration package of Executive Directors and key management personnel. The remuneration for the Executive Directors comprises a base fee, a base salary, an allowance, an annual wage supplement and a profit-sharing bonus. The remuneration for the key management personnel comprises a basic salary, allowances and variable components which are the annual bonus and profit-sharing bonus based on the performance of the Company and subsidiary companies as well as individual contribution and performance which are assessed through performance appraisal that sets out various assessment criteria such as level of achievement of targets and responsibilities, leadership ability, initiative, etc.

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 remuneration of Non-Executive and Independent Directors will be appropriate to the level of contribution, taking into consideration the effort and time spent and responsibilities, the prevailing market conditions and referencing Directors' fees against comparable benchmarks, such that Independent Directors are not over-compensated to the extent that their independence may be compromised.

The RC ensures that the remuneration of the Board is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The RC's recommendations are submitted to the Board. No Director is involved in deciding his own remuneration, except in providing information and documents if required by the RC to assist in its deliberations. Directors' fees are recommended by the Board for approval at the Company's AGM.

There are currently no contractual provisions to allow the Company to reclaim the incentive component of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. However, the Company believes that it should be able to seek remedies against the Executive Directors and key management officers via other means if such exceptional circumstances occur.

There is currently no long-term incentive scheme for the Directors of the Group and there is currently no unexpired share options.

Save for the contributions to defined contribution plans as disclosed in Note 28 of the Audited Financial Statements for FY2021, the Company does not provide any other termination, retirement and post-employment benefits to the Directors, the GMD and CEO and key management personnel.

During FY2021, the RC had reviewed the remuneration framework and remuneration packages of Executive Directors and the key management personnel to ensure their competitiveness, as well as the Directors' fees for Non-Executive and Non-Independent Directors to ensure that it is appropriate to the level of contribution by the Directors, taking into account factors such as effort and time spent and responsibilities.

## **Principle 8: Disclosure on Remuneration**

*The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

The Company supports and is aware of the need for transparency. The remuneration policy and the criteria for setting remuneration, as well as the relationships between remuneration, performance and value creation are disclosed in Principle 7: Level and Mix of Remuneration.



# CORPORATE GOVERNANCE REPORT

A breakdown showing the level and mix of remuneration paid to or accrued for each Director in bands of \$50,000 for the year under review is tabulated as follows:

Name of Director	Fees %	Salary %	Bonus %	Allowances and Benefits %	Total %
<i>Executive Directors</i>					
<u>S\$1,000,000 to S\$1,049,999</u>					
Hew Lien Lee	1.2	64.1	29.4	5.3	100.0
<u>S\$600,000 to S\$649,999</u>					
Seow Jun Hao David <sup>(1)</sup>	1.8	82.7	8.0	7.5	100.0
<u>S\$200,000 to S\$249,999</u>					
Ching Heng Yang <sup>(2)</sup>	0.3	92.1	–	7.6	100.0
Tam Wai <sup>(3)</sup>	0.3	90.7	–	9.0	100.0
Ho Nee Kit <sup>(3)</sup>	0.3	85.8	–	13.9	100.0
Choo Boon Tiong <sup>(4)</sup>	1.1	97.3	–	1.6	100.0
<i>Independent Non-Executive Directors</i>					
<u>Below S\$50,000</u>					
Dr John Chen Seow Phun <sup>(5)</sup>	100.0	–	–	–	100.0
Tan Yew Beng <sup>(6)</sup>	100.0	–	–	–	100.0
Foo Say Tun <sup>(7)</sup>	100.0	–	–	–	100.0
Haytham T KH S Al Essa <sup>(8)</sup>	100.0	–	–	–	100.0
Huang Junli, Christopher <sup>(9)</sup>	100.0	–	–	–	100.0
Poh Kai Ren Daniel <sup>(10)</sup>	100.0	–	–	–	100.0

- (1) Mr Seow Jun Hao David was appointed as Executive Director with effect from 18 January 2021 and became the Group Managing Director with effect from 2 August 2021.
- (2) Mr Ching Heng Yang has resigned as Vice Chairman of the Board and Executive Director with effect from 18 January 2021.
- (3) Mr Tam Wai and Mr Ho Nee Kit have resigned as Executive Director with effect from 18 January 2021.
- (4) Mr Choo Boon Tiong was appointed as Vice Chairman of the Board and Executive Director with effect from 18 January 2021 and resigned as Vice Chairman of the Board and Executive Director with effect from 31 March 2021. Thereafter he was on garden leave until 30 June 2021.
- (5) Dr John Chen Seow Phun has resigned as Non-Executive Chairman of the Board and Independent Director with effect from 5 July 2021.
- (6) Mr Tan Yew Beng has resigned as Independent Non-Executive Director with effect from 5 July 2021.
- (7) Mr Foo Say Tun has resigned as Independent Non-Executive Director with effect from 27 April 2021.
- (8) Mr Haytham T KH S Al Essa was appointed as Independent Non-Executive Director with effect from 18 January 2021 and resigned as Independent Non-Executive Director with effect from 31 October 2021.
- (9) Mr Huang Junli, Christopher was appointed as Independent Non-Executive Director and Chairman of Remuneration Committee with effect from 19 July 2021 and became the Non-Executive Chairman of the Board with effect from 4 October 2021.
- (10) Mr Poh Kai Ren Daniel was appointed as Independent Non-Executive Director and Chairman of the Audit Committee with effect from 4 October 2021.

The aggregate remuneration paid or payable to the Company's Directors is S\$2,701,000 for FY2021.

## CORPORATE GOVERNANCE REPORT

While the Company has varied from Provision 8.1(a) of the Code which requires companies to disclose the specific remuneration of each director, the Board is of the opinion that full disclosure of the Directors' remuneration may have a negative impact on the Company, taking into consideration the competitive business environment in which the Company operates and the sensitivity and confidential nature of such disclosure. The Company is of the view that its corporate governance practice on this aspect is consistent with the intent of Principle 8. The Company has disclosed remuneration in bands of \$50,000 as well as the aggregate remuneration paid or payable to the Company's Directors for FY2021. The Company has also given detailed disclosure on its remuneration policy and criteria for setting remuneration, as well as the relationship between remuneration, performance and value creation (see Principle 7: Level and Mix of Remuneration). The Company therefore believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an adequate understanding of the remuneration of its Directors, GMD and CEO, consistent with the intent of Principle 8.

A breakdown showing the level and mix of remuneration paid to or accrued for the top five key management personnel (excluding directors, GMD and CEO) in bands of \$250,000 for the year under review is tabulated as follows:

<b>Name of Key Management Personnel</b>	<b>Salary %</b>	<b>Bonus %</b>	<b>Allowances and Benefits %</b>	<b>Total %</b>
<u>S\$500,000 to S\$749,999</u>				
Hee Siew Fong	66.2	30.8	3.0	100.0
<u>S\$250,000 to S\$499,999</u>				
Ong Kang Lye	47.7	47.2	5.1	100.0
<u>Below S\$250,000</u>				
Ang Tong Lam <sup>(1)</sup>	73.3	16.9	9.8	100.0
Bai Feng	81.9	7.8	10.3	100.0
Hoo Liang Hock	89.9	3.7	6.4	100.0
Teh Tuan Hock	56.9	32.1	11.0	100.0

(1) Mr Ang Tong Lam has resigned as General Manager of the Company's subsidiary, Fu Yu Moulding & Tooling (Suzhou) Co., Ltd with effect from 3 August 2021.

Due to the competitive nature of the industry that the Group operates in, the Board believes it is unwise to disclose the amount and breakdown of the remuneration of the top five key management personnel. The aggregate remuneration paid to the named key management personnel of the Company is S\$1,697,000 for FY2021.

None of the Directors and the key management personnel of the Company has received any termination, retirement and post-employment benefits for FY2021.

Save as disclosed above, the Company confirms that there are no other employees of the Group who are substantial shareholders, or are immediate family members (as defined in the Listing Manual of SGX-ST) of the GMD, CEO or a Director or a substantial shareholder of the Company and whose remuneration exceeded S\$100,000 during FY2021.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Principle 9: Risk Management and Internal Controls

*The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

The Board acknowledges that it is responsible for the overall internal control framework and has implemented a system of internal controls designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems.

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

The internal auditor conducts an annual review of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls. On a yearly basis, the internal auditor prepares an internal audit plan which is approved by the AC. The internal auditor updates the AC on the progress of the approved internal audit plan every half year. The Group's external auditor, KPMG LLP, contributes an independent perspective on certain aspects of the internal controls over financial reporting through its audit and reports the findings to the AC.

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

The AC is assigned to oversee the risk management framework and policies of the Group. In 2012, KPMG Services Pte Ltd was appointed to conduct a review to further enhance the Group's risk management framework over financial, operational and compliance risks. KPMG Services Pte Ltd had also been engaged to assist the Company in formulating its fraud risk management framework to further enhance its existing framework to prevent improprieties. The Management has continued to adopt the established risk management framework and review its adequacy and effectiveness on an annual basis.

Based on the framework of risk management controls and internal controls established and maintained by the Group, reports and reviews done by the internal and external auditors, including the reviews by the Management and the non-existence of any critical internal control deficiencies, the Board has received assurance from the GMD, CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, as well as assurance from the GMD, CEO and other key management personnel who are responsible, that the Company's risk management and internal control systems are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks. Accordingly, the Board with the concurrence of the AC is of the opinion that there are adequate internal controls in place within the Group addressing financial, operational, compliance and information technology risks and that the internal controls and risk management systems are adequate and effective as at 31 December 2021. During FY2021, there were no material weaknesses identified in the Company's internal controls or risk management systems.

# CORPORATE GOVERNANCE REPORT

The Board notes, however, that the system of internal controls and risk management established provides reasonable but not absolute assurance against unforeseeable and foreseeable risks to the Company, as all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities. The review of the Company's internal control systems is a concerted and continuing process.

## **Principle 10: Audit Committee**

*The Board has an AC which discharges its duties objectively.*

As at the date of this Annual Report, the AC comprises Mr Huang Junli, Christopher, Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston, all of whom are Independent Non-Executive Directors. The Chairman of the AC is Mr Poh Kai Ren Daniel.

All AC members have experience holding senior positions in the financial, legal and commercial sectors, and have sufficient accounting and financial management knowledge. The Board considers that the AC members are appropriately qualified to discharge AC's functions competently. None of the AC members were previous partners or directors of the Company's external audit firm within the last two (2) years and none of the AC members holds any financial interest in the Company's external audit firm.

Please refer to the 'Board of Directors' section in the Annual Report for the qualifications of the AC members.

The AC meets at least two (2) times a year. The AC carries out its functions in accordance with the Companies Act and its written Terms of Reference. In performing those functions, the AC:

1. reviews the audit plans and the findings of the internal and external auditors of the Company and ensures the adequacy and effectiveness of the Company's system of internal controls and risk management and the co-operation given by the Company's Management to the external and internal auditors;
2. reviews the half year and annual financial statements and the auditors' report of the Company before their submission to the Board;
3. reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
4. reviews the assurance from the GMD, CEO and CFO on the financial records and financial statements;
5. reviews with the Management on the adequacy and effectiveness of the Company's risk management system and internal controls, including financial, operational, compliance and information technology;
6. 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;
7. reviews the policy and arrangements by which employees of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions;
8. reviews the cost effectiveness, independence and objectivity of the external auditor;

## CORPORATE GOVERNANCE REPORT

9. reviews the nature and extent of non-audit services provided by the external auditor;
10. reviews the assistance given by the Company's officers to the internal and external auditors;
11. makes recommendations to the Board on (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
12. approves the hiring, removal, evaluation and compensation of the internal audit function, or the professional firm to which the internal audit function is outsourced; and
13. reviews interested person transactions and improper activities of the Company, if any.

All AC meetings were conducted without the presence of Executive Directors and Management unless invited by the AC to attend. For the year under review, the Executive Directors and Management were invited by the AC to attend the AC meetings. The Independent Directors have full autonomy in the conduct of all AC meetings.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. It has full access to, and co-operation of, the Management and full discretion to invite any Director or members of Management to attend its meetings. The AC has been given reasonable resources for it to discharge its functions properly.

The AC meets with the internal and external auditors without the presence of Management at least once annually, to obtain feedback on the competency and adequacy of the finance function, to review the assistance given by Management to internal and external auditors and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational system.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the Group's business and financial statements, the AC is updated by the external auditor and company secretary of changes to accounting standards, the Listing Manual of the SGX-ST and other regulations when they attend the AC meetings.

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

During the year, the AC conducted a review of the scope and results of audit by KPMG LLP, adequacy of the resources, experience and competence of the engagement partner and key team members in handling the audit and their cost effectiveness, as well as their independence and objectivity. The AC has also undertaken a review of all non-audit services provided by KPMG and noted there was no non-audit services rendered during FY2021. The AC is satisfied that neither their independence nor their objectivity was put at risk, and that they were able to meet the audit requirements and statutory obligations of the Company. KPMG LLP has also provided a confirmation of their independence to the AC. Accordingly, the AC is satisfied that Rule 712 of the SGX-ST Listing Manual is complied with and has recommended to the Board, the nomination of the external auditor, KPMG LLP, for re-appointment at the forthcoming AGM.

The audit fees paid/payable to the KPMG LLP, overseas affiliates of KPMG LLP and other auditors for FY2021 amounted to S\$335,000, S\$182,000 and S\$65,000 respectively. Non-audit fee paid/payable to other auditors amounted to S\$19,000 in FY2021.



# CORPORATE GOVERNANCE REPORT

Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries for consolidation purposes except for LCTH Corporation Sdn. Bhd. and its subsidiaries, which are audited by Ernst & Young, Malaysia. The Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group. The Company confirms that it is in compliance with Rule 715 of the SGX Listing Manual.

## ***Internal Audit Function***

From financial year 2019, the Company has appointed PricewaterhouseCoopers Risk Services Pte Ltd (“PwC”) as its internal auditor. The internal auditor reports directly to the AC and would also report administratively to the GMD. In addition, the internal auditor has unfettered access to all the Company’s documents, records, properties and personnel, including access to the AC.

To ensure the adequacy of the internal audit function, the AC reviews and approves the yearly internal audit plan before the commencement of an internal audit. PwC carries out the internal audit of all the subsidiaries in the Group. The AC will assess and ensure that the internal auditor meets or exceeds the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditor provides adequate staff with relevant experience to conduct the internal audits.

The objective of internal audit review is to assist Management in evaluating and testing the effectiveness of internal controls that are in place. The internal audit review is conducted with a view to identifying control gaps in the current business processes, ensuring that operations are conducted within the policies and procedures laid down and identifying areas for improvements where controls can be strengthened. Internal audit reports are prepared to update the AC on the progress of all audits carried out, the recommendations accepted by Management, and to track the status of outstanding matters and remedial actions taken to date.

The AC, on an annual basis, reviews the adequacy and the effectiveness of the internal audit function by examining the internal auditor’s scope of work and its independence and is satisfied that the internal audit function is independent, effective and adequately resourced.

## ***Whistle-blowing Policy***

The Company has in place a whistle-blowing Policy. This Policy provides well-defined and accessible channels in the Group through which employees of the Group may raise concerns, any possible improprieties, misconduct or wrongdoing relating to the Group in matters of financial reporting or other matters in confidence and in good faith, without fear of reprisal, to Management and/or the AC Chairman, where applicable. All information received will be treated confidentially and the identity of whistle-blowers will be protected. Details of this Policy and procedures for raising concerns have been disseminated and contact details of the AC Chairman are made available to all employees of the Group. The AC oversees the administration of the policy and ensures that all concerns or complaints raised are independently investigated and appropriate follow-up actions are carried out, and provides assurance that employees will be protected from reprisal within the limits of the law or victimisation for whistle blowing in good faith. Anonymous reporting will also be attended to and anonymity honoured. The whistle-blowing Policy and procedures are reviewed by the AC from time to time to ensure that they remain relevant.

The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary.

# CORPORATE GOVERNANCE REPORT

## Key Audit Matters

In its review of the financial statements of the Group for FY2021, the AC considered a number of significant matters and discussed with Management the accounting principles that were applied and their judgement of items that might affect the financial statements and also considered the clarity of key disclosures in the financial statements. The AC also met with the external auditors to discuss the audit findings as well as their audit.

During the audit of the financial statements for FY2021, one key audit matter (“KAM”) was reported by the external auditors and is set out on pages 78 to 80 of this Annual Report. The AC’s commentaries on the reported KAM are set out below.

KAM	Audit Committee’s Comments
Impairment assessment of property, plant and equipment, and goodwill (collectively, the Group’s non-financial assets); and Impairment assessment of investment in and receivables from subsidiaries (collectively, the Company’s investments in subsidiaries)	<p><u>China CGU</u> The AC reviewed Management’s impairment assessment on investment in subsidiaries and PPE using fair value less cost to sell (“FVLCTS”), determined by independent external valuers.</p> <p><u>Singapore CGU</u> The AC also reviewed Management’s impairment assessment which used the value in use (“VIU”) considering appropriate revenue growth rate, gross profit margin, terminal value, discount rate and the reasonableness of the forecasted expenses.</p> <p>The AC also considered the findings of the external auditors, including their assessment of the independence and competency of valuers, reasonableness of key assumptions used and appropriateness of the valuation methods under the FVLCTS and VIU approach.</p> <p>The AC was satisfied with Management’s conclusion that no impairment is required for the Group’s goodwill arising from the acquisition and adequate impairment has been provided on the investment in and receivables from subsidiaries.</p>

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Principle 11: Shareholders Rights and Conduct of General Meetings

*The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

The Company supports the Code’s principle to encourage communication with and participation by shareholders. Shareholders are informed of general meetings, annual reports, sustainability reports and circulars via SGXNET and the Company’s website at the URL <https://www.fuyucorp.com>.

In accordance with provisions under COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (“Covid-19 Order”), the forthcoming AGM will be convened and held by way of electronic means. No printed copies of the Notice

# CORPORATE GOVERNANCE REPORT

of AGM, the Proxy Form and the Annual Report will be despatched to Shareholders. They are instead uploaded on the SGX website at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URLs <https://www.fuyucorp.com/annual-reports> and <https://www.fuyucorp.com/agm-2022>.

The Company encourages shareholders' participation at general meetings and welcomes shareholders to give their constructive views on various matters concerning the Group. When opportunities arise, the Directors will solicit and try to understand the views of shareholders before and/or after general meetings of the Company.

Any notice of general meeting consisting of only ordinary resolution is issued at least 14 calendar days before the scheduled date of the meeting while a notice of general meeting containing special resolution is issued at least 21 calendar days before the scheduled date of the meeting.

Each item of special business included in the notice of the meeting is accompanied by an explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and shareholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. The Chairmen of the AC, NC and RC are available at the meeting to answer those questions relating to the work of these committees. All Directors attend the general meetings of shareholders unless in case of exigencies and the Company's external auditor is also present to address queries about the conduct of audit and the preparation and content of the auditors' report. The attendance of Directors for the AGM held on 27 April 2021 is disclosed on page 48.

The Company will prepare detailed AGM minutes, which include relevant comments and the questions received from shareholders relating to the agenda of the meetings, and responses from the Board and Management, if any. Once approved by the Board, these minutes are made available to shareholders upon their written request. The Company had published the minutes of AGM held on 27 April 2021 on its corporate website within one month as contemplated by Provision 11.5 of the Code.

The Company commenced the voting of all its resolutions by poll at the Extraordinary General Meeting ("EGM") held on 16 October 2014 and has since conducted the voting of all its resolutions by poll in all its subsequent AGMs and EGMs. Rules are explained to shareholders, including the poll voting procedures in general meetings. The voting results of all votes cast for, or against, each resolution will be announced at the meeting and also on SGXNET after the meeting. Electronic polling may be considered in the near future.

The Company's Constitution allows (i) each shareholder who is not a relevant intermediary (as defined in the Companies Act) the right to appoint up to two (2) proxies and (ii) each shareholder who is a relevant intermediary to appoint more than two (2) proxies to attend and vote on their behalf in shareholders' meetings. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the general meetings in person. CPF and SRS Investors who are unable to attend the general meetings but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the general meetings to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the general meetings. Proxies need not be a shareholder of the Company. The Company does not permit voting in absentia by mail, facsimile or e-mail due to the difficulty in verifying and ensuring authenticity of the vote.

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

# CORPORATE GOVERNANCE REPORT

In accordance with the provisions of the Covid-19 Order, shareholders who wish to exercise voting rights at the AGM must appoint the Chairman of the AGM as their proxy to vote on their behalf. An independent scrutineer is appointed to validate the votes cast for the AGM. The voting results of all votes cast for, or against, each resolution will be announced at the meeting and also on SGXNET after the meeting. The Company Secretary prepares the minutes of the general meeting. These minutes record substantive and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and the responses from the Board and Management. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one month after the date of the AGM.

The Company has in place a dividend policy of declaring and proposing at least 50% of its profit after income tax attributable to the owners of the Company as dividends, unless:

- (i) any reinvestment of the profit for capital expenditure, expansion or diversification purposes is more than 50% of the profit;
- (ii) there is insufficient profit at the Company level; or
- (iii) there are insufficient funds at the Company level to pay for the dividends, under which conditions, any proposed dividends will be decided by the Board taking into account the above conditions.

One (1) interim dividend has been declared and paid during the year. The Company has proposed a final dividend of 1.25 cents per ordinary share for FY2021, subject to the shareholders' approval at the forthcoming AGM.

## **Principle 12: Engagement with Shareholders**

*The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

The Company engages in regular, effective and fair communication with shareholders through announcements released to SGX-ST via SGXNET, annual reports, circulars and notice of shareholders' meetings prepared and made available on the Company's corporate website. Announcements released on the SGXNET include business updates, 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-ST. On 7 February 2020, the SGX-ST's rule on risk-based quarterly reporting came into effect, whereby listed companies may, unless otherwise required by the SGX-ST, report their results semi-annually. Following this, the Company has, unless otherwise required by the SGX-ST, reported its results semi-annually. The Company also maintains a website at <https://www.fuyucorp.com/> where the public can access both business and financial information of the Group.

The GMD oversees and leads the Company's Investor Relations ("IR") activities. He is supported by the CFO and external IR consultants engaged by the Company to reinforce its communications and interactions with shareholders and investors. The IR contact information (email address and telephone number) is provided in the annual reports, announcements and company website. Shareholders and investors can send their enquiries to the Company's IR consultants who can be reached by email or telephone.

To better understand the views of shareholders and investors, the Company holds regular briefings for the investment community in conjunction with the release of the Group's financial results to discuss the Group's performance and developments and promote better appreciation of the Group's business. The Company also participates in investor roadshows organised by third parties, such as stockbroking companies, from time to time.

# CORPORATE GOVERNANCE REPORT

For the forthcoming AGM, shareholders may submit their questions relating to the resolutions set out in the notice of the AGM in advance. All substantive and relevant questions related to the resolutions to be tabled for approval at the AGM will be addressed and published via SGXNet and on the Company's website before the deadline for submission of proxy forms. The detailed information on the submission of questions has been specified in the notice of AGM and the Company's announcement on alternative arrangement for holding the AGM.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Principle 13: Engagement with Stakeholders

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Board recognises that to ensure that business is sustainable, the Group has to strike a balance between its business needs and the needs of the society and the environment in which the Group operates. The Board believes that to grow sustainably as a forward-looking corporate entity, the Group has to regularly reach out to all stakeholders, from its employees to the community, and to be responsible stewards of its natural environment. The Company has prepared its sustainability report in compliance with Rules 711A and 711B of SGX-ST Listing Manual. For more information on the Company's stakeholder engagement, please refer to the Company's sustainability report disclosed on page 17.

The Company's current corporate website, <https://www.fuyucorp.com>, also serves as an avenue through which the Company may communicate and engage with stakeholders.

## DEALINGS IN SECURITIES

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual in relation to the best practices on dealings in the securities:

- (a) the Company had devised and adopted its own internal compliance code governing securities transactions by the Company, Directors, officers and employees of the Group;
- (b) Directors, officers and employees of the Company should not to deal in the Company's securities on short-term considerations; and
- (c) the Company, Directors, officers and employees of the Group must not deal in the Company's securities
  - (i) during the periods commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of the announcement of the relevant results, and
  - (ii) if they are in possession of unpublished price-sensitive information of the Group.

The Company issues semi-annual reminders to its Directors, officers and employees on such restrictions on dealings in listed securities of the Group. They are also reminded to observe insider trading laws at all times even when dealing in securities within permitted trading period.



# CORPORATE GOVERNANCE REPORT

## **INTERESTED PERSON TRANSACTIONS**

The SGX-ST requires listed companies to comply with Chapter 9 of the Listing Manual of SGX-ST on interested person transactions. The Company monitors all its interested person transactions closely and all interested person transactions, if any, are subject to review by the AC. In the event that a member of the AC is involved in any interested person transaction, he will abstain from reviewing that particular transaction.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST. There were no interested person transactions entered into by the Group in excess of S\$100,000 during the financial year under review.

## **MATERIAL CONTRACTS**

There were no material contracts entered into by the Company and/or its subsidiaries involving the interest of the GMD, CEO, each director or controlling shareholders of the Company which were still subsisting at the end of the financial year under review, or if not subsisting, entered into since the end of the previous financial year.

# RISK MANAGEMENT REPORT

## INTRODUCTION

The Board of Directors (the “Board”) and Management of Fu Yu Corporation Limited (the “Company” or “Fu Yu”) recognise the importance of an integrated enterprise-wide perspective of risk management practices. In Fu Yu, the Audit Committee (“AC”) was delegated the role of assisting the Board in its risk management function.

## RISK MANAGEMENT PROCESS

The AC with the assistance of management, internal and external auditors, reviews and reports to the Board annually on the adequacy and effectiveness of the Group’s internal controls, including financial, operational, compliance and information technology controls, established by the Management. In addition, the Board with the assistance of the AC reviews and oversees the design, implementation and monitoring of the risk management and internal control systems.

To facilitate the reporting and monitoring of risk, the AC has endorsed the use of a dashboard risk assessment template, a common platform which enables operating divisions within the Group to report risk and risk status in a consistent and cohesive manner. The AC shall then be provided relevant reports disclosing the risk status of the Group.

The dashboard risk assessment template captures risks and the gross risk ratings based on likelihood of occurrence and magnitude of impact parameters, mitigating measures and/or internal controls with the resulting residual risk ratings, as well as the risk owners and their assessment of the mitigating measures. These dashboard risk assessment templates are then consolidated and reviewed at the senior management level before they are presented to the AC for review.

## KEY RISKS IDENTIFIED BY THE MANAGEMENT

### ECONOMIC RISK

The global and regional economic uncertainties, rising trend in trade protectionism, coupled with increases in commodity prices and employment wages, have resulted in a more challenging operating environment.

Through ongoing expansion and diversification of its customer base, Management aims to minimise the impact of economic downturns and the concentration of the Group’s business on any particular geographical region. The Group also invests continuously in automation to reduce reliance on labour.

### COMPETITION RISK

New market entrants, growth of existing players and price competition are constant threats faced by the Group.

With over 40 years of operating history in the provision of vertically-integrated services for the precision plastic components and the fabrication of precision moulds and dies, Fu Yu has established a reputation as a quality preferred supplier. The Group also offers one-stop solution to its customers from design, tooling, moulding, manufacturing, secondary processes to sub-assembly. This has shortened time-to-market and improved cost efficiency for customers. Furthermore, the Group has a network of strategically-located operating sites in Asia.

### PORTFOLIO RISK

The Group is recognised for its capability in printing and imaging products. While it maintains keen interest in this segment, it is also part of the Group’s strategic intent to minimise revenue concentration and diversify its revenue base by targeting sectors with greater stability and longer product life cycles.

# RISK MANAGEMENT REPORT

Leveraging on its technology capabilities and competencies, the Group has increased its footprint in consumer, medical and automotive segments, thereby reducing the revenue concentration in printing and imaging segment from 50% in FY2011 to 18% in FY2021.

The Management continues its effort to balance the portfolio with higher profit margin products and broaden revenue sources as well as positions the Group in market segments with higher growth potential such as medical, automotive, eco-friendly, smart home consumer products and 3D printers. By keeping abreast of customers' developments and market trends, the Group continues to expand its business with existing customers, and secure new customers in target market segments.

## CUSTOMERS' CREDIT RISK

Fu Yu offers unsecured credit terms to its customers during the ordinary course of business. There are uncertainties over the timeliness of customers' payments and their ability to pay. Long outstanding debts will affect the Group's cash flow while a material increase in bad and doubtful debts will adversely affect its financial performance.

The Group has a credit management policy to manage the exposure from the approval of credit terms and limits to the ongoing reviews of all outstanding receivables. Furthermore, the majority of the Group's customers are multinational companies with good credit standings.

Our newly acquired subsidiary, Fu Yu Supply Chain Solutions Pte Ltd ("FYSCS") is engaged in the provision of supply chain management services for commodities to customers who are largely established and reputable multinationals. The Group takes a conservative approach when managing FYSCS credit risk and does not offer unsecured credit terms for its business transactions, requiring all customers to post payment security from first class international banks. FYSCS further minimises credit risk by employing the use of credit enhancement tools such as insurance cover whenever possible. FYSCS assesses its credit exposure to single customers, as well as each customer's credit worthiness regularly.

## FINANCIAL RISK – FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

The Group has key business operations in Singapore, Malaysia and China with Singapore Dollars ("SGD") as its reporting currency. The Group is exposed to foreign currency exchange rate fluctuations on its revenue, purchases and cash and cash equivalents that are denominated in currencies other than the respective functional currencies of the Group entities. The currency that poses this risk is primarily the US Dollar ("USD") as it constitutes a significant portion of the trade transactions in the Group.

The foreign currency exchange rate risk is partially managed through a natural hedge between the revenue and the purchases in the same currency, the USD. The remaining unhedged portion is usually surplus funds which will be converted to the required currencies when the need arises. The Group keeps close watch on the USD exchange rate movements and actively reviews its cash flow forecast and requirement.

## FINANCIAL RISK – LIQUIDITY AND CASH FLOW

Insufficient liquidity and cash flow is detrimental to a company as the inability to meet short term financial demands will affect the business as a going concern.

The Group manages its working capital through preparation of cash flow forecast, assessment of customers' creditworthiness, prompt follow ups on overdue and slow paying customers, reviews of inventory holding, maintain cordial relationships with suppliers, as well as obtaining short term credit facilities from the banks. A certain level of cash and cash equivalents deemed adequate by Management is maintained to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

# RISK MANAGEMENT REPORT

FYSCS uses a combination of internal working capital and bank financing to support its business activities. Bank facilities and financing play an integral role in growing FYSCS customer base and in opening new opportunities for revenue expansion. FYSCS constantly develops its network of financing and risk management partners as well as maintains good working relationships with a growing number of major banks and financial institutions in the market. FYSCS minimizes its financial risks by managing its working capital and available banking facilities through regular cash flow forecasts. All receivables are closely monitored and any late payments are reported to the management promptly. New supply chain transactions are only approved by management after thoroughly assessing for adequate cash and cash equivalents during the operations.

## INFRASTRUCTURE RISK

Infrastructure risk refers to the political stability and the level of infrastructural support (for example, reliable supply of utility, transportation network, etc.) at the various sites the Group operates.

The Management continuously monitors the political situations in Singapore, Malaysia and China where it has manufacturing plants. Before setting up any new plant, the Group will perform thorough due diligence on the local conditions of the prospective site.

A consistent supply of high-quality power is crucial for our machine operations. The Group has established business continuity plans to handle unwarranted situations like power outage. Through strong relationships with both the power suppliers and customers, important information obtained from the power suppliers is shared with the customers and the Group works closely together with customers on the next available course of actions as well as provides updates regularly.

## INVESTMENT RISK

To compete with its peers in the industry, the Group must equip itself with the relevant skills, technologies, machinery and equipment. Having inappropriate assets will not only lead to excess capacity, but also impairment of investment or fixed assets.

The Group has established a Capital Expenditure (“CAPEX”) policy whereby revenue and cash flow forecasts are prepared and reviewed prior to CAPEX commitment. Management also invests in more versatile machinery which can be deployed to other locations when necessary. In addition, there is continuous effort within the Group to maximise the utilisation of fixed assets rendered redundant from other projects/plants, if any.

## MANUFACTURING DOWNTIME RISK

Manufacturing downtimes can occur in the unlikely events of a fire, workers on strikes, machinery breakdowns, etc., resulting in production and delivery delays as well as reputational damages to the Group.

Other than adequate fire insurance coverage on the Group’s assets, preventive measures are also implemented to mitigate the risk. The Fire Prevention procedures have been established to prevent fire occurrence. Coupled with proper working instructions for hot works and regular fire drills to train employees for emergency situations, the Group aims to minimise any fire hazards and the impact on business operations.

The Group has also maintained a good tripartite relationship with the unions and workers.

To mitigate the risks of machine breakdowns, all operating sites have their respective in-house maintenance teams to perform scheduled maintenance works and ad-hoc repairs. Monthly, quarterly and annual maintenance programs are in place to keep the machinery at optimal level of performance.

# RISK MANAGEMENT REPORT

## ENVIRONMENTAL, COMPLIANCE AND REGULATORY RISK

The Group operates in three countries across six locations with different legislations and regulations in the aspects of permits and licences, health and safety, waste disposal and treatment, etc. Violations of rules may result in penalties and fines as well as manufacturing downtimes.

The respective management team monitors its local legislative and regulatory requirements closely on an ongoing basis. Potential changes with moderate to high impact on the business are brought to the attention of the senior management at the Group's headquarters in Singapore. Necessary certifications and licenses are obtained and renewed on a timely basis to ensure compliance.

With the increased awareness of how business activities impact on the environment, the Group not only has to comply to regulatory requirements, but also the stringent requests imposed by its customers' sustainability policy. The Group's manufacturing operating sites are ISO14001:2015 certified.

FYSCS conducts business internationally with companies in different operating and legal jurisdictions. The management team constantly monitors the respective regulatory landscape to ensure the supply chain transactions abide by prevailing local and international rules and requirements before carrying out any new business transactions. In addition, the Group takes steps to understand FYSCS suppliers and customers before entering any transaction, as part of the regular Know-Your-Customer (KYC) process, leverage on global databases to screen companies, their management, and shareholders, to identify potential sanction, political or legal exposure.

## HUMAN CAPITAL RISK

The Group recognises that employees are its most valuable asset. The key human capital risks include the attraction and retention of talents, availability of manpower to meet its operational needs and succession planning.

To mitigate talent and skills shortage, the Group conducts periodic review of its remuneration packages and rewards employees fairly based on their abilities, work performance, contributions and experience. The Group is supportive of work-life balance and also provides training and personal development opportunities to employees based on their strengths and needs.

In addition, critical knowledge of the existing workflows and processes are recorded and transferred to the incoming job holders to reduce dependency on key persons. Succession planning is also put in place to recruit and develop our employees to fill key business leadership positions in the Group.

## TECHNOLOGY RISK

Technology risk is any potential for technology failures that could disrupt the business such as information security incidents or service outages (for example, operational problems like hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fires or floods, etc.) at the various sites the Group operates. A security incident may result in theft of customer data resulting in legal liability, reputational damage and compliance issues.

We have an in-house IT team based in Singapore to oversee the IT needs of the Group and each site is also supported by local IT personnel or external suppliers. Together, they monitor the health of our IT infrastructure on an ongoing basis. Our IT software and hardware are updated regularly for optimal management of potential cyber risks and to ensure our systems remain reliable, effective and secured. In addition, we back up our data and conduct routine check to ensure our IT systems can be recovered swiftly when the need arises. With the ongoing Cybersecurity Awareness Training, staff are constantly reminded to practise proper cyber discipline and behavior to ensure online security.



# RISK MANAGEMENT REPORT

## OPERATIONAL AND SUPPLY CHAIN RISK

The Group's manufacturing business is facing intensified challenges as a result of bottlenecks in global supply chains. Supply of resins remained tight due to logistics issues arising from shortage of shipping containers and labour, which was exacerbated by disruptions in the production of raw materials. Delays in shipping schedules have also hampered some deliveries of the Group's products to customers. In addition, the shortage of semiconductors caused disruption to customers' production schedules which in turn affected their orders from the Group.

The Group has implemented necessary steps to ensure supply chains and operations can continue should a disruptive event occur. Such measures include building additional buffer of inventory and raw materials in view of longer delivery lead time and maintain cordial supplier relationships for consistent delivery of high-quality raw materials. An experienced sales team that works closely with the customers can also minimise operation disruptions.

FYSCS works with experienced and reputable industry partners to ensure goods meet quality standards, and shipments are delivered on time. Measures are put in place to minimize disruption, and FYSCS works closely with both suppliers and customers for every transaction to avoid potential delivery delays as well as to coordinate measures to overcome the impacts of any delays. Independent inspectors and surveyors are engaged for every transaction to ensure cargoes delivered meet contractual specifications with regard to quality, quantity, and origin. When required, FYSCS leverages on marine cargo insurance to guard against shipment risks.

## INFECTIOUS DISEASES & PANDEMIC RISKS

The Group's business and operations have been affected by the unprecedented disruptions caused by the emergence of new and highly transmittable COVID-19 variants in 2021. The escalation of such infectious diseases to become a pandemic could have significant repercussions on businesses and the global economy due to health and fatality risks, and imposition of government measures such as lockdowns and travel restrictions.

Since the emergence of Covid-19 outbreak in 2020, the Group has implemented necessary initiatives to protect our employees and minimise the impact of Covid-19 on our business operations. As the Group continues to operate its businesses in Singapore, Malaysia and China, we ensure that the Group is in compliance with the advisories issued by the various government agencies. Some of the measures we have put in place include remote working arrangements for employees in certain functions that do not need to be performed onsite, implementation of safe management measures to reduce physical interactions among employees in work premises, and practising high standards of personal hygiene.

Leveraging on technology, employees have continuous access to the ERP network, various applications, emails, files and other necessary information. Internal communications across the Group's various geographical locations continue to take place as per normal through mobile/online applications and conferencing solutions. As such, the Group's day-to-day operations remain intact and active during this challenging period, with internal disruptions kept to the minimum level possible. We also continue to engage our stakeholders through virtual meetings and email communications. The Group held its annual general meeting in 2021 ("AGM") by electronic means and communicated with Fu Yu's shareholders via online Q&A ahead of our AGM. The Group also provided timely updates of material business developments through SGXNET.

The Group will continue to monitor the impact of Covid-19 on our business and implement measures to ensure the safety and wellbeing of our employees, customers and other stakeholders. In addition, the Group continues to focus on initiatives to better manage costs and increase operational efficiency through automation to mitigate the potential effects from a slowdown in the business environment.

## DIRECTORS' STATEMENT

We are pleased to submit this annual statement to the members together with the audited financial statements of Fu Yu Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2021.

In our opinion:

- (a) the financial statements set out on pages 83 to 154 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); 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.

### DIRECTORS

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

Seow Jun Hao David	(Appointed on 18 January 2021)
Hew Lien Lee	
Huang Junli, Christopher	(Appointed on 19 July 2021)
Poh Kai Ren Daniel	(Appointed on 4 October 2021)
Tan Tong Loong Royston	(Appointed on 31 January 2022)

### DIRECTORS' INTERESTS

According to the Register of Director's Shareholdings kept by the Company pursuant to Section 164 of the Companies Act 1967 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings at 21 January 2022
<b>Hew Lien Lee</b>			
Fu Yu Corporation Limited			
– ordinary shares			
– interest held	8,100,000	4,000,000	4,000,000

Except as disclosed in this statement, 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.

Except as disclosed in this statement, there were no changes in any of the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2022.

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

# DIRECTORS' STATEMENT

## SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

## AUDIT COMMITTEE

The members of the Audit Committee at the date of this statement are:

Poh Kai Ren Daniel (Chairman), Independent Non-Executive Director (Appointed on 4 October 2021)  
Huang Junli, Christopher, Independent Non-Executive Director (Appointed on 19 July 2021)  
Tan Tong Loong Royston, Independent Non-Executive Director (Appointed on 31 January 2022)

The Audit Committee performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held two (2) meetings since the last Directors' Statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

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

Further details of the Audit Committee are disclosed in the Corporate Governance Report.

# DIRECTORS' STATEMENT

## AUDITORS

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

On behalf of the Board of Directors

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**Seow Jun Hao David**

*Director*

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**Hew Lien Lee**

*Director*

23 March 2022

# INDEPENDENT AUDITORS' REPORT

**Members of the Company**  
**Fu Yu Corporation Limited**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Fu Yu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 83 to 154.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# INDEPENDENT AUDITORS' REPORT

<b>Impairment assessment of property, plant and equipment, and goodwill (collectively, the Group's non-financial assets); and Impairment assessment of investment in and receivables from subsidiaries (collectively, the Company's investments in subsidiaries)</b>	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Cash generating unit ("CGU") containing goodwill is subject to annual impairment test or more frequently if there are indicators of impairment. Other non-financial assets and investments in subsidiaries are subject to impairment tests if there are indicators of impairment.</p> <p>As at 31 December 2021, the Group's statement of financial position includes goodwill of S\$6.0 million related to a Singapore CGU in the business of supply chain management services and commodity raw materials. The Group performed impairment assessment on the CGU by estimating the recoverable amounts based on the value in use method using the discounted cash flow technique. Forecasting of future cash flows is a highly judgemental process which requires estimation of revenue growth rates, profit margins and discount rates.</p> <p>Refer to Note 7 to the financial statements for the impairment assessments.</p>	<p>We evaluated whether CGUs were appropriately identified by management based on our understanding of the current business structure of the Group.</p> <p>In particular, our procedures included:</p> <p><u>Singapore CGU</u></p> <p>We assessed the reasonableness of the key assumptions used by management in developing the cash flow forecasts and the discount rates used in computing the recoverable amounts, which included but are not limited to:</p> <ul style="list-style-type: none"> <li>• Considered management's expectations of the future business developments, available financing and corroborated certain information with industry data;</li> <li>• Challenged the key assumptions used in the cash flow forecasts by comparing against historical performance and available financing facilities;</li> <li>• Compared the discount rate and terminal growth rate to observable market data; and</li> <li>• Performed sensitivity analysis on key assumptions to determine which reasonable changes to assumptions would change the outcome of the impairment assessment.</li> </ul>

## INDEPENDENT AUDITORS' REPORT

<b>Impairment assessment of property, plant and equipment, and goodwill (collectively, the Group's non-financial assets); and Impairment assessment of investment in and receivables from subsidiaries (collectively, the Company's investments in subsidiaries)</b>	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>A CGU in China was also subjected to impairment test due to continued operating losses. The Group performed impairment assessment on the CGU (and the carrying value of investment in and receivables from the subsidiary) by estimating the recoverable amount based on the fair value less cost to sell method. In particular, the estimated fair value of the leasehold property was determined by an independent external valuer. The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied.</p> <p>As the recoverable amount for the Singapore and China CGU was assessed to be in excess of their respective carrying amount, no impairment was determined. The recoverable amount of the China CGU was assessed to be lower than the carrying amount of the investment in and receivables from the subsidiary. Accordingly, an impairment loss of S\$573,000 was recognised to the income statement of the Company on the receivables balance due from this CGU.</p> <p>Refer to Note 4, 6 and 9 to the financial statements for the impairment assessment.</p>	<p><u>China CGU</u></p> <p>For the leasehold property included in the China CGU, we evaluated the qualifications and competency of the external valuers. We also read the terms of the engagement of the valuers to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.</p> <p>We considered the valuation methodology used by the independent valuer. We also assessed the valuers' estimate of fair value less cost to sell by independently corroborating to externally derived data of recent transacted asset sales.</p> <p>For the other assets held by the China CGU, we compared against historical transacted prices.</p>
<i>Findings</i>	
<p>We found the identification of the CGUs to be reasonable and appropriate.</p> <p>We found the models used, key assumptions and estimates used in determining the recoverable amounts to be within a supportable range.</p> <p>We found the computation of the impairment amount to be reasonable and the disclosures of impairment assessment to be appropriate.</p>	

### Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITORS' REPORT

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management and directors for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude

# INDEPENDENT AUDITORS' REPORT

that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Chiang Yong Torng.

### **KPMG LLP**

*Public Accountants and  
Chartered Accountants*

### **Singapore**

23 March 2022

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	60,026	51,758	31,223	19,858
Investment property	5	7,379	7,675	–	–
Subsidiaries	6	–	–	52,326	20,972
Goodwill	7	5,978	–	–	–
Other receivables	8	–	–	28,338	28,030
Deferred tax assets	11	991	972	–	–
		74,374	60,405	111,887	68,860
<b>Current assets</b>					
Inventories	12	17,090	13,252	4,236	3,339
Contract assets	18	1,710	1,723	698	588
Trade and other receivables	8	35,742	41,020	17,811	15,184
Tax recoverable		–	3	–	–
Cash and bank balances	14	83,947	106,561	19,489	59,616
		138,489	162,559	42,234	78,727
<b>Total assets</b>		212,863	222,964	154,121	147,587
<b>Equity attributable to equity holders of the Company</b>					
Share capital	15	102,158	102,158	102,158	102,158
Reserves	16	51,705	70,131	25,851	26,470
<b>Total equity</b>		153,863	172,289	128,009	128,628
<b>Non-current liabilities</b>					
Trade and other payables	17	323	–	323	–
Loans and borrowings	13	9,350	6,554	8,421	5,284
Deferred tax liabilities	11	1,746	1,263	727	367
		11,419	7,817	9,471	5,651
<b>Current liabilities</b>					
Trade and other payables	17	35,184	38,011	11,745	11,706
Contract liabilities	18	565	389	203	71
Loans and borrowings	13	4,036	589	3,511	163
Tax payable		7,796	3,869	1,182	1,368
		47,581	42,858	16,641	13,308
<b>Total liabilities</b>		59,000	50,675	26,112	18,959
<b>Total equity and liabilities</b>		212,863	222,964	154,121	147,587

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



# CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

	<b>Note</b>	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
Revenue	18	195,531	153,442
Cost of sales		(159,075)	(116,618)
<b>Gross profit</b>		36,456	36,824
Other income	19	3,281	8,742
Selling and administrative expenses		(19,461)	(22,767)
Other operating income/(expenses), net	20	1,234	(2,768)
Reversal of impairment loss/(Impairment loss) of trade receivables and contract assets		27	(78)
Results from operating activities		21,537	19,953
Finance costs	21	(296)	(325)
Share of loss of joint venture (net of tax)	10	–	(26)
<b>Profit before tax</b>	22	21,241	19,602
Tax expense	23	(3,657)	(2,687)
<b>Profit for the year attributable to owners of the Company</b>		<b>17,584</b>	<b>16,915</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	24	2.34 cents	2.25 cents

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the year</b>	17,584	16,915
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences	1,137	1,484
Exchange differences realised on liquidation of a subsidiary (2020: joint venture) reclassified to profit or loss	126	421
<b>Other comprehensive income for the year (net of tax)</b>	1,263	1,905
<b>Total comprehensive income for the year attributable to owners of the Company</b>	18,847	18,820

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2020	102,158	(415)	8,490	789	(23,018)	75,630	163,634
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	16,915	16,915
<b>Other comprehensive income</b>							
Foreign currency translation differences	-	-	-	-	1,484	-	1,484
Exchange differences realised on liquidation of a joint venture reclassified to profit or loss	-	-	-	-	421	-	421
Total comprehensive income for the year	-	-	-	-	1,905	16,915	18,820
<b>Transaction with owners, recognised directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends paid to owners of the Company	-	-	-	-	-	(10,165)	(10,165)
Total transactions with owners	-	-	-	-	-	(10,165)	(10,165)
<b>Transfers between reserves</b>							
Transfers to statutory reserve	-	-	215	-	-	(215)	-
At 31 December 2020	102,158	(415)	8,705	789	(21,113)	82,165	172,289

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2021	102,158	(415)	8,705	789	(21,113)	82,165	172,289
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	17,584	17,584
<b>Other comprehensive income</b>							
Foreign currency translation differences	-	-	-	-	1,263	-	1,263
Exchange differences realised on liquidation of a subsidiary reclassified to profit or loss	-	-	-	-	1,137	-	1,137
Total comprehensive income for the year	-	-	-	-	1,263	17,584	18,847
<b>Transaction with owners, recognised directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends paid to owners of the Company	-	-	-	-	-	(37,273)	(37,273)
Total transactions with owners	-	-	-	-	-	(37,273)	(37,273)
<b>Transfers between reserves</b>							
Transfers to statutory reserve	-	-	450	-	-	(450)	-
At 31 December 2021	102,158	(415)	9,155	789	(19,850)	62,026	153,863

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		21,241	19,602
Adjustments for:			
Depreciation of property, plant and equipment and investment property	4, 5	7,784	9,418
Loss on liquidation of a subsidiary	20	108	–
Finance costs	21	296	325
Interest income	19	(487)	(1,029)
Gain on disposal of property, plant and equipment	19	(701)	(1,672)
Property, plant and equipment written off	20	2	264
Share of loss of joint venture (net of tax)	10	–	26
Unrealised foreign exchange gain		(559)	(436)
		27,684	26,498
Changes in working capital:			
Inventories		(3,585)	3,501
Trade and other receivables		6,181	10,415
Contract assets		44	43
Trade and other payables		(4,316)	(4,601)
Contract liabilities		165	(351)
Cash generated from operating activities		26,173	35,505
Tax paid		(3,487)	(2,826)
<b>Net cash from operating activities</b>		22,686	32,679
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash	31	(1,772)	–
Interest income received		487	1,029
Proceeds from disposal of property, plant and equipment		874	1,956
Purchase of property, plant and equipment		(13,226)	(6,116)
Proceeds from liquidation of joint venture	10	–	470
<b>Net cash used in investing activities</b>		(13,637)	(2,661)
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	13	(1,055)	(2,535)
Proceeds from unsecured bank loans		5,680	–
Finance costs paid		(14)	–
Dividends paid to owners of the Company	29	(37,273)	(10,165)
Deposits (pledged)/discharged		(8)	3,299
Cash restricted-in-use		(10,095)	–
<b>Net cash used in financing activities</b>		(42,765)	(9,401)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(33,716)	20,617
Cash and cash equivalents at 1 January		106,485	85,068
Effect of exchange rate fluctuations on cash held		1,000	800
<b>Cash and cash equivalents at 31 December</b>	14	73,769	106,485

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 March 2022.

## 1 DOMICILE AND ACTIVITIES

Fu Yu Corporation Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 8 Tuas Drive 1, Singapore 638675. The Company is listed on the 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. During the year, the Group acquired 100% of the ordinary shares Fu Yu Supply Chain Solutions Pte. Ltd. ("FYSCS") (formerly known as Avantgarde Enterprise Pte. Ltd.). FYSCS is engaged in the business in providing supply chain management services and commodity raw materials.

The consolidated financial statements relate to the Company and its subsidiaries.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)).

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

### 2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) 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 estimates are revised and in any future periods affected.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 2 BASIS OF PREPARATION (CONT'D)

### 2.4 Use of estimates and judgements (cont'd)

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

- Note 4 – measurement of recoverable amounts of property, plant and equipment
- Notes 6 and 9 – recoverability of investments in and amounts due from subsidiaries
- Note 7 – impairment test of goodwill: key assumptions underlying recoverable amounts
- Notes 26 – measurement of expected credit losses (ECL) allowance for trade and other receivables, and contract assets
- Note 31 – acquisition of subsidiary: fair value of the consideration transferred and fair value of the assets acquired and liabilities assumed

Information about 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 note:

- Note 5 – classification of investment property

#### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 2 BASIS OF PREPARATION (CONT'D)

### 2.4 Use of estimates and judgements (cont'd)

#### Measurement of fair values (cont'd)

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – property, plant and equipment
- Note 5 – investment property
- Note 26 – financial risk management
- Note 31 – acquisition of subsidiary

### 2.5 Changes in significant accounting policies

#### New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2021:

- *COVID-19-Related Rent Concessions* (Amendments to SFRS(I) 16)
- *Interest Rate Benchmark Reform – Phase 2* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by Group entities.

### 3.1 Foreign currency

#### (i) Foreign currency transactions

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Foreign currency (cont'd)

#### (i) Foreign currency transactions (cont'd)

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

#### (ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income (OCI). However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests (NCI). When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

### 3.2 Basis of consolidation

#### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is acquired set of activities and assets meet the definition of a business and control is transferred to the Group (see note ii). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Basis of consolidation (cont'd)

#### (i) Business combinations (cont'd)

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Basis of consolidation (cont'd)

#### (i) Business combinations (cont'd)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

#### (iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### (iv) Investment in joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of joint venture, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in joint venture, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Basis of consolidation (cont'd)

#### (v) Transactions eliminated on consolidation

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

#### (vi) Subsidiaries in the separate financial statements

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

### 3.3 Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses except that certain items of leasehold property were subject to one-off revaluation conducted in 1994. On ultimate disposal of the revalued leasehold property, the revaluation surplus is retained in the revaluation reserve.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

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

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment (cont'd)

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

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

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

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

### 3.4 Goodwill

For the measurement of goodwill at initial recognition, see note 3.2(i).

#### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Investment property

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the investment property. The estimated useful life is 60 years. The depreciation method, the useful life and the residual value of investment property are reassessed at the end of each reporting period.

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost, accumulated depreciation and accumulated impairment losses at the date of reclassification will be transferred to property, plant and equipment for subsequent accounting.

### 3.6 Financial instruments

#### (i) Recognition and initial measurement

##### ***Non-derivative financial assets and financial liabilities***

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Classification and subsequent measurement

##### ***Non-derivative financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

##### ***Non-derivative financial assets (cont'd)***

###### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### *Financial assets at FVTPL*

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### ***Financial assets: Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

##### ***Financial assets: Business model assessment (cont'd)***

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

##### ***Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

##### ***Non-derivative financial assets: Subsequent measurement and gains and losses***

###### *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

###### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### ***Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings and trade and other payables.

#### (iii) Derecognition

##### ***Financial assets***

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### (iii) Derecognition (cont'd)

##### *Financial assets (cont'd)*

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

##### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (iv) Offsetting

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

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value. For the purpose of the statement of cash flows, restricted cash and pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

#### (vi) Share capital

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### (vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require 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 issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Liabilities arising from financial guarantees, if any are included within 'loans and borrowings'.

### 3.7 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Leases (cont'd)

#### (i) As a lessee (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and 'lease liabilities' in 'loans and borrowings' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Leases (cont'd)

#### (ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received from investment property and sub-leased property under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

### 3.8 Impairment

#### (i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- contract assets (as defined in SFRS(I) 15); and
- Intra-group financial guarantee contracts (FCG).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Impairment (cont'd)

#### (i) Non-derivative financial assets and contract assets (cont'd)

##### *Simplified approach*

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

##### *General approach*

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than a reasonable range of past due days, taking into account consideration historical payment track record, current macroeconomics situation as well as general industry trend.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Impairment (cont'd)

#### (i) Non-derivative financial assets and contract assets (cont'd)

##### *Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

##### **Write-off**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Impairment (cont'd)

#### (ii) Joint venture

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

#### (iii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combinations.

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amounts of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Inventories

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

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

### 3.10 Employee benefits

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which related services are rendered by employees.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

### 3.11 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. The unwinding of the discount is recognised as finance cost.

### 3.12 Revenue recognition

#### *Sale of goods*

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good to the customer. The amount of revenue recognised is the transaction price for the satisfied PO.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Revenue recognition (cont'd)

#### *Sale of goods (cont'd)*

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue is recognised at a point in time following the timing of satisfaction of the PO.

#### *Revenue from tooling contracts*

The Group produces tools customised to customer's order which the Group does not have an alternative use.

#### **(i) Contracts with an enforceable right to payment for performance completed to date**

The Group has determined that for contracts where the Group has an enforceable right to payment for performance completed to date, the customer controls all of the work in progress. This is because under those contracts, the assets are at the customer's specification and the Group is entitled to payment for performance completed to date.

Revenue is recognised over time following the satisfaction of the PO over time. Revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

#### **(ii) Contracts without enforceable right to payment for performance completed to date**

For contracts where the Group does not have enforceable right to payment for performance completed to date, revenue is recognised at a point in time when the assets are completed and have been accepted by the customers.

### 3.13 Finance income and finance costs

The Group's finance income and finance costs include interest income and interest expense.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Finance income and finance costs (cont'd)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.14 Foreign currency gains and losses

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either other operating income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

### 3.15 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

### 3.16 Tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.16 Tax (cont'd)

- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.17 Earnings per share

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.18 Segment reporting

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

### 3.19 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- SFRS(I) 17 *Insurance Contracts* and amendments to SFRS(I) 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1)
- *Covid-19 Related Rent Concessions beyond 30 June 2021* (Amendment to SFRS(I) 16)
- *Sale or Contribution of Assets between an Investor and its Associate of Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)
- *Reference to the Conceptual Framework* (Amendments to SFRS(I) 3)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 1-16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to SFRS(I) 1-37)
- *Annual Improvements to SFRS(I)s 2018 – 2020*
- *Disclosure of Accounting Policies* (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)
- *Definition of Accounting Estimates* (Amendments to SFRS(I) 1-8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to SFRS(I) 1-12)



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties \$'000	Factory equipment, plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture and fittings \$'000	Other assets \$'000	Construction- in-progress \$'000	Total \$'000
<b>Group</b>							
<b>Cost</b>							
At 1 January 2020	80,135	212,667	3,234	10,156	10,493	968	317,653
Currency realignment	1,718	2,878	31	250	216	5	5,098
Additions*	628	3,714	–	173	387	1,895	6,797
Reclassification	150	–	–	–	–	(150)	–
Disposals/Write-off	(6,152)	(18,886)	(345)	(1,547)	(3)	–	(26,933)
At 31 December 2020	76,479	200,373	2,920	9,032	11,093	2,718	302,615
At 1 January 2021	76,479	200,373	2,920	9,032	11,093	2,718	302,615
Currency realignment	1,483	2,028	7	136	112	1	3,767
Additions*	1,188	1,836	760	798	303	10,709	15,594
Reclassification	–	–	–	–	65	(65)	–
Disposals/Write-off	–	(4,557)	(1,428)	(807)	(2,672)	–	(9,464)
At 31 December 2021	79,150	199,680	2,259	9,159	8,901	13,363	312,512
<b>Accumulated depreciation and accumulated impairment losses</b>							
At 1 January 2020	43,270	200,261	2,352	9,094	8,636	–	263,613
Currency realignment	1,240	2,557	28	209	198	–	4,232
Depreciation for the year	4,530	3,430	389	421	473	–	9,243
Disposals/Write-off	(5,866)	(18,511)	(321)	(1,530)	(3)	–	(26,231)
At 31 December 2020	43,174	187,737	2,448	8,194	9,304	–	250,857
At 1 January 2021	43,174	187,737	2,448	8,194	9,304	–	250,857
Currency realignment	1,279	1,789	7	124	109	–	3,308
Depreciation for the year	3,201	3,431	225	387	367	–	7,611
Disposals/Write-off	–	(4,552)	(1,259)	(807)	(2,672)	–	(9,290)
At 31 December 2021	47,654	188,405	1,421	7,898	7,108	–	252,486
<b>Carrying amounts</b>							
At 1 January 2020	36,865	12,406	882	1,062	1,857	968	54,040
At 31 December 2020	33,305	12,636	472	838	1,789	2,718	51,758
At 31 December 2021	31,496	11,275	838	1,261	1,793	13,363	60,026

\* Additions for the year ended 31 December 2021 included right-of-use assets of \$1,072,000 (2020: \$7,000).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold properties \$'000	Factory equipment, plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture and fittings \$'000	Other assets \$'000	Construction- in-progress \$'000	Total \$'000
<b>Company</b>							
<b>Cost</b>							
At 1 January 2020	25,129	31,640	1,701	2,176	3,270	942	64,858
Additions	–	1,327	–	116	7	1,835	3,285
Disposals/Write-off	(183)	(2,260)	–	(54)	–	–	(2,497)
At 31 December 2020	24,946	30,707	1,701	2,238	3,277	2,777	65,646
At 1 January 2021	24,946	30,707	1,701	2,238	3,277	2,777	65,646
Additions	905	696	760	450	172	10,705	13,688
Disposals/Write-off	–	(3,389)	(1,390)	(733)	–	–	(5,512)
At 31 December 2021	25,851	28,014	1,071	1,955	3,449	13,482	73,822
<b>Accumulated depreciation and accumulated impairment losses</b>							
At 1 January 2020	12,902	26,975	1,010	1,920	3,056	–	45,863
Depreciation for the year	634	911	323	231	131	–	2,230
Disposals/Write-off	–	(2,252)	–	(53)	–	–	(2,305)
At 31 December 2020	13,536	25,634	1,333	2,098	3,187	–	45,788
At 1 January 2021	13,536	25,634	1,333	2,098	3,187	–	45,788
Depreciation for the year	735	997	180	193	48	–	2,153
Disposals/Write-off	–	(3,389)	(1,221)	(732)	–	–	(5,342)
At 31 December 2021	14,271	23,242	292	1,559	3,235	–	42,599
<b>Carrying amounts</b>							
At 1 January 2020	12,227	4,665	691	256	214	942	18,995
At 31 December 2020	11,410	5,073	368	140	90	2,777	19,858
At 31 December 2021	11,580	4,772	779	396	214	13,482	31,223

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### **Impairment assessment**

A CGU in China continued to incur operating losses, this resulted in the Group reassessing the recoverable amount of the property, plant and equipment. The recoverable amounts of this CGU was estimated based on the fair value less cost to sell ('FVLCTS') method.

The recoverable amounts of the Group's property, plant and equipment attributed to the CGU was determined based on FVLCTS, estimated based on the fair value of the leasehold properties determined by independent valuers with experience in the location and category of the properties being valued, whereas the fair value of the plant and equipment which comprises mainly of machineries are being valued at the estimated scrap value. See below for the disclosure relating to the FVLCTS.

### **Fair value of leasehold properties**

The fair value of certain leasehold properties of the Group (including leasehold property of the loss making CGU) as at 31 December 2021 amounts to approximately \$74,037,000 (2020: \$73,107,000) with the carrying amounts of \$11,660,000 (2020: \$13,288,000).

The fair value measurement is categorised as level 3 under the fair value hierarchy. Details of valuation techniques and key inputs used are as follows:

<b>Type</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>
Long term leasehold land	Comparison method	Comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land.
Buildings	Depreciated replacement cost method	Aggregated amount of gross replacement cost of the buildings and other site works from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.
Plant and machinery	Residual value method	Estimated scrap value of the plant and machinery at the end of its economic useful life.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 5 INVESTMENT PROPERTY

	<b>Group \$'000</b>
<b>Cost</b>	
At 1 January 2020	10,175
Currency realignment	(6)
At 31 December 2020	10,169
At 1 January 2021	10,169
Currency realignment	(164)
At 31 December 2021	10,005
<b>Accumulated depreciation</b>	
At 1 January 2020	2,320
Depreciation for the year	175
Currency realignment	(1)
At 31 December 2020	2,494
At 1 January 2021	2,494
Depreciation for the year	173
Currency realignment	(41)
At 31 December 2021	2,626
<b>Carrying amounts</b>	
At 1 January 2020	7,855
At 31 December 2020	7,675
At 31 December 2021	7,379

The buildings are leased to a third party.

The fair value of the investment property (fair value hierarchy of level 3) as at 31 December 2021 amounts to approximately \$9,873,000 (2020: \$9,854,000) and has been determined based on valuations performed by accredited independent valuers with recent experience in the location and category of investment properties being valued. The valuations are based on comparison method and the depreciated replacement cost method. The depreciated replacement cost method makes reference to the cost of replacing the buildings as new and allowing for depreciation. Key unobservable inputs correspond to replacement costs having regard to asset life, physical deterioration, functional and economic obsolescence. The comparison method involves comparing and adopting recent transactions as a yardstick and sale evidences involving other similar properties in the vicinity. The Group has assessed that the best use of its properties does not differ from their current use.

The Group has certain leasehold land held to earn rental income and also for own production or supply of goods and administrative purposes. If a portion of the property cannot be sold or leased out separately under a finance lease, the entire property is classified as investment property only if the portion of the property held for own use is insignificant. Judgement is involved in determining the allocation of investment property and property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 5 INVESTMENT PROPERTY (CONT'D)

The details of the investment property held by the Group as at 31 December 2021 is as follow.

Location	Land area/ build-up area	Percentage of interest	Tenure and unexpired lease term
21, Jalan Teknologi 4 Taman Teknologi Johor 81400 Senai Johor Darul Takzim Malaysia.	Leasehold land: 34,000 sqm Build-up area: 15,589 sqm	100%	Leasehold 60 years expiring on 31 March 2066

## 6 SUBSIDIARIES

	Company	
	2021 \$'000	2020 \$'000
Equity investments, at cost	115,745	88,855
Forgiveness of amounts due from subsidiaries	12,802	10,072
	128,547	98,927
Impairment losses	(76,221)	(77,955)
	52,326	20,972

### Impairment loss

One of the subsidiary in China continued to incur operating losses whereas another subsidiary, whose financial performance had improved, had shown indication that impairment losses which were recognised in prior years may no longer exist. Accordingly, the Company performed an assessment of the recoverable amount of its investments in these 2 subsidiaries. The recoverable amounts of investments in subsidiaries were estimated based on the FVLCTS method.

Management determined the recoverable amounts of investments in these subsidiaries based on fair value less costs to sell method. The fair value is estimated based on the fair value of the leasehold properties determined by independent valuers with experience in the location and category of the properties being valued, whereas the fair value of the plant and equipment which comprises mainly of machineries are being valued at the estimated scrap value. Details of the fair value measurement for property, plant and equipment is disclosed in note 4.

For the subsidiary whose financial performance had improved, the Company recognised a reversal of impairment loss of \$4,464,000 (2020: \$564,000) in profit or loss for the year.

During the financial year, the Company waived an amount due from the loss making subsidiary of \$2,730,000 and capitalised the waiver of debt as part of the investment in the subsidiary. Management did not expect to recover the waived debt from the subsidiary and recognised an impairment loss of \$2,730,000 on the entire amount.

If any of the subsidiaries is not able to achieve the forecasted results and realise the fair values of the assets and liabilities, the Company would be required to record additional impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 6 SUBSIDIARIES (CONT'D)

### *Impairment loss (cont'd)*

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

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	77,955	78,519
Reversal of impairment loss	(4,464)	(564)
Impairment loss recognised (Note 9)	2,730	–
At 31 December	<u>76,221</u>	<u>77,955</u>

Details of the subsidiaries are as follows:

<b>Name of company</b>	<b>Country of incorporation/ Place of business</b>	<b>Effective equity interest held by the Group</b>	
		<b>2021</b>	<b>2020</b>
		<b>%</b>	<b>%</b>
<b><i>Held by the Company:</i></b>			
Fu Yu Investment Pte. Ltd.	Singapore	100	100
Fu Yu Moulding & Tooling (Dongguan) 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 (Zhuhai) 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 Trading Limited <sup>#</sup>	Hong Kong	–	100
Fu Yu Ventures Pte. Ltd.*	Singapore	100	–
<b><i>Held through Fu Yu Moulding &amp; Tooling (Shanghai) Co., Ltd.:</i></b>			
Fu Yu Moulding & Tooling (Chongqing) Co., Ltd.	People's Republic of China	100	100
<b><i>Held through Fu Yu Investment Pte. Ltd.:</i></b>			
LCTH Corporation Sdn. Bhd.	Malaysia	100	100
<b><i>Held through LCTH Corporation Sdn. Bhd.:</i></b>			
Fu Hao Manufacturing (M) Sdn. Bhd.	Malaysia	100	100
Classic Advantage Sdn. Bhd.	Malaysia	100	100
<b><i>Held through Fu Yu Ventures Pte. Ltd.:</i></b>			
Fu Yu Supply Chain Solutions Pte. Ltd.	Singapore	100	–

<sup>#</sup> Liquidated in 2021

<sup>\*</sup> Incorporated in 2021



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 6 SUBSIDIARIES (CONT'D)

### *Impairment loss (cont'd)*

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

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

## 7 GOODWILL

	<b>Group \$'000</b>
<b>Cost</b>	
At 1 January 2021	–
Acquisitions – business combinations (Note 31)	5,978
At 31 December 2021	<u>5,978</u>
<b>Carrying amounts</b>	
At 1 January 2021	–
At 31 December 2021	<u>5,978</u>

### *Impairment testing for CGUs containing goodwill*

For the purposes of impairment testing, goodwill has been allocated to the Group's supply chain management services and commodity raw materials CGU.

The recoverable amount of this CGU was based on its value-in-use, determined by discounting the future cash flows to be generated from continuing use of the CGU.

Key assumptions used in the estimation of value in use were as follows:

	<b>2021</b>
<b>Group</b>	
Number of years projected in the discounted cash flows	5 years
Discount rate	9.67%
Revenue growth rate	5.00%
Gross profit margin	1.80%
Terminal value growth rate	<u>1.25%</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 7 GOODWILL (CONT'D)

### *Impairment testing for CGUs containing goodwill (cont'd)*

Management determined budgeted gross margin based on past performance and its expectations of market developments. Revenue growth was projected taking into account the estimated sales volume and price growth for the next five years. It was assumed that the sales price would grow at a constant margin above forecast inflation over the next five years. The discount rates used were post-tax and reflected specific risks relating to the CGU.

At 31 December 2021, the recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment was required.

## 8 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade receivables		33,068	38,107	10,360	10,663
Allowance for impairment of doubtful receivables		(3)	(43)	–	–
Net trade receivables		33,065	38,064	10,360	10,663
Other receivables		157	1,126	27	271
Amounts due from subsidiaries	9	–	–	35,097	31,970
Deposits		329	405	86	8
		33,551	39,595	45,570	42,912
Prepayments		431	517	132	92
Advances to suppliers		1,760	908	447	210
		35,742	41,020	46,149	43,214
Non-current	9	–	–	28,338	28,030
Current		35,742	41,020	17,811	15,184
		35,742	41,020	46,149	43,214

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 26.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 9 AMOUNTS DUE FROM SUBSIDIARIES

	Note	Company	
		2021 \$'000	2020 \$'000
Amounts due from subsidiaries			
Non-current			
– non-trade		33,801	35,650
Impairment losses		(5,463)	(7,620)
	8	28,338	28,030
Current			
– trade		85	93
– non-trade		6,674	3,847
	8	35,097	31,970

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

	Company	
	2021 \$'000	2020 \$'000
At 1 January	7,620	9,116
Impairment loss recognised/(reversed)	573	(1,496)
Impairment loss written off (Note 6)	(2,730)	–
At 31 December	5,463	7,620

The non-current, non-trade amounts due from subsidiaries are unsecured, non-interest bearing and are amounts lent to subsidiaries companies to satisfy funding requirements. Management assesses recoverability of amounts due from individual subsidiaries together with investments in those subsidiaries based on FVLCTS, as described in Note 6. Based on management's assessment, the Company recognised additional impairment loss of \$573,000 in profit or loss for the year. In 2020, the Company recognised a reversal of impairment loss of \$1,496,000 in profit or loss for the year as a subsidiary had improved financial performance.

The current amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand, there is no allowance for doubtful debts arising from these amounts. The Company's exposure to credit risk is disclosed in note 26.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 10 JOINT VENTURE

The joint venture company Berry Plastics Malaysia Sdn Bhd's principal activities were those of manufacturing and assembly of precision plastic moulded products for electrical, electronics, healthcare, food and petroleum industries. Details of the joint venture are as follows:

Name of company	Country of incorporation/ Place of business	Effective equity interest held by the Group	
		2021 %	2020 %
Berry Plastics Malaysia Sdn Bhd <sup>#</sup>	Malaysia	–	–

<sup>#</sup> Liquidated in 2020

The joint venture was held through its subsidiary, LCTH Corporation Sdn. Bhd., which had a 40% equity ownership interests in the entity. In the previous financial year, the Group has liquidated the joint venture with no gain or loss on liquidation.

The following table summarises the financial information of the joint venture prior to the liquidation, based on its financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies:

	<b>2020</b> <b>\$'000</b>
Revenue	–
Loss after income tax	(65)
<b>Total comprehensive loss</b>	<b>(65)</b>
<b>Assets and liabilities</b>	
Current assets <sup>^</sup>	1,176
Current liabilities	–
<b>Net assets</b>	<b>1,176</b>
<b>Group's interest in net assets of investee at beginning of the year</b>	<b>497</b>
Share of total comprehensive income	(26)
Currency realignment	(1)
<b>Group's interest in net assets of investee prior to liquidation/at end of the year</b>	<b>470</b>
Less: Consideration received, representing net cash inflow from liquidation of joint venture	470
<b>Carrying amount of interest in investee at end of the year</b>	<b>–</b>

<sup>^</sup> Includes cash and cash equivalents of \$1,176,000

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 11 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	54	58	–	–	54	58	–	–
Others	307	295	–	–	–	–	–	–
Tax loss carry-forward	828	1,830	–	–	594	996	–	–
Property, plant and equipment	602	–	(2,546)	(2,474)	–	–	(1,375)	(1,421)
Deferred tax assets/(liabilities)	1,791	2,183	(2,546)	(2,474)	648	1,054	(1,375)	(1,421)
Set off of tax	(800)	(1,211)	800	1,211	(648)	(1,054)	648	1,054
Net deferred tax assets/(liabilities)	991	972	(1,746)	(1,263)	–	–	(727)	(367)

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

	Recognised			At 31 December 2020 \$'000	Recognised			At 31 December 2021 \$'000	
	At 1 January 2020 \$'000	in profit or loss (Note 23) \$'000	Exchange differences \$'000		At 1 January 2020 \$'000	At 1 January 2021 \$'000	in profit or loss (Note 23) \$'000		Exchange differences \$'000
	<b>Group</b>								
Employee benefits	39	19	–	58	58	(4)	–	54	
Others	233	54	8	295	295	7	5	307	
Tax loss carry-forward	835	984	11	1,830	1,830	(1,031)	29	828	
Property, plant and equipment	(2,467)	(8)	1	(2,474)	(2,474)	504	26	(1,944)	
	(1,360)	1,049	20	(291)	(291)	(524)	60	(755)	

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.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 11 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

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

	Group	
	2021 \$'000	2020 \$'000
Other temporary differences	1,457	–
Unutilised tax losses	4,573	12,829
	6,030	12,829

Other than the unutilised tax losses arising from certain China subsidiaries of \$4,573,000 (2020: \$12,829,000) which will expire between 2022 and 2026 (2020: 2021 and 2025), the remaining temporary differences do not expire under current tax legislation. No unutilised tax losses expired during the financial year.

### *Unrecognised temporary differences relating to investments in subsidiaries*

At the reporting date, a deferred tax liability of \$25,000 (2020: \$196,000) for temporary differences of \$509,000 (2020: \$3,914,000) related to undistributed earnings of certain subsidiaries of the Group were not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the next 12 months, but be retained for working capital purposes.

## 12 INVENTORIES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Raw materials	10,059	6,716	2,504	1,509
Work-in-progress	830	1,157	127	91
Finished goods	6,201	5,379	1,605	1,739
	17,090	13,252	4,236	3,339

Movements in the allowance for stock obsolescence are as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January	785	1,025	155	148
Allowance made	280	168	25	13
Allowance reversed	(66)	(425)	–	–
Allowance utilised	(42)	(10)	(5)	(6)
Currency realignment	19	27	–	–
At 31 December	976	785	175	155

In 2021, the amount of inventories of \$159,075,000 (2020: \$116,618,000) were recognised as an expense during the year and included in “cost of sales” for the Group.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 13 LOANS AND BORROWINGS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current liabilities</b>				
Unsecured bank loans	2,680	–	2,680	–
Lease liabilities	6,670	6,554	5,741	5,284
	9,350	6,554	8,421	5,284
<b>Current liabilities</b>				
Unsecured bank loans	3,000	–	3,000	–
Lease liabilities	1,036	589	511	163
	4,036	589	3,511	163

### Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 26.

### Terms and debt repayment schedule

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

	Currency	Nominal interest rate	Year of maturity	2021	
				Face value \$'000	Carrying amount \$'000
<b>Group</b>					
Unsecured bank loans	SGD	1.95%-2.00%	2023	5,680	5,680
Lease liabilities	SGD	1.60%-5.79%	2024-2044	8,659	6,261
Lease liabilities	MYR	5.45%-6.90%	2022-2024	123	117
Lease liabilities	RMB	4.75%	2024-2026	1,415	1,328
				15,877	13,386
<b>Company</b>					
Unsecured bank loans	SGD	1.95%-2.00%	2023	5,680	5,680
Lease liabilities	SGD	1.60%-3.91%	2024-2044	8,647	6,252
				14,327	11,932

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 13 LOANS AND BORROWINGS (CONT'D)

### Terms and debt repayment schedule (cont'd)

	Currency	Nominal interest rate	Year of maturity	2020	
				Face value \$'000	Carrying amount \$'000
<b>Group</b>					
Lease liabilities	SGD	3.44%-3.91%	2041-2044	8,009	5,447
Lease liabilities	MYR	6.90%-6.95%	2021-2024	48	47
Lease liabilities	RMB	4.75%	2021-2024	1,802	1,649
				<u>9,859</u>	<u>7,143</u>
<b>Company</b>					
Lease liabilities	SGD	3.44%-3.91%	2041-2044	<u>8,009</u>	<u>5,447</u>

### Unsecured bank loans

The unsecured bank loan is to finance the capital expenditure for the construction-in-progress (see note 4). One of the wholly-owned subsidiaries in China has placed fixed deposits denominated in Chinese Renminbi for an amount equivalent to 105% of the outstanding unsecured bank loan (see note 14).

### Intra-group financial guarantee

In 2021, an intra-group financial guarantee comprises a guarantee given by the Company to a bank in respect of banking credit facilities amounting to S\$3,883,000 granted to the wholly-owned subsidiaries in Malaysia. At the reporting date, the Company has not recognised an ECL provision as the credit facilities have not been utilised. The Company does not consider it probable that a claim will be made against the Company under the guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 13 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of loans and borrowings and lease liabilities to cash flows arising from financing activities:

	Lease liabilities S\$'000	Unsecured bank loans S\$'000
<b>Group</b>		
Balance at 1 January 2021	7,143	–
<b>Changes in financing cash flows</b>		
Proceeds from loan and borrowings	–	5,680
Payment of lease liabilities	(1,055)	–
Finance costs paid	(1)	(13)
<b>Total changes from financing cash flows</b>	(1,056)	5,667
<b>Other changes</b>		
<b>Liability-related</b>		
New lease	1,265	–
Interest expense	283	13
Currency realignment	71	–
Total liability-related other changes	1,619	13
Balance at 31 December 2021	7,706	5,680
		<b>Lease liabilities S\$'000</b>
<b>Group</b>		
Balance at 1 January 2020		9,396
<b>Changes in financing cash flows</b>		
Payment of lease liabilities		(2,535)
<b>Total changes from financing cash flows</b>		(2,535)
<b>Other changes</b>		
<b>Liability-related</b>		
New lease		7
Remeasurement of lease liabilities		(156)
Interest expense		325
Currency realignment		106
<b>Total liability-related other changes</b>		282
Balance at 31 December 2020		7,143

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 14 CASH AND BANK BALANCES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at bank and in hand	48,723	51,414	16,110	24,112
Deposits with banks	35,224	55,147	3,379	35,504
Cash and bank balances in the statements of financial position	83,947	106,561	19,489	59,616
Cash restricted-in-use	(10,095)	–		
Deposits pledged	(83)	(76)		
Cash and cash equivalents in the consolidated statement of cash flows	73,769	106,485		

The deposit pledged represents bank balance pledged for bank guarantee purposes in the normal course of business.

Cash restricted-in-use includes S\$4,000,000 earmarked for trade financing and S\$6,095,000 deposits for the unsecured bank loan (see note 13).

Deposits with financial institutions mature on varying periods within 12 months (2020: 3 months) from the financial year end. Effective interest rates range from 0.03% to 2.10% (2020: 0.2% to 2.29%) per annum.

Cash and bank balances totalling the equivalent of \$23,968,000 (2020: \$25,184,000) are held in a country which operates foreign exchange controls.

## 15 SHARE CAPITAL

	Group and Company	
	2021	2020
	No. of shares	
<b>Fully paid ordinary shares, with no par value:</b>		
On issue at 1 January and 31 December	752,994,775	752,994,775

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 15 SHARE CAPITAL (CONT'D)

### *Capital management*

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

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

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

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Net equity	172,924	192,613	128,645	129,264
Gearing ratio	34.1%	26.3%	20.3%	14.7%

The Group and the Company have complied with the externally imposed capital requirements for the financial years ended 31 December 2021 and 2020.

In addition, as disclosed in note 16, subsidiaries in People's Republic of China (PRC) are required by the laws and regulations of the PRC to contribute to and to maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2021 and 2020.

The Board of Directors monitors the level of dividends to ordinary shareholders. There were no changes in the Group's approach to capital management during the year.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 16 RESERVES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Capital reserve	(415)	(415)	–	–
Statutory reserve	9,155	8,705	–	–
Revaluation reserve	789	789	789	789
Merger reserve	–	–	(1,425)	(1,425)
Foreign currency translation reserve	(19,850)	(21,113)	–	–
Retained earnings	62,026	82,165	26,487	27,106
	51,705	70,131	25,851	26,470

### Capital reserve

The capital reserve comprises negative goodwill arising from acquisition of remaining interest in a subsidiary from NCI written off against shareholder's equity and transaction cost related to selective capital reduction exercise completed on 8 June 2018.

### Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, wholly-owned subsidiaries are required to make appropriation to statutory reserve fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

### Revaluation reserve

The revaluation reserve represents increase in the fair value of certain properties that were subject to one-off revaluation exercise conducted in 1994. Any revaluation surplus will remain in revaluation reserve upon the ultimate disposal of the properties.

### Merger reserve

The merger reserve relates to the amalgamation of two subsidiaries (the "amalgamated subsidiaries") into the Company using the "as-if-pooling" method. It represents (1) retained earnings of the amalgamated subsidiaries, (2) the difference between the Company's cost of investment (net of impairment made in prior years) and share capital of the amalgamated subsidiaries, and reversal of impairment on receivables of the amalgamated subsidiaries made in prior years.

### Foreign currency translation reserve

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 17 TRADE AND OTHER PAYABLES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables	15,248	16,177	3,663	3,574
Accrued expenses	9,783	11,546	4,277	5,179
Amounts payable for purchase of property, plant and equipment	1,620	1,171	1,253	570
Other payables	7,129	7,885	1,852	1,899
Amounts due to subsidiaries:				
– trade	–	–	100	45
– non-trade	–	–	60	–
Deposits	867	798	5	5
Retention sum	646	–	646	–
	35,293	37,577	11,856	11,272
Advance billings	214	434	212	434
	35,507	38,011	12,068	11,706
Non-current	323	–	323	–
Current	35,184	38,011	11,745	11,706
	35,507	38,011	12,068	11,706

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

## 18 REVENUE

	Group	
	2021 \$'000	2020 \$'000
Contracts with customers		
Sale of goods		
– manufacturing	134,939	143,580
– supply chain management services	51,850	–
Revenue from tooling contracts	8,742	9,862
	195,531	153,442

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 18 REVENUE (CONT'D)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

### Sale of goods: Manufacturing segment

<b>Nature of goods or services</b>	Manufacture and sub-assembly of precision plastic parts and components.
<b>When revenue is recognised</b>	Revenue is recognised at a point in time upon delivery and transfer of control of goods to the customer.
<b>Significant payment terms</b>	Payment is due when control of goods is transferred to the customer, upon delivery and acceptance by the customer. Invoices for sale of goods are payable between 0 to 120 days.
<b>Obligations for returns and refunds, if any</b>	Customer has the right to return the goods to the Group only if the goods are defective.
<b>Obligations for warranties</b>	Standard warranty terms are provided for defective products. These warranties form part of the contract and the customer does not need to purchase the warranty separately (i.e., standard warranty).

### Sale of goods: Supply chain management services segment

<b>Nature of goods or services</b>	The Company sells crude and refined petroleum products such as gasoil.
<b>When revenue is recognised</b>	Revenue is recognised when goods are delivered to the customer and transfer of control of goods to the customer.
<b>Significant payment terms</b>	Payment is generally within 30 days upon issuance of invoice.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 18 REVENUE (CONT'D)

### Tooling contracts

<b>Nature of goods or services</b>	Fabrication of precision moulds and dies.
<b>When revenue is recognised</b>	Tooling contracts for which (i) the assets created or generated by the Group's performance have no alternative use to the Group and (ii) the Group has an enforceable right to payment for performance completed to date, are recognised over time. The stage of completion is measured by reference to the stages and progress of work performed, based on records maintained by the Group. An expected loss on the tooling contract is recognised as an expense immediately when it is probable that total tooling cost will exceed total tooling revenue. For contracts that do not meet criteria (i) or (ii) above, revenue is recognised at a point in time when control is transferred to the customer upon completion of the performance obligation.
<b>Significant payment terms</b>	<p>Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of contract milestones. If the value of the tooling services rendered exceeds payments received from the customer, a contract asset is recognised.</p> <p>Invoices for tooling contracts are payable between 0 to 95 days.</p>
<b>Obligations for returns and refunds, if any</b>	Customer has the right to return the goods to the Group only if the goods are defective.
<b>Obligations for warranties</b>	Under the terms of the tooling contracts, the Group is obligated to make good, by repair or replacement, manufacturing defects that become apparent during the warranty period. Standard warranty terms are provided for the tools to supply an agreed number of products. These warranties form part of the contract and the customer does not need to purchase the warranty separately (i.e., standard warranty).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 18 REVENUE (CONT'D)

### Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 25).

	Reportable segments											
	Manufacturing Segment					Services Segment						
	Singapore		China		Malaysia		Total for Manufacturing Segment		Singapore		Total	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Major products/ service line</b>												
Sales of goods	45,441	43,760	55,743	66,416	33,755	33,404	134,939	143,580	51,850	–	186,789	143,580
Revenue from tooling contracts	4,471	4,296	2,465	2,800	1,806	2,766	8,742	9,862	–	–	8,742	9,862
	49,912	48,056	58,208	69,216	35,561	36,170	143,681	153,442	51,850	–	195,531	153,442
<b>Timing of revenue recognition</b>												
Products transferred at a point in time	45,441	43,760	55,743	66,416	33,755	33,404	134,939	143,580	51,850	–	186,789	143,580
Services transferred over time	4,471	4,296	2,465	2,800	1,806	2,766	8,742	9,862	–	–	8,742	9,862
	49,912	48,056	58,208	69,216	35,561	36,170	143,681	153,442	51,850	–	195,531	153,442

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 18 REVENUE (CONT'D)

### **Contract balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	Group	
		2021 \$'000	2020 \$'000
Trade receivables	8	33,065	38,064
Contract assets		1,710	1,723
Contract liabilities		(565)	(389)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on tooling contracts. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

The contract liabilities primarily relate to advance consideration received from customers for tooling contracts.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows.

	Contract assets		Contract liabilities	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue recognised from prior year balance	–	–	159	518
Cash received in advance and not recognised as revenue	–	–	(324)	(167)
Changes in measurement of progress	659	987	–	–
Contract asset reclassified to trade receivables	(703)	(1,030)	–	–

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of project teams to determine the progress of the tooling contracts and also on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 19 OTHER INCOME

	Group	
	2021	2020
	\$'000	\$'000
Interest income	487	1,029
Rental income:		
– Investment property	415	397
– Sub-lease of leasehold property	141	1,070
– Others	20	18
Gain on disposal of property, plant and equipment	701	1,672
Sale of scrap and raw materials	677	970
Government grants	529	2,801
Others	311	785
	3,281	8,742

Government grant income relates mainly to Job Support Scheme (“JSS”), Special Employment Credit (“SEC”) grants, Wage Credit Scheme (“WCS”), Government-Paid Maternity Leave (“GPML”) and Jobs Growth Incentive (“JGI”).

## 20 OTHER OPERATING INCOME/(EXPENSES)

	Group	
	2021	2020
	\$'000	\$'000
Foreign exchange gain/(loss), net	1,344	(2,504)
Property, plant and equipment written off	(2)	(264)
Loss on liquidation of a subsidiary	(108)	–
	1,234	(2,768)

## 21 FINANCE COSTS

	Group	
	2021	2020
	\$'000	\$'000
Interest expense		
– unsecured bank loan	13	–
– lease liabilities	283	325
	296	325

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 22 PROFIT BEFORE INCOME TAX

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

	Note	Group	
		2021 \$'000	2020 \$'000
Directors of the Company			
– fees		226	303
– salaries, bonuses and other costs		2,510	4,185
– contributions to defined contribution plans		36	(8)
Audit fees paid or payable to			
– auditors of the Company		335	131
– overseas affiliates of the auditors of the Company		182	136
– other auditors		65	53
Non-audit fees paid or payable to			
– other auditors		19	25
Depreciation of property, plant and equipment and investment property	4, 5	7,784	9,418
Staff costs, excluding directors of the Company and subsidiaries			
– salaries, bonuses and other costs		34,555	37,171
– contributions to defined contribution plans		3,529	2,486
Closure cost for Chongqing factory		–	1,016
Operating expenses incurred in relation to investment property		209	212

## 23 TAX EXPENSE

	Group	
	2021 \$'000	2020 \$'000
<b>Current tax expense</b>		
Current year	3,356	3,568
Withholding taxes	208	213
Over provision in prior years	(431)	(45)
	3,133	3,736
<b>Deferred tax expense</b>		
Movements in temporary differences	1,264	186
Recognition of tax effect of previously unrecognised tax losses	(823)	(1,105)
Under/(Over) provision in prior years	83	(130)
	524	(1,049)
<b>Tax expense</b>	3,657	2,687



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 23 TAX EXPENSE (CONT'D)

	Group	
	2021 \$'000	2020 \$'000
<b><i>Reconciliation of effective tax rate</i></b>		
Profit before income tax	21,241	19,602
Tax calculated using Singapore tax rate of 17% (2020: 17%)	3,611	3,332
Effect of different tax rates in foreign jurisdictions	703	1,210
Tax exempt income	(532)	(843)
Non-deductible expenses	2,538	721
Tax incentives	(35)	(81)
Recognition of tax effect of previously unrecognised tax losses	(823)	(1,105)
Utilisation of investment allowances and tax losses previously not recognised	(1,707)	(1,065)
Over provision in prior years	(348)	(175)
Current year tax losses and capital allowances for which no deferred tax asset was recognised	42	480
Withholding taxes	208	213
	3,657	2,687

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.

Income tax for the subsidiaries in Malaysia is calculated at the statutory rate of 24% (2020: 24%) and income tax for the subsidiaries in China is calculated at the statutory rate of 25% (2020: 25%) during the year.

## 24 EARNINGS PER SHARE

	Group	
	2021 \$'000	2020 \$'000
Basic and diluted earnings per share is based on profit attributable to ordinary shareholders	17,584	16,915

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 24 EARNINGS PER SHARE (CONT'D)

	Number of shares 2021	Number of shares 2020
Weighted average number of ordinary shares (basic and diluted)	752,994,775	752,994,775
Basic and diluted earnings per share (cents)	2.34	2.25

Diluted earnings per share is the same as basic earnings per share as there are no dilutive instruments.

## 25 OPERATING SEGMENTS

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

- Manufacturing Segment
- Supply Chain Management Services Segment

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

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Performance is measured based on profit before income tax, depreciation of property, plant and equipment and investment property, finance cost and net foreign exchange gain/(loss) as included in internal management reports that are reviewed by the Group's Managing Director (chief operating decision maker). Such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the Group's industry. Inter-segment pricing is based on terms agreed by the counterparties.

### **Concentration of revenue**

Revenue of approximately \$16,342,000 (2020: \$17,035,000) relates to one (2020: one) external customer with revenue in excess of 10% of revenue in manufacturing segment. Revenue of approximately \$51,850,000 (2020: Nil) relates to one (2020: Nil) external customer with revenue in excess of 10% of revenue in supply chain management services segment.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 OPERATING SEGMENTS (CONT'D)

### Segments

	Manufacturing Segment						Total for						Supply Chain Management Services Segment						
	Singapore		China		Malaysia		Manufacturing Segment		Singapore		Singapore		Total operations before adjustment		Group adjustment and eliminations		Total operations		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Revenue and expenses</b>																			
Total external revenue	49,912	48,056	58,208	69,216	35,561	36,170	143,681	153,442	51,850	-	195,531	153,442	-	-	195,531	153,442			
Inter-segment revenue	61	236	-	2	278	154	339	392	-	-	339	392	(339)	(392)	-	-			
Segment profit before tax*	33,755	25,050	5,553	8,108	9,801	12,206	49,109	45,394	1,307	-	50,416	45,394	(22,439)	(13,519)	27,977	31,875			
Depreciation of property, plant and equipment and investment property	(2,154)	(2,230)	(3,752)	(4,143)	(2,229)	(3,256)	(8,135)	(9,629)	(1)	-	(8,136)	(9,629)	352	211	(7,784)	(9,418)			
Finance cost	(220)	(210)	(71)	(95)	(5)	(20)	(296)	(325)	(35)	-	(331)	(325)	35	-	(296)	(325)			
Foreign exchange gain/(loss) (net)	2,460	(1,541)	439	775	134	(57)	3,033	(823)	(7)	-	3,026	(823)	(1,682)	(1,681)	1,344	(2,504)			
Share of loss of joint venture (net of tax)	33,841	21,099	2,169	4,645	7,701	8,873	43,711	34,617	1,264	-	44,975	34,617	(23,734)	(14,989)	21,241	19,628			
Profit before income tax	-	-	-	-	-	(26)	-	(26)	-	-	-	(26)	-	-	-	-	-		
Tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,241	19,602	
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,657)	(2,687)	
																	17,584	16,915	

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 OPERATING SEGMENTS (CONT'D)

### Segments (cont'd)

	Manufacturing Segment						Total for						Supply Chain Management Services Segment					
	Singapore		China		Malaysia		Manufacturing Segment		Singapore		Group adjustment and eliminations		Total operations		Total operations			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>Other segment information</b>																		
Non-current assets	111,804	67,640	12,495	14,461	23,865	25,345	148,164	107,446	5,996	-	154,160	107,446	(48,013)	73,383	59,433			
Unallocated assets														991	972			
Total non-current assets																		
Capital expenditure**	12,781	3,285	734	1,234	998	2,271	14,513	6,790	9	-	14,522	6,790	-	14,522	6,790			
Interest income	114	456	167	95	241	478	522	1,029	-	-	522	1,029	(35)	487	1,029			
Segment reporting assets	154,078	146,394	63,101	69,190	43,582	58,402	260,761	273,986	38,805	-	299,566	273,986	(87,694)	211,872	221,989			
Unallocated assets														991	975			
Total assets																		
Segment reporting liabilities	24,210	17,234	21,928	27,248	6,911	8,536	53,049	53,018	6,571	-	59,620	53,018	(10,162)	49,458	45,543			
Unallocated liabilities														9,542	5,132			
Total liabilities														59,000	50,675			

\* After excluding share of results of joint venture, finance cost, foreign exchange (loss)/gain (net) and depreciation.

\*\* Excluding addition on right-of-use assets.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 FINANCIAL RISK MANAGEMENT

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

### **Credit risk**

The carrying amounts of financial assets and contract assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

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

The maximum exposure to credit risk from trade and other receivables<sup>+</sup>, and contract assets at the reporting date by geographical areas is as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore	11,354	10,130	8,228	7,969
China	11,428	16,365	589	952
Malaysia	4,936	5,348	550	305
United States	3,700	3,913	883	953
Hong Kong	80	21	34	2
Others	3,763	5,541	972	1,442
	35,261	41,318	11,256	11,623

+ Excludes prepayments and advances to suppliers.

At the reporting date, there is a concentration of credit risk relating to one major customer at the Group and the Company level (2020: one major customer at the Group and two major customers at the Company level) with outstanding receivable balance of approximately \$3,818,000 (2020: \$4,856,000) and \$3,818,000 (2020: \$5,698,000) at the Group and the Company respectively in manufacturing segment.

### *Expected credit loss assessment*

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets which comprise a large number of small balances, while for other receivables<sup>+</sup> there is no significant increase in credit risk for these exposures, therefore impairment has been measured on the 12-month expected loss basis and the amount of the allowance is insignificant.

Loss rates are estimated based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 FINANCIAL RISK MANAGEMENT (CONT'D)

### Credit risk (cont'd)

#### Expected credit loss assessment (cont'd)

The following table provides information about the exposure to credit risks and ECL of trade receivables and other receivables<sup>+</sup>, and contract assets as at 31 December.

	2021		2020	
	Gross carrying amount	Impairment loss allowance	Gross carrying amount	Impairment loss allowance
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
No credit terms	2,042	–	2,130	–
Not past due	27,040	–	30,268	–
Past due 1 to 30 days	4,400	–	7,141	–
Past due 31 to 90 days	1,026	–	1,463	–
Past due more than 90 days	756	3	359	43
	<u>35,264</u>	<u>3</u>	<u>41,361</u>	<u>43</u>
<b>Company</b>				
No credit terms	785	–	596	–
Not past due	7,461	–	6,539	–
Past due 1 to 30 days	2,343	–	3,934	–
Past due 31 to 90 days	405	–	410	–
Past due more than 90 days	262	–	144	–
	<u>11,256</u>	<u>–</u>	<u>11,623</u>	<u>–</u>

+ Excludes prepayments and advances to suppliers.

Movements in the allowance for impairment loss in respect of trade and other receivables, and contract assets during the year are as follows:

	Group \$'000	Company \$'000
At 1 January 2020	92	–
Impairment loss recognised	78	–
Allowance utilised	(131)	–
Currency realignment	4	–
At 31 December 2020	<u>43</u>	<u>–</u>
At 1 January 2021	43	–
Impairment loss reversed	(27)	–
Allowance utilised	(14)	–
Currency realignment	1	–
At 31 December 2021	<u>3</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 FINANCIAL RISK MANAGEMENT (CONT'D)

### ***Credit risk (cont'd)***

#### *Cash and cash equivalents*

The Group and the Company held cash and cash equivalents of \$83,947,000 and \$19,489,000, respectively at 31 December 2021 (2020: \$106,561,000 and \$59,616,000). The cash and cash equivalents are held with bank and financial institution counterparties with high credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

#### *Amounts due from subsidiaries*

The Company held current receivables from its related companies and subsidiaries of \$6,759,000 (2020: \$3,940,000). Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, and available press information, if available), these exposures are considered to have low credit risk.

The Company held non-trade receivables from its subsidiaries of \$33,801,000 (2020: 35,650,000). These balances are amounts lent to related companies and subsidiaries to satisfy funding requirements. The impairment on these balances has been measured based on the FVLCTS basis and additional impairment loss (2020: reversal of net impairment loss) of \$573,000 (2020: \$1,496,000) (note 9) was recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 FINANCIAL RISK MANAGEMENT (CONT'D)

### Liquidity risk

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

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>					
<b>Group</b>					
<b>2021</b>					
Trade and other payables <sup>#</sup>	35,293	35,293	34,970	323	–
Unsecured bank loans	5,680	5,680	3,000	2,680	–
Lease liabilities	7,706	10,197	1,297	3,069	5,831
<b>2020</b>					
Trade and other payables <sup>#</sup>	37,577	37,577	37,577	–	–
Lease liabilities	7,143	9,859	859	2,806	6,194
<b>Non-derivative financial liabilities</b>					
<b>Company</b>					
<b>2021</b>					
Trade and other payables <sup>#</sup>	11,856	11,856	11,533	323	–
Unsecured bank loans	5,680	5,680	3,000	2,680	–
Lease liabilities	6,252	8,647	715	2,101	5,831
<b>2020</b>					
Trade and other payables <sup>#</sup>	11,272	11,272	11,272	–	–
Lease liabilities	5,447	8,009	363	1,452	6,194

# Excludes advance billings

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 FINANCIAL RISK MANAGEMENT (CONT'D)

### **Market risk**

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

### **Interest rate risk**

At the reporting date, the interest rate profiles of the Group's interest-bearing financial instruments were as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Fixed rate instruments</b>				
Financial assets	35,224	55,147	3,379	35,504

The Group's interest-bearing financial assets comprise fixed deposits placed with banks. The deposits were rolled over during the financial year at market interest rates upon maturity.

### *Sensitivity analysis*

The Group does not account for any fixed rate financial assets at FVTPL. Therefore, in respect of fixed rate instruments, a change in interest rates at the reporting date would not affect profit and loss.

### **Foreign currency risk**

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

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

	Group		Company	
	2021 US dollar \$'000	2020 US dollar \$'000	2021 US dollar \$'000	2020 US dollar \$'000
Trade and other receivables	60,302	66,707	46,434	44,018
Cash and cash equivalents	53,268	67,365	13,965	49,919
Trade and other payables	(42,424)	(45,789)	(2,688)	(2,509)
	71,146	88,283	57,711	91,428

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 FINANCIAL RISK MANAGEMENT (CONT'D)

### Foreign currency risk (cont'd)

#### Sensitivity analysis

A one percentage point strengthening of the Singapore dollar against the US dollar at the reporting date would decrease the Group's profit before income tax by approximately \$711,000 (2020: \$882,000) and decrease the Company's profit before income tax by approximately \$577,000 (2020: \$914,000). This analysis assumes that all other variables in particular interest rates, remain constant.

A one percentage point weakening of the Singapore dollar against the US dollar at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2020.

### Accounting classification and fair values

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents, trade and other payables and unsecured bank loans) are assumed to approximate their fair values because of the short period to maturity or re-pricing. Further, the fair value disclosure of lease liabilities is also not required.

	Designated at FVTPL \$'000	Amortised costs \$'000	Other financial liabilities \$'000	Total carrying amount \$'000
<b>Group</b>				
<b>31 December 2021</b>				
Trade and other receivables <sup>+</sup>	–	33,551	–	33,551
Cash and cash equivalents	–	83,947	–	83,947
Trade and other payables <sup>#</sup>	–	–	(35,392)	(35,392)
Unsecured bank loans	–	–	(5,680)	(5,680)
	–	117,498	(40,973)	76,525
<b>31 December 2020</b>				
Trade and other receivables <sup>+</sup>	–	39,595	–	39,595
Cash and cash equivalents	–	106,561	–	106,561
Trade and other payables <sup>#</sup>	–	–	(37,577)	(37,577)
	–	146,156	(37,577)	108,579

+ Excludes prepayments and advances to suppliers

# Excludes advance billings

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 FINANCIAL RISK MANAGEMENT (CONT'D)

### *Accounting classification and fair values (cont'd)*

	Amortised costs \$'000	Other financial liabilities \$'000	Total carrying amount \$'000
<b>Company</b>			
<b>31 December 2021</b>			
Trade and other receivables <sup>+</sup>	45,570	–	45,570
Cash and cash equivalents	19,489	–	19,489
Trade and other payables <sup>#</sup>	–	(11,856)	(11,856)
Unsecured bank loans	–	(5,680)	(5,680)
	65,059	(17,536)	47,523
<b>31 December 2020</b>			
Trade and other receivables <sup>+</sup>	42,912	–	42,912
Cash and cash equivalents	59,616	–	59,616
Trade and other payables <sup>#</sup>	–	(11,272)	(11,272)
	102,528	(11,272)	91,256

+ Excludes prepayments and advances to suppliers

# Excludes advance billings

## 27 COMMITMENTS

### *Capital expenditure commitments*

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Capital expenditure contracted for as at the reporting date but not recognised in the financial statements	6,789	12,880	6,135	12,685

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 28 RELATED PARTIES

### **Key management personnel compensation**

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

Key management personnel compensation comprises:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Directors' fees	226	303
Short term employee benefits	4,127	5,691
Contributions to defined contribution plans	118	64
	<u>4,471</u>	<u>6,058</u>
Comprise amounts paid/payable to:		
– directors of the Company	2,773	4,480
– key executives	1,698	1,578
	<u>4,471</u>	<u>6,058</u>

## 29 DIVIDENDS

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Paid by the Company to owners of the Company</b>		
An interim dividend of 0.40 cents (2020: 0.35 cents) per qualifying ordinary share	3,012	2,635
Final dividend of 1.25 cents (2020: 1.00 cents) per qualifying ordinary share	9,412	7,530
Special dividend of 3.30 cents (2020: Nil cents) per qualifying ordinary share	24,849	–
	<u>37,273</u>	<u>10,165</u>

After the reporting date, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Proposed by the Company to owners of the Company</b>		
A final dividend of 1.25 cents (2020: 1.25 cents) per qualifying ordinary share	9,412	9,412

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 30 LEASES

### Leases as lessee (SFRS(I) 16)

The Group and the Company lease certain properties, motor vehicle and IT equipment under lease arrangements that are non-cancellable within one year. Other leases, which include the renewal options, expire at various dates till 2044 and contain provisions for rental adjustments and restrictions to further sub-lease certain properties.

The leases were entered into many years ago as combined leases of land and buildings.

The Group leases IT equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

### Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 4).

	<b>Land and buildings 2021 \$'000</b>	<b>Production equipment 2021 \$'000</b>	<b>Total 2021 \$'000</b>
<b>Cost</b>			
At 1 January	9,474	19	9,493
Additions to right-of-use assets	1,058	14	1,072
Derecognition of right-of-use assets*	–	(3)	(3)
Currency realignment	88	–	88
At 31 December	10,620	30	10,650
<b>Accumulated depreciation</b>			
At 1 January	1,781	10	1,791
Depreciation for the year	891	5	896
Write off	–	(3)	(3)
Currency realignment	33	–	33
At 31 December	2,705	12	2,717
Carrying amount at 31 December	7,915	18	7,933

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 30 LEASES (CONT'D)

### Right-of-use assets (cont'd)

	<b>Land and buildings 2020 \$'000</b>	<b>Production equipment 2020 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Cost</b>			
At 1 January	15,053	26	15,079
Additions to right-of-use assets	7	–	7
Derecognition of right-of-use assets*	(5,743)	(7)	(5,750)
Currency realignment	157	–	157
At 31 December	9,474	19	9,493
<b>Accumulated depreciation</b>			
At 1 January	4,961	17	4,978
Depreciation for the year	2,355	–	2,355
Write off	(5,588)	(7)	(5,595)
Currency realignment	53	–	53
At 31 December	1,781	10	1,791
Carrying amount at 31 December	7,693	9	7,702

\* Derecognition of right-of-use assets as a result of expiry/early termination of leases.

Information about leases for which the Group is a lessee is presented below.

### Amounts recognised in profit or loss

	<b>\$'000</b>
<b>2021</b>	
Interest on lease liabilities	283
Income from sub-leasing right-of-use assets presented in 'other income'	(164)
Expenses relating to short-term leases	47
<b>2020</b>	
Interest on lease liabilities	325
Income from sub-leasing right-of-use assets presented in 'other income'	(1,070)
Expenses relating to short-term leases	24

### Amounts recognised in statement of cash flows

	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Total cash outflow for leases</b>	1,056	2,535



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 30 LEASES (CONT'D)

### Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has no potential exercisable option as at 31 December 2021.

### Leases as lessor

The Group leases out its investment property consisting of its investment property (see note 5). All leases are classified as operating leases from a lessor perspective.

### Operating lease

The Group leases out its investment property (see note 5) and sub-lease a leasehold property to a third party. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risk and rewards incidental to the ownership of the assets.

Rental income from investment property and property sublease recognised by the Group during 2021 was \$556,000 (2020: \$1,467,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<u>\$'000</u>
<b>2021</b>	
Less than one year	434
After 1 year but within 5 year	298
<b>Total</b>	<u>732</u>
<b>2020</b>	
Less than one year	398
After 1 year but within 5 year	696
<b>Total</b>	<u>1,094</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 31 ACQUISITION OF SUBSIDIARY

### Acquisition of subsidiary

On 16 July 2021, the Group's wholly-owned subsidiary in Singapore, Fu Yu Ventures Pte. Ltd., entered into a Sale and Purchase Agreement ("SPA") to acquire 100% of the ordinary shares Fu Yu Supply Chain Solutions Pte. Ltd. (formerly known as Avantgarde Enterprise Pte. Ltd.) ("FYSCS") for cash consideration of approximately S\$6,050,000 (US\$4,500,000). The transaction is completed on 28 July 2021.

FYSCS is engaged in the business in providing supply chain management services and commodity raw materials.

Included in the identifiable assets and liabilities acquired at the date of acquisition of FYSCS are inputs, processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquiree is a business.

The acquired subsidiary, FYSCS contributed revenue of \$51,850,000 and profit of \$1,164,000 to the Group's results from the period from 28 July 2021 to 31 December 2021. If the acquisition had occurred on 1 January 2021, management estimates that consolidated revenue would have been \$219,806,000, and consolidated profit for the year would have been \$36,683,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

### Consideration transferred

The following table summarises the acquisition – date fair value of each major class of consideration transferred:

	<u>\$'000</u>
Cash and cash equivalents	6,050

### Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	<u>\$'000</u>
Cash and cash equivalents	4,278
Other receivables	34
Trade and other payables	(54)
Tax payable	(4,186)
Total identifiable net assets	<u>72</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 31 ACQUISITION OF SUBSIDIARY (CONT'D)

### Measurement of fair values

No valuation techniques were used for measuring the fair value of assets acquired as the net book value of the assets approximated the fair value.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	<b>Note</b>	<b>\$'000</b>
Total consideration transferred		6,050
Fair value of identifiable net assets		(72)
Goodwill	7	<u>5,978</u>

The goodwill is attributable mainly to the skills and technical talent of FYSCS's work force, strong position and profitability in providing supply chain management services and the synergies that are expected to be achieved from integrating the skills and technical knowhow into the existing manufacturing business.

### Payment for acquisition of subsidiary

	<b>2021</b>
	<b>\$'000</b>
Cash and cash equivalents	4,278
Current assets (excluding cash and cash equivalents)	34
Total liabilities	<u>(4,240)</u>
Net assets acquired	72
Goodwill	<u>5,978</u>
Total cash consideration	6,050
Less: cash and cash equivalents acquired	<u>(4,278)</u>
Net outflow of cash	<u>1,772</u>

# STATISTICS OF SHAREHOLDINGS

As at 14 March 2022

<b>Number of Issued and Paid-up Share Capital</b>	:	<b>S\$102,157,996.20</b>
<b>Number of Issued and Paid-up Shares</b>	:	<b>752,994,775</b>
<b>Class of Shares</b>	:	<b>Ordinary Shares</b>
<b>Voting Rights</b>	:	<b>One Vote per Ordinary Share</b>
<b>Number and Percentage of Treasury Shares</b>	:	<b>Nil</b>
<b>Number and Percentage of Subsidiary Holdings Held</b>	:	<b>Nil</b>

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	88	1.21	3,739	0.00
100 – 1,000	342	4.72	173,372	0.02
1,001 – 10,000	3,147	43.43	16,270,962	2.16
10,001 – 1,000,000	3,628	50.06	238,346,909	31.66
1,000,001 AND ABOVE	42	0.58	498,199,793	66.16
<b>TOTAL</b>	<b>7,247</b>	<b>100.00</b>	<b>752,994,775</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2022

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
		%		%
Pilgrim Partners Asia (Pte.) Ltd. <sup>(1)</sup>	–	–	224,392,511	29.80
Wang Shao Ren (Wang Shaoren) @ Ong Shao Jin <sup>(1)</sup>	–	–	224,392,511	29.80
UBS AG <sup>(2)</sup>	72,183,887	9.58	153,671,224	20.41
UBS Group AG <sup>(3)</sup>	–	–	225,855,111	29.99

### Notes:

- (1) Pilgrim is a fund manager. The 224,392,511 shares are currently held by Pilgrim through nominee(s). It is intended for the 224,392,511 shares to eventually be held by a variable capital company (“VCC”) with Pilgrim as fund manager. It is intended for the VCC to be structured as a closed end fund with Wang Shao Ren (Wang Shaoren) @ Ong Shao Jin as a member holding an 85% shareholding interest.
- (2) Deemed interests arising by virtue of (a) UBS AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act 1967 (“Act”) in units over which subsidiaries/affiliates of UBS AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.
- (3) Deemed interests arising by virtue of (a) UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Act in units over which subsidiaries/affiliates of UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.

# STATISTICS OF SHAREHOLDINGS

As at 14 March 2022

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	242,471,811	32.20
2	DBS NOMINEES (PRIVATE) LIMITED	41,926,300	5.57
3	RAFFLES NOMINEES (PTE.) LIMITED	34,058,274	4.52
4	HO NEE KIT	23,568,388	3.13
5	TAM WAI	20,632,738	2.74
6	CHING HENG YANG	15,534,638	2.06
7	IFAST FINANCIAL PTE. LTD.	10,420,650	1.38
8	PHILLIP SECURITIES PTE LTD	9,195,915	1.22
9	WONG GHAN OR WONG SHI HAO	7,605,000	1.01
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,076,552	0.94
11	HSBC (SINGAPORE) NOMINEES PTE LTD	6,779,250	0.90
12	HENG SIEW ENG	6,476,700	0.86
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,921,060	0.79
14	MAYBANK SECURITIES PTE. LTD.	5,761,355	0.77
15	LOH TEE YANG	5,200,000	0.69
16	TAY HUAY HONG	4,708,900	0.63
17	LIEW CHOON FONG	4,700,000	0.62
18	HEW LIEN LEE	4,000,000	0.53
19	ABN AMRO CLEARING BANK N.V.	3,939,150	0.52
20	UOB KAY HIAN PRIVATE LIMITED	3,393,150	0.45
<b>TOTAL</b>		<b>463,369,831</b>	<b>61.53</b>

As at 14 March 2022, 69.47% of the issued and paid-up shares of the Company were held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “AGM”) of Fu Yu Corporation Limited (the “Company”) will be held by way of electronic means on Tuesday, 26 April 2022 at 3.00 p.m. (Singapore time) for the purpose of transacting the following businesses:

## ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2021 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of a final tax exempt (one-tier) dividend of 1.25 Singapore cents per ordinary share for the financial year ended 31 December 2021. **(Resolution 2)**
3. To re-elect Mr Hew Lien Lee who will be retiring by rotation pursuant to Regulation 110 of the Constitution of the Company and who, being eligible, offer himself for re-election. *[see explanatory note (i)]* **(Resolution 3)**
4. To re-elect the following Directors who will be retiring pursuant to Regulation 115 of the Constitution of the Company and who, being eligible, offer themselves for re-election:
  - (a) Mr Huang Junli, Christopher *[see explanatory note (ii)]* **(Resolution 4)**
  - (b) Mr Poh Kai Ren Daniel *[see explanatory note (ii)]* **(Resolution 5)**
  - (c) Mr Tan Tong Loong Royston *[see explanatory note (ii)]* **(Resolution 6)**
5. To approve the payment of Directors’ fees of S\$197,685 for the financial year ending 31 December 2022, payable quarterly in arrears (2021: S\$288,167). **(Resolution 7)**
6. 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 8)**

## SPECIAL BUSINESS

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

### 7. Ordinary Resolution: Authority to allot and issue shares

That authority be and is hereby given to the Directors of the Company to:

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

## NOTICE OF ANNUAL GENERAL MEETING

- (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) warrants, debentures or other instruments convertible into Shares,

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

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

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”)) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
- (i) new Shares arising from the conversion or exercise of any convertible securities;
- (ii) new Shares arising from exercising share options or vesting of share awards, provided the share options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
- (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

provided further that adjustments in accordance with sub-paragraphs (2)(i) and (ii) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

- (3) in this Resolution, “subsidiary holdings” shall have the meaning ascribed to it in the Listing Manual of the SGX-ST;
- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and



# NOTICE OF ANNUAL GENERAL MEETING

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

*[see explanatory note (iii)]*

**(Resolution 9)**

By Order of the Board

Kong Wei Fung  
Cheok Hui Yee  
Joint Company Secretaries

Singapore  
4 April 2022

## Explanatory Notes:

- (i) **Ordinary Resolution 3** is to re-elect Mr Hew who will be retiring by rotation pursuant to Regulation 110 of the Constitution of the Company. Mr Hew will, upon re-election, continue to serve as the Executive Director, Chief Executive Officer and Chief Operating Officer.
- (ii) **Ordinary Resolutions 4, 5 and 6** are to re-elect Mr Christopher Huang, Mr Daniel Poh and Mr Royston Tan who will be retiring pursuant to Regulation 115 of the Constitution of the Company.

Mr Christopher Huang will, upon re-election, remain as Independent Non-Executive Chairman, Chairman of Remuneration Committee, and Member of Audit and Nominating Committees.

Mr Daniel Poh will, upon re-election, remain as Independent Director, Chairman of Audit Committee, and Member of Nominating and Remuneration Committees.

Mr Royston Tan will, upon re-election, remain as Independent Director, Chairman of Nominating Committee and Member of Audit and Remuneration Committees.

The Board considers Mr Christopher Huang, Mr Daniel Poh and Mr Royston Tan independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Detailed information of all retiring directors including information as set out in Appendix 7.4.1. of the Listing Manual can be found under "Board of Directors", "Corporate Governance Report", "Directors' Statement" and "Additional Information on Directors Seeking Re-election" sections of the Company's Annual Report.

- (iii) **Ordinary Resolution 9**, if passed, will authorise and empower the Directors of the Company from the date of the AGM to issue Shares and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be allotted and issued would not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, of which the total number of Shares that may be issued other than on a pro-rata basis to shareholders shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time the resolution is passed. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to members. Instead, this Notice of AGM will be sent to members by electronic means via publication on the Company's website at the URL <https://www.fuyucorp.com/agm-2022> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("**Live Webcast**") or "live" audio-only stream ("**Live Audio Stream**")), submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to, or at, the AGM and voting by appointing the Chairman of the AGM as proxy, are set out in the accompanying Company's announcement dated 4 April 2022 ("**AGM Alternative Arrangements Announcement**"). The AGM Alternative Arrangements Announcement, this Notice of AGM, the Annual Report of the Company and the proxy form may be accessed at the Company's website at the URL <http://www.fuyucorp.com/annual-reports/> and <https://www.fuyucorp.com/agm-2022>, as well as at the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. The proceedings of the AGM will be broadcasted "live" through an audio-and-video webcast and an audio-only feed. Members and investors holding shares in the Company through the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to follow the proceedings through a Live Webcast via their mobile phones, tablets or computers or listen to the proceedings through a Live Audio Stream must pre-register at <https://conveneagm.com/sg/fuyu2022> no later than 3.00 p.m. on 23 April 2022 ("**Registration Cut-Off Time**"). Following verification, an email containing instructions on how to access the Live Webcast and Live Audio Stream of the proceedings of the AGM will be sent to authenticated members and CPF/SRS investors by 12.00 p.m. on 25 April 2022. Members and CPF/SRS investors who do not receive any email by 12.00 p.m. on 25 April 2022, but have registered by the Registration Cut-Off Time, should contact the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at +65 6536 5355 during office hours for assistance.

Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967) ("**Investors**") (other than CPF/SRS investors) will not be able to pre-register at <https://conveneagm.com/sg/fuyu2022> for the "live" broadcast of the AGM. An Investor (other than CPF/SRS investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order for the relevant intermediary to make the necessary arrangements to pre-register. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to the Company, via email to [AGM2022@fuyucorp.com](mailto:AGM2022@fuyucorp.com) no later than 3.00 p.m. on 23 April 2022.

4. **As the AGM will be held by way of electronic means, members will not be able to attend the AGM in person. A member (whether individual or corporate) will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

The instrument appointing the Chairman of the AGM as proxy ("**proxy form**") may be accessed at the Company's website, pre-registration website and SGX website. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

5. The Chairman of the AGM, as proxy, need not be a member of the Company.
6. The proxy form is not valid for use by Investors (including CPF/SRS investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify his/her voting instructions. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions by 5.00 p.m. on 13 April 2022, being seven (7) working days before the date of the AGM.
7. The proxy form must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675; or
  - (b) if submitted electronically, be submitted via email to the Company at [AGM2022@fuyucorp.com](mailto:AGM2022@fuyucorp.com),

in either case, not less than seventy-two (72) hours before the time appointed for holding the AGM.

A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **Members are strongly encouraged to submit completed proxy forms electronically via email.**

8. The proxy form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the proxy form 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 proxy form, failing which the proxy form may be treated as invalid.

# NOTICE OF ANNUAL GENERAL MEETING

9. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register, as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
10. **Members will not be able to ask questions “live” during the broadcast of the AGM. Members and CPF/SRS investors may submit questions relating to the business of the AGM no later than 3.00 p.m. on 18 April 2022:**
- (a) via the pre-registration website at <https://conveneagm.com/sg/fuyu2022>;
  - (b) by email to [AGM2022@fuyucorp.com](mailto:AGM2022@fuyucorp.com); or
  - (c) by post to the registered office of the Company at 8 Tuas Drive 1, Singapore 638675.

**In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, members and Investors are strongly encouraged to submit their questions via email or the pre-registration website.**

All substantive and relevant questions related to the resolutions to be tabled for approval at the AGM received in advance of the AGM, will be addressed and published by 20 April 2022 via SGXNet and at the Company’s website at <https://www.fuyucorp.com/agm-2022>. This is to allow Members sufficient time and opportunity to consider the Company’s responses before the deadline for the submission of proxy form, which is 3.00 p.m. on 23 April 2022. Investors (other than CPF/SRS investors) will not be able to submit questions relating to the business of the AGM via the above means. Instead, they should approach their relevant intermediaries as soon as possible in order for the relevant intermediaries to make the necessary arrangements for them to submit questions in advance of the AGM.

11. All documents (including the Annual Report, this Notice of AGM and the proxy form) or information relating to the business of the AGM have been, or will be, published on the Company’s website and SGX website. **Printed copies of the documents will not be despatched to members.** Members and Investors are advised to check the Company’s website or SGX website regularly for updates.

## NOTICE OF RECORD DATE

**NOTICE IS HEREBY GIVEN** that, subject to the approval of shareholders of the Company (the “Shareholders”) for the proposed final tax exempt (one-tier) dividend (“Final Dividend”) of 1.25 Singapore cents per ordinary share in the capital of the Company (“Shares”) for the financial year ended 31 December 2021 at the AGM, the Share Transfer Books and Register of Members of the Company will be closed on 12 May 2022 for the purpose of determining the entitlement of Shareholders to the Final Dividend.

Duly completed registrable transfers of ordinary shares of the Company received by the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632, up to 5.00 p.m. on 12 May 2022 will be registered to determine shareholders’ entitlements to the Final Dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company at 5.00 p.m. on 12 May 2022 will be entitled to the proposed Final Dividend.

Payment of the Final Dividend, if approved by shareholders, will be made on 24 May 2022.

### Personal data privacy

**By (a) submitting a proxy form appointing the Chairman of the AGM to vote at the AGM and/or any adjournment thereof, (b) submitting any question prior to the AGM or (c) submitting the pre-registration form in accordance with this Notice, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof); processing the pre-registration forms for purposes of granting access to members for the Live Webcast or Live Audio Stream and providing viewers with any technical assistance, when necessary; addressing selected substantive questions from members received before or during the AGM; the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines, and (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.**

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Hew Lien Lee, Mr Huang Junli, Christopher, Mr Poh Kai Ren Daniel and Mr Tan Tong Loong Royston are the Directors seeking re-election at the forthcoming annual general meeting of the Company (“**AGM**”) (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in the Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:–

	<b>MR HEW LIEN LEE</b>	<b>MR HUANG JUNLI, CHRISTOPHER</b>	<b>MR POH KAI REN DANIEL</b>	<b>MR TAN TONG LOONG ROYSTON</b>
Date of Appointment	22 March 2007	19 July 2021	4 October 2021	31 January 2022
Date of last re-appointment	24 June 2020	N.A	N.A.	N.A.
Age	65	36	35	47
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board’s comments on this re-appointment	The Nominating Committee (“ <b>NC</b> ”), after having reviewed and considered the qualification, expertise, and overall contribution of Mr Hew Lien Lee (“ <b>Mr Hew</b> ”), recommended to the Board that Mr Hew be nominated for re-election at the forthcoming AGM. The Board accepted the NC’s recommendation and recommends shareholders to approve the re-election of Mr Hew as Director of the Company.	The NC, having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Mr Huang Junli, Christopher (“ <b>Mr Christopher Huang</b> ”), recommended to the Board that Mr Christopher Huang be nominated for re-election at the forthcoming AGM. The Board accepted the NC’s recommendation and recommends shareholders to approve the re-election of Mr Christopher Huang as Director of the Company.	The NC, having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Mr Poh Kai Ren Daniel (“ <b>Mr Daniel Poh</b> ”), recommended to the Board that Mr Daniel Poh be nominated for re-election at the forthcoming AGM. The Board accepted the NC’s recommendation and recommends shareholders to approve the re-election of Mr Daniel Poh as Director of the Company.	The NC, having reviewed and considered the qualification, independence, expertise, past experience and overall contribution of Mr Tan Tong Loong Royston (“ <b>Mr Royston Tan</b> ”), recommended to the Board that Mr Royston Tan be nominated for re-election at the forthcoming AGM. The Board accepted the NC’s recommendation and recommends shareholders to approve the re-election of Mr Royston Tan as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive, Mr Hew is responsible for the overall strategic development and growth of the Group’s manufacturing business segment.	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director, Chief Executive Officer and Chief Operating Officer	Independent Non-Executive Director, Chairman of RC and member of the AC and NC	Independent Non-Executive Director, Chairman of AC and member of RC and NC	Independent Non-Executive Director, Chairman of NC and member of AC and RC

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>MR HEW LIEN LEE</b>	<b>MR HUANG JUNLI, CHRISTOPHER</b>	<b>MR POH KAI REN DANIEL</b>	<b>MR TAN TONG LOONG ROYSTON</b>
Professional Qualifications	Diploma in Electrical Engineering and Member of the Singapore Institute of Directors	Bachelor of Law (LL.B.) and Commerce (B.Com) from the University of Queensland in 2011	Bachelor in Accountancy, Nanyang Technological University	Bachelor in Business Studies, Nanyang Technological University
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None	None
Conflict of interests (including any competing business)	None	None	None	None
Working experience and occupation(s) during the past 10 years	Mr Hew joined Fu Yu in 1984 and was appointed as Executive Director and Chief Operating Officer of the Company on 22 March 2007. He was appointed acting Chief Executive Officer on 21 May 2014 and was promoted to Chief Executive Officer of the Group on 26 February 2016. With over 40 years of experience in the plastic injection moulding industry, he has played an instrumental role in the successful listing of LCTH Corporation Berhad.	Apr 2019 to Present – CHP Law LLC (Managing Director)  Jul 2018 to Apr 2019 – Colin Ng & Partners LLP (Partner)  Apr 2015 to Jun 2018 – Colin Ng & Partners LLP (Legal Executive; Associate; Senior Associate)  Mar 2013 to Mar 2015 – Voskamplawyers (Associate)  Mar 2012 to Feb 2013 – PwC Singapore (Tax Associate)	2021 to Present – Executive Director of Hildrics Capital Pte. Ltd.  2021 to 2021 – Senior Manager of HG Metal Manufacturing Limited  2013 to 2021 – Partner (Private Equity Fund Management) of SEAVI Advent Management Pte. Ltd.  2011 to 2013 – Senior Associate of PwC Singapore	November 2021 – present: Pine Labs Pte Ltd – General Manager  January 2020 – November 2021: American Express International Inc. – Head of Sales, SME Small Business  February 2018 – January 2020: American Express International Inc. – Head of Sales, Middle Market  May 2017 – February 2018: Liquid Group Pte Ltd – Head of Merchant Sales & Alliance  September 2015 – December 2016: American Express Sdn Bhd – Director, Consumer Engagement Network  November 2010 – September 2015: American Express International Inc. – Head of Merchant Engagement (Small Medium Merchants)

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>MR HEW LIEN LEE</b>	<b>MR HUANG JUNLI, CHRISTOPHER</b>	<b>MR POH KAI REN DANIEL</b>	<b>MR TAN TONG LOONG ROYSTON</b>
Undertaking has been submitted to the listed issuer in the form of Appendix 7.7 under Rule 720(1)	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Direct: 4,000,000 ordinary shares (representing 0.53% shareholding interest) in Fu Yu Corporation Limited	No	No	No
Other Principal Commitments Including Directorships:  Past (for the last 5 years)	<u>Directorship:</u> Nil  <u>Other Principal Commitments:</u> Nil	<u>Directorship:</u> 1) Van Ameyde APAC Holding Pte Ltd  <u>Other Principal Commitments:</u> Nil	<u>Directorship:</u> Nil  <u>Other Principal Commitments:</u> 1) SEAVI Advent Management Pte. Ltd. 2) HG Metal Manufacturing Limited	<u>Directorship:</u> Nil  <u>Other Principal Commitments:</u> 1) American Express International Inc. 2) Liquid Group Pte Ltd
Present	<u>Directorships:</u> 1) Fu Yu Ventures Pte. Ltd 2) Fu Yu Investment Pte. Ltd 3) LCTH Corporation Sdn. Bhd. 4) Classic Advantage Sdn. Bhd. 5) Fu Hao Manufacturing (M) Sdn. Bhd. 6) Fu Yu Moulding & Tooling (Dongguan) Co., Ltd 7) Fu Yu Moulding & Tooling (Suzhou) Co., Ltd 8) Fu Yu Moulding & Tooling (Zuhai) Co., Ltd 9) Fu Yu Moulding & Tooling (Shanghai) Co., Ltd 10) Fu Yu Moulding & Tooling (Chongqing) Co., Ltd  <u>Other Principal Commitments:</u> Nil	<u>Directorships:</u> 1) Aztech Global Ltd. 2) CHP Law LLC 3) Digital Crest Global Pte Ltd 4) Fund Asia Pte. Ltd. 5) Fund Singapore Pte. Ltd.  <u>Other Principal Commitments:</u> Nil	<u>Directorships:</u> 1) Hildrics Capital Pte. Ltd. 2) Hongtu Capital Pte. Ltd. 3) Unidit Pte. Ltd. 4) Fu Yu Supply Chain Solutions Pte. Ltd. 5) Fu Yu Ventures Pte. Ltd. 6) Hildrics Asia Growth Fund VCC  <u>Other Principal Commitments:</u> Nil	<u>Directorships:</u> Nil  <u>Other Principal Commitments:</u> Pine Labs Pte Ltd

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

**Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.**

Mr Hew Lien Lee, Mr Christopher Huang, Mr Daniel Poh and Mr Royston Tan have answered “No” to all the following questions.

- (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?
- (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?
- (c) Whether there is any unsatisfied judgment against him?
- (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?
- (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?
- (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?
- (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
- (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
- (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?
- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,
 in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
- (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?



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## FU YU CORPORATION LIMITED

Company Registration No. 198004601C  
(Incorporated in the Republic of Singapore)

### IMPORTANT

- The Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
- Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to, or at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM and the accompanying Company's announcement dated 4 April 2022 ("**AGM Alternative Arrangements Announcement**").
- The AGM Alternative Arrangements Announcement, the Notice of AGM and this proxy form have been made available on the Company's website at the URL <http://www.fyucorp.com/agm-2022> and at the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the Notice of AGM and this proxy form will not be sent to members.
- A member will not be able to attend the AGM in person. A member will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.**
- This proxy form is not valid for use by investors holding shares in the Company through relevant intermediaries ("Investors") (including investors holding through Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") ("**CPF/SRS investors**")) and shall be ineffective for all intents and purposes if used or purported to be used by them. An investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks and SRS Operators to submit their voting instructions by 5.00 p.m. on 13 April 2022, being seven (7) working days before the AGM.

### PROXY FORM

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Registration No.)

of \_\_\_\_\_ (Address)

being a member/members of Fu Yu Corporation Limited (the "**Company**"), hereby appoint the Chairman of the AGM as my/our proxy to vote for me/us on my/our behalf at the AGM to be held by way of electronic means on **Tuesday, 26 April 2022 at 3.00 p.m. (Singapore time)** and at any adjournment thereof. I/We direct the Chairman of the AGM, being my/our proxy, to vote for or against, or to abstain from voting, on the resolutions to be proposed at the AGM as indicated under.

No.	Ordinary Resolutions relating to:	No. of votes For*	No. of votes Against*	No. of votes Abstain*
<b>Ordinary Business</b>				
1	Approval of Directors' Statement and Audited Financial Statements for the year ended 31 December 2021			
2	Approval of final tax exempt (one-tier) dividend of 1.25 Singapore cents per ordinary share for the financial year ended 31 December 2021			
3	Re-election of Mr Hew Lien Lee as Director			
4	Re-election of Mr Huang Junli, Christopher as Director			
5	Re-election of Mr Poh Kai Ren Daniel as Director			
6	Re-election of Mr Tan Tong Loong Royston as Director			
7	Approval of Directors' fees of S\$197,685 for the financial year ending 31 December 2022, payable quarterly in arrears			
8	Re-appointment of Messrs KPMG LLP as Auditors			
<b>Special Business</b>				
9	Authority to allot and issue new shares			

\* Voting will be conducted by poll. Please indicate with a "X" in the spaces whether you wish your vote(s) to be cast for or against, or abstain from voting, in respect of all your Shares for each Resolution as set out in the Notice of AGM. Alternatively, you may indicate the number of Shares that you wish to vote for or against, and/or abstain from voting, for each Resolution in the relevant box. In the absence of specific directions in respect of a Resolution, the appointment of the Chairman as your proxy for that Resolution will be treated as invalid.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

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

\_\_\_\_\_  
Signature(s) or Common Seal of Shareholders

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM**



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), 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.
2. **A member will not be able to attend the AGM in person. A member will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** This proxy form may be accessed from the Company's website at the URL <https://www.fuyucorp.com/agm-2022>, the pre-registration website at the URL <https://conveneagm.com/sg/fuyu2022> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the AGM as proxy must be submitted in the following manner:
  - (a) if submitted by post, be lodged at the registered office of the Company at 8 Tuas Drive 1, Singapore 638675; or
  - (b) if submitted electronically, be submitted via email to the Company at [AGM2022@fuyucorp.com](mailto:AGM2022@fuyucorp.com), in either case, no later than 3.00 p.m. on 23 April 2022, being not less than seventy-two (72) hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **Members are strongly encouraged to submit completed proxy forms electronically via email.**

Fold here

**Affix  
Postage  
Stamp**

**FU YU CORPORATION LIMITED**

8 Tuas Drive 1  
Singapore 638675

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5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing the Chairman of the AGM as proxy 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 of proxy, failing which the instrument may be treated as invalid.
6. For Investors (including CPF/SRS investors), this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks and SRS Operators to submit their voting instructions by 5.00 p.m. on 13 April 2022, being seven (7) working days before the AGM.

**General:**

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy). In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such members are not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

**Personal data privacy:**

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 4 April 2022.

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**FU YU CORPORATION LIMITED**

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