



**FU YU CORPORATION LIMITED
AND SUBSIDIARY COMPANIES**

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED
30 JUNE 2019**

Second Quarter Financial Statement And Dividend Announcement

PART I – INFORMATIONS REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) (i) A Consolidated Income Statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

The Board of Directors of Fu Yu Corporation Limited wishes to announce the unaudited results of the Group for the second quarter ended 30 June 2019.

GROUP	Quarter Ended 30-Jun		Change %	Half Year 30-Jun		Change %
	2019 S\$'000	2018 S\$'000		2019 S\$'000	2018 S\$'000	
Revenue	50,065	50,812	(1.5)	96,773	97,184	(0.4)
Cost of sales	(40,405)	(42,241)	(4.3)	(78,849)	(81,172)	(2.9)
Gross profit	9,660	8,571	12.7	17,924	16,012	11.9
Other income	1,725	1,757	(1.8)	3,476	3,622	(4.0)
Selling and administrative expenses	(6,486)	(6,947)	(6.6)	(13,245)	(13,801)	(4.0)
Other operating income/(expenses),net	91	2,272	(96.0)	(473)	922	NM
Impairment loss on trade receivables	-	(276)	100.0	-	(271)	100.0
Results from operating activities	4,990	5,377	(7.2)	7,682	6,484	18.5
Finance costs *	(120)	-	(100.0)	(259)	-	(100.0)
Share of loss of joint venture (net of tax)	(111)	(136)	(18.4)	(186)	(288)	(35.4)
Profit before income tax	4,759	5,241	(9.2)	7,237	6,196	16.8
Tax expense	(1,303)	(998)	30.6	(2,193)	(1,329)	65.0
Profit for the quarter/period	3,456	4,243	(18.5)	5,044	4,867	3.6
Profit for the quarter/period attributable to:						
Owners of the Company	3,456	4,007	(13.8)	5,044	4,555	10.7
Non-controlling interests	-	236	(100.0)	-	312	(100.0)
Profit for the quarter/period	3,456	4,243	(18.5)	5,044	4,867	3.6
Earnings per share						
- basic and diluted earnings per share (cents)	0.46	0.53	(13.8)	0.67	0.60	10.7
NM denotes Not Meaningful						

* Adoption of SFRS(I) 16 on 1 January 2019 as disclosed in page 10, changes in accounting policies.

Consolidated Statement of Comprehensive Income

GROUP	Quarter Ended 30-Jun		Change %	Half Year 30-Jun		Change %
	2019 S\$'000	2018 S\$'000		2019 S\$'000	2018 S\$'000	
Profit for the quarter/period	3,456	4,243	(18.5)	5,044	4,867	3.6
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	(1,664)	-	(100.0)	(771)	2,295	NM
Other comprehensive income for the quarter/period (net of tax)	(1,664)	-	(100.0)	(771)	2,295	NM
Total comprehensive income for the quarter/period (net of tax)	1,792	4,243	(57.8)	4,273	7,162	(40.3)
Total comprehensive income attributable to:						
Owners of the Company	1,792	4,081	(56.1)	4,273	6,304	(32.2)
Non-controlling interests	-	162	(100.0)	-	858	(100.0)
Total comprehensive income for the quarter/period	1,792	4,243	(57.8)	4,273	7,162	(40.3)
NM denotes Not Meaningful						

1(a) (ii) Notes to Consolidated Income Statement

GROUP	Quarter Ended 30-Jun		Change %	Half Year 30-Jun		Change %
	2019 S\$'000	2018 S\$'000		2019 S\$'000	2018 S\$'000	
Profit before income tax is arrived at after charging/(crediting) the following:						
Interest income	(411)	(428)	(4.0)	(814)	(909)	(10.5)
Loss/(Gain) on disposal of property, plant and equipment	13	(72)	NM	(31)	(82)	(62.2)
Foreign exchange (gain)/loss, net	(110)	(2,275)	(95.2)	452	(928)	NM
Property, plant and equipment written off	19	3	NM	21	6	NM
Impairment loss on trade receivables	-	276	(100.0)	-	271	(100.0)
Depreciation of property, plant and equipment	1,720	1,731	(0.6)	3,443	3,487	(1.3)
Depreciation of investment property	44	45	(2.2)	88	90	(2.2)
Depreciation of right-of-use assets*	1,241	-	100.0	2,497	-	100.0
Interest expenses on lease liabilities*	120	-	100.0	259	-	100.0
Allowance for inventory obsolescence, net and inventories written off	53	152	(65.1)	429	260	65.0
Adjustments for under/(over)provision of income tax in respects of the prior years	2	72	(97.2)	2	(47)	NM
NM denotes Not Meaningful						

* Adoption of SFRS(I) 16 on 1 January 2019 as disclosed in page 10, changes in accounting policies.

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	As at 30 Jun 19 S\$'000	As at 31 Dec 18 S\$'000	As at 30 Jun 19 S\$'000	As at 31 Dec 18 S\$'000
Non-current assets				
Property, plant and equipment	43,785	44,810	11,798	12,019
Right-of-use assets*	9,168	-	4,321	-
Investment property	7,885	8,043	-	-
Subsidiaries	-	-	20,631	20,631
Amount due from subsidiary companies	-	-	27,315	27,724
Joint venture	514	705	-	-
Deferred tax assets	356	772	-	-
	61,708	54,330	64,065	60,374
Current assets				
Inventories	19,970	16,946	3,558	2,703
Contract assets	4,022	2,353	1,612	923
Trade and other receivables	53,892	54,026	11,487	11,746
Amount due from subsidiary companies	-	-	3,056	4,540
Tax recoverable	32	24	-	-
Short term investments	2,298	3,596	-	-
Cash and cash equivalents	80,065	80,310	45,544	44,400
	160,279	157,255	65,257	64,312
Total assets	221,987	211,585	129,322	124,686
Equity attributable to equity holders of the Company				
Share capital	102,158	102,158	102,158	102,158
Reserves	58,706	61,963	12,316	12,612
Total equity	160,864	164,121	114,474	114,770
Non-current liabilities				
Lease liabilities*	4,919	-	3,834	-
Deferred tax liabilities	1,339	953	896	859
	6,258	953	4,730	859
Current liabilities				
Trade and other payables	47,015	43,029	8,585	8,095
Amounts due to subsidiary companies	-	-	150	86
Contract liabilities	564	581	84	191
Lease liabilities*	4,268	-	522	-
Tax payable	3,018	2,901	777	685
	54,865	46,511	10,118	9,057
Total liabilities	61,123	47,464	14,848	9,916
Total equity and liabilities	221,987	211,585	129,322	124,686

* Adoption of SFRS(I) 16 on 1 January 2019 as disclosed in page 10, changes in accounting policies.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

The Group has no borrowings and debts securities as at 30 June 2019 and 31 December 2018.

1(b)(iii) Details of any collaterals

Nil.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

GROUP	Quarter Ended 30-Jun		Half Year 30-Jun	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Cash flows from operating activities				
Profit before income tax	4,759	5,241	7,237	6,196
Adjustments for:				
Depreciation of property, plant and equipment	1,720	1,731	3,443	3,487
Depreciation of investment property	44	45	88	90
Depreciation of right-of-use assets*	1,241	-	2,497	-
Finance costs*	120	-	259	-
Interest income	(411)	(428)	(814)	(909)
Loss/(Gain) on disposal of property, plant and equipment	13	(72)	(31)	(82)
Property, plant and equipment written off	19	3	21	6
Share of loss of joint venture (net of tax)	111	136	186	288
Unrealised foreign exchange loss/(gain)	428	739	37	(21)
	<u>3,285</u>	<u>2,154</u>	<u>5,686</u>	<u>2,859</u>
	8,044	7,395	12,923	9,055
Changes in working capital:				
Inventories	(1,379)	373	(3,181)	(1,354)
Trade and other receivables	(1,301)	(3,422)	(199)	1,862
Contract assets	(1,271)	454	(1,696)	669
Trade and other payables	4,270	924	4,276	(1,839)
Contract liabilities	(247)	(237)	(11)	(336)
Cash generated from operating activities	<u>8,116</u>	<u>5,487</u>	<u>12,112</u>	<u>8,057</u>
Tax paid	(809)	(583)	(1,265)	(1,136)
Net cash from operating activities	<u>7,307</u>	<u>4,904</u>	<u>10,847</u>	<u>6,921</u>
Cash flows from investing activities				
Interest income received	411	428	814	909
Proceeds from disposal of property, plant and equipment	3	75	51	85
Purchase of property, plant and equipment	(1,121)	(1,525)	(2,695)	(2,828)
Withdrawal of short term investments	9	594	1,278	1,083
Net cash used in investing activities	<u>(698)</u>	<u>(428)</u>	<u>(552)</u>	<u>(751)</u>
Cash flows from financing activities				
Repayment of lease liabilities*	(1,134)	-	(2,737)	-
Dividends paid to owners of the Company	(7,530)	(7,530)	(7,530)	(7,530)
Consideration paid for selective capital reduction #	-	(20,716)	-	(20,716)
Payment of transaction cost related to selective capital reduction	-	(555)	-	(555)
Deposit pledged	(25)	(27)	(51)	(51)
Net cash used in financing activities	<u>(8,689)</u>	<u>(28,828)</u>	<u>(10,318)</u>	<u>(28,852)</u>
Net decrease in cash and cash equivalents	<u>(2,080)</u>	<u>(24,352)</u>	<u>(23)</u>	<u>(22,682)</u>
Cash and cash equivalents at beginning of financial quarter/period	79,495	95,169	77,018	92,252
Effects of exchange rate fluctuations on cash held	(663)	(216)	(243)	1,031
Cash and cash equivalents at end of financial quarter/period	<u>76,752</u>	<u>70,601</u>	<u>76,752</u>	<u>70,601</u>
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise:				
Cash at bank and in hand	22,094	31,626	22,094	31,626
Deposits with banks	57,971	42,297	57,971	42,297
Cash and cash equivalents in the statement of financial position	80,065	73,923	80,065	73,923
Deposits pledged	(3,313)	(3,322)	(3,313)	(3,322)
Cash and cash equivalents in the consolidated cash flow statement	<u>76,752</u>	<u>70,601</u>	<u>76,752</u>	<u>70,601</u>

* Adoption of SFRS(I) 16 on 1 January 2019 as disclosed in page 10, changes in accounting policies.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

In June 2018, the Group has increased its ownership of LCTH Corporation Berhad ("LCTH") from 70.64% to 100% following the settlement of the selective capital reduction and repayment exercise ("SCR") of LCTH. The carrying amount of LCTH net asset in the Group consolidated financial statements on the effective date of SCR was S\$71.6 million. The Group recognised decreases of S\$21.0 million and S\$6.4 million in non-controlling interest ("NCI") and translation reserve respectively, offset by an increase in retained earnings of S\$27.5 million, resulting in a net decrease in equity attributable to owners of the Company of S\$0.2 million.

	\$'000
Carrying amount of NCI at effective date of SCR	21,044
Consideration of SCR	(20,716)
Payment of transaction cost related to SCR	(555)
Decrease in equity attributable to owners of the Company	<u>(227)</u>

1(d)(i)A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

For the Quarter Ended 30 June (Group)

Group - 2019	Attributable to equity holders of the Company							Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Capital reserve S\$'000	Statutory reserve S\$'000	Revaluation reserve S\$'000	Foreign currency translation		Total attributable to equity holders of the Company S\$'000		
					reserve S\$'000	Retained earnings S\$'000			
At 1 April 2019	102,158	(415)	8,480	789	(20,996)	76,586	166,602	-	166,602
Other comprehensive income for the quarter									
- Foreign currency translation differences	-	-	-	-	(1,664)	-	(1,664)	-	(1,664)
Profit for the quarter	-	-	-	-	-	3,456	3,456	-	3,456
Total comprehensive income for the quarter	-	-	-	-	(1,664)	3,456	1,792	-	1,792
Dividends paid to shareholders of the company	-	-	-	-	-	(7,530)	(7,530)	-	(7,530)
At 30 June 2019	102,158	(415)	8,480	789	(22,660)	72,512	160,864	-	160,864

Group - 2018	Attributable to equity holders of the Company							Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Capital reserve S\$'000	Statutory reserve S\$'000	Revaluation reserve S\$'000	Foreign currency translation		Total attributable to equity holders of the Company S\$'000		
					reserve S\$'000	Retained earnings S\$'000			
At 1 April 2018	102,158	140	7,997	789	(12,997)	69,444	167,531	20,882	188,413
Other comprehensive income for the quarter									
- Foreign currency translation differences	-	-	-	-	74	-	74	(74)	-
Profit for the quarter	-	-	-	-	-	4,007	4,007	236	4,243
Total comprehensive income for the quarter	-	-	-	-	74	4,007	4,081	162	4,243
Dividends paid to shareholders of the company	-	-	-	-	-	(7,530)	(7,530)	-	(7,530)
Selective capital reduction	-	-	-	-	-	(20,716)	(20,716)	-	(20,716)
Payment of transaction cost related to selective capital reduction	-	(555)	-	-	-	-	(555)	-	(555)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	(6,420)	27,464	21,044	(21,044)	-
At 30 June 2018	102,158	(415)	7,997	789	(19,343)	72,669	163,855	-	163,855

For the Period Ended 30 June (Group)

Group - 2019	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency translation		Total attributable to equity holders of the Company		
					reserve	earnings			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2019	102,158	(415)	8,480	789	(21,889)	74,998	164,121	-	164,121
Other comprehensive income for the period									
- Foreign currency translation differences	-	-	-	-	(771)	-	(771)	-	(771)
Profit for the period	-	-	-	-	-	5,044	5,044	-	5,044
Total comprehensive income for the period	-	-	-	-	(771)	5,044	4,273	-	4,273
Dividends paid to shareholders of the company	-	-	-	-	-	(7,530)	(7,530)	-	(7,530)
At 30 June 2019	102,158	(415)	8,480	789	(22,660)	72,512	160,864	-	160,864

Group - 2018	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Foreign currency translation		Total attributable to equity holders of the Company		
					reserve	earnings			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2018	102,158	140	7,997	789	(14,672)	68,896	165,308	20,186	185,494
Other comprehensive income for the period									
- Foreign currency translation differences	-	-	-	-	1,749	-	1,749	546	2,295
Profit for the period	-	-	-	-	-	4,555	4,555	312	4,867
Total comprehensive income for the period	-	-	-	-	1,749	4,555	6,304	858	7,162
Dividends paid to shareholders of the company	-	-	-	-	-	(7,530)	(7,530)	-	(7,530)
Selective capital reduction	-	-	-	-	-	(20,716)	(20,716)	-	(20,716)
Payment of transaction cost related to selective capital reduction	-	(555)	-	-	-	-	(555)	-	(555)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	(6,420)	27,464	21,044	(21,044)	-
At 30 June 2018	102,158	(415)	7,997	789	(19,343)	72,669	163,855	-	163,855

For the Quarter Ended 30 June (Company)

Company - 2019	Share capital S\$'000	Revaluation reserve S\$'000	Merger reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 April 2019	102,158	789	(1,425)	14,745	116,267
Profit for the quarter	-	-	-	5,737	5,737
Total comprehensive income for the quarter	-	-	-	5,737	5,737
Dividends paid to shareholders of the company	-	-	-	(7,530)	(7,530)
At 30 June 2019	102,158	789	(1,425)	12,952	114,474

Company - 2018	Share capital S\$'000	Revaluation reserve S\$'000	Merger reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 April 2018	102,158	789	(1,425)	12,132	113,654
Profit for the quarter	-	-	-	3,565	3,565
Total comprehensive income for the quarter	-	-	-	3,565	3,565
Dividends paid to shareholders of the company	-	-	-	(7,530)	(7,530)
At 30 June 2018	102,158	789	(1,425)	8,167	109,689

For the Period Ended 30 June (Company)

Company - 2019	Share capital S\$'000	Revaluation reserve S\$'000	Merger reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 January 2019	102,158	789	(1,425)	13,248	114,770
Profit for the period	-	-	-	7,234	7,234
Total comprehensive income for the period	-	-	-	7,234	7,234
Dividends paid to shareholders of the company	-	-	-	(7,530)	(7,530)
At 30 June 2019	102,158	789	(1,425)	12,952	114,474

Company - 2018	Share capital S\$'000	Revaluation reserve S\$'000	Merger reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
At 1 January 2018	102,158	789	(1,425)	12,133	113,655
Profit for the period	-	-	-	3,564	3,564
Total comprehensive income for the period	-	-	-	3,564	3,564
Dividends paid to shareholders of the company	-	-	-	(7,530)	(7,530)
At 30 June 2018	102,158	789	(1,425)	8,167	109,689

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buybacks, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuers, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Nil.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.

The total number of issued ordinary shares excluding treasury shares as at 30 June 2019 was 752,994,775 (31 December 2018: 752,994,775).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfer, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Accounting policies and methods of computation used in the consolidated financial statements for the second quarter ended 30 June 2019 are consistent with those applied in the financial statements for the year ended 31 December 2018, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2019 as disclosed in item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group's financial statements for the financial period beginning 1 January 2019 is prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) issued by the Accounting Standards Council (ASC).

The Group adopted SFRS(I) 16 on 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group further applied the practical expedient to recognise the amounts of right-of-use ("ROU") assets equal to their lease liabilities at 1 January 2019.

As at 1 January 2019, the Group and the Company have recognised the ROU assets and lease liabilities of \$11,746,000 and \$4,611,000 respectively. The nature of expenses related to these leases has changed as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

Group	Quarter Ended 30-Jun		Year Ended 30-Jun	
	2019	2018	2019	2018
<i>Earnings per share</i> - basic and diluted (cents)	0.46	0.53	0.67	0.60

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 752,994,775 (2018: 752,994,775).

There was no difference between the basic and diluted earnings per share as the Company has no dilutive securities as at 30 June 2019 and 30 June 2018.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group As at		Company As at	
	30 Jun 19	31 Dec 18	30 Jun 19	31 Dec 18
Net asset value (S\$'000)	160,864	164,121	114,474	114,770
Issued capital at the end of the period ('000)	752,995	752,995	752,995	752,995
Net asset value per Ordinary Share (cents)	21.36	21.80	15.20	15.24

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors.
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

OVERVIEW

Fu Yu Corporation Limited provides vertically-integrated services for the manufacture of precision plastic components, parts and sub-assemblies, as well as the fabrication of precision moulds and dies. With manufacturing facilities located in Singapore, Malaysia and China, the Group has a large footprint in Asia to serve a broad and diversified customer base in the printing and imaging, networking and communications, consumer, medical and automotive sectors.

INCOME STATEMENT

Revenue

For the three months ended 30 June 2019 ("2Q19"), the Group's revenue eased a marginal 1.5% to S\$50.1 million from S\$50.8 million in 2Q18. Sales of the Group's operations in Singapore were stable while higher sales of its operations in Malaysia helped to partially

offset the lower sales from its China segment. On a quarter-on-quarter basis however, Group revenue was 7.2% higher than S\$46.7 million recorded in 1Q19.

For the six months ended 30 June 2019 ("1H19"), Group revenue was relatively stable at S\$96.8 million compared to S\$97.2 million in 1H18. The Singapore and Malaysia segments generated higher sales which partially buffered against reduced sales of the China segment.

Sales from the Singapore operations increased 4.8% to S\$23.9 million in 1H19 from S\$22.8 million in 1H18, lifted mainly by higher sales of products in the consumer, medical and automotive segments. Sales of the Malaysia segment jumped 17.3% to S\$21.7 million in 1H19 from S\$18.5 million in 1H18, driven mainly by higher sales of consumer and medical products, as well as power tools.

Sales from the China operations decreased 8.4% to S\$51.2 million in 1H19 from S\$55.9 million in 1H18. This was attributed mainly to lower sales of the printing & imaging and networking & communications segments which were partially buffered by higher sales from the consumer and medical segments.

As a result, the Singapore and Malaysia segments contributed a higher 24.7% and 22.4% to the Group's revenue in 1H19 as compared to 23.5% and 19.0% respectively in 1H18. China operations accounted for a lower 52.9% of Group revenue in 1H19 as compared to 57.5% in 1H18.

Gross Profit

While revenue was slightly softer in 2Q19, the Group's gross profit climbed 12.7% to S\$9.7 million from S\$8.6 million in 2Q18. Correspondingly, this led to a higher gross profit margin of 19.3% in 2Q19 from 16.9% in 2Q18.

For 1H19, gross profit increased 11.9% to S\$17.9 million from S\$16.0 million in 1H18 even though Group revenue was stable over the two periods. As a result, the Group benefited from an expansion in its gross profit margin to 18.5% in 1H19 from 16.5% in 1H18.

The improvement in gross profit margin was attributed to a shift in the Group's sales mix, as well as its continual efforts to achieve better cost and operational efficiencies.

Other Income

The Group recorded other income of S\$1.7 million in 2Q19 and S\$3.5 million in 1H19, both of which were marginally lower compared to S\$1.8 million and S\$3.6 million in 2Q18 and 1H18 respectively. This was due mainly to lower interest income and lower gain from sale of property, plant and equipment.

Selling and Administrative Expenses

Selling and administrative expenses decreased 6.6% to S\$6.5 million in 2Q19 and 4.0% to S\$13.2 million in 1H19. These declines are attributable to cost control measures and reduced headcount.

Other Operating Income/(Expenses)

The Group recorded a significant decline in other operating income to S\$91,000 in 2Q19, as compared to S\$2.3 million in 2Q18, due mainly to lower foreign exchange gain as a result of the depreciation of the US Dollar against the functional currencies of the respective companies in the Group.

For 1H19, the Group registered other operating expense of S\$0.5 million due mainly to foreign exchange loss. As it recorded other operating income of S\$0.9 million in 1H18, this resulted in a negative change of approximately S\$1.4 million between the two financial periods.

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 depreciation of the US Dollar against the Singapore Dollar and Malaysia Ringgit in 1H19 contributed to the foreign exchange loss.

Finance Costs

Following the adoption of SFRS(I) 16, the Group's operating leases are recognised as ROU assets and lease liabilities on its balance sheet (Please refer to section 5 for more information). With these lease liabilities, an interest expense has been charged accordingly. Hence, the Group recorded non-cash finance costs of around S\$0.1 million in 2Q19 and S\$0.3 million in 1H19.

Profit Before Income Tax

The Group's profit before income tax in 2Q19 decreased 9.2% to S\$4.8 million from S\$5.2 million in 2Q18 due mainly to the decline in other operating income. However, profit before tax excluding foreign exchange impact and share of results of joint venture ("operating profit") jumped 53.4% to S\$4.8 million in 2Q19 from S\$3.1 million in 2Q18.

For 1H19, the Group's profit before income tax increased 16.8% to S\$7.2 million from S\$6.2 million in 1H18 despite the negative swing of S\$1.4 million in foreign exchange impact between the two financial periods. Operating profit in 1H19 increased 41.7% to S\$7.9 million from S\$5.6 million in 1H18.

The improvement in the Group's operating profit was attributed mainly to the expansion of its gross profit margin and tight control of selling and administrative expenses.

Tax Expense

The Group incurred tax expense of S\$1.3 million for 2Q19 and S\$2.2 million for 1H19 which translated to effective tax rates of 27.4% and 30.3% respectively. Excluding the withholding taxes which arose from services rendered to and dividend income from China subsidiaries, the effective tax rates were 21.9% for 2Q19 and 26.6 % for 1H19. The Group's effective tax rate is higher than Singapore's statutory tax rate of 17% due mainly to losses incurred by certain companies which cannot be offset against profits earned by other companies within the Group, and the varying statutory tax rates of the countries in which the Group operates.

Net Profit Attributable to Owners of the Company

The Group reported net profit attributable to owners of the Company of S\$3.5 million in 2Q19, down 13.8% from S\$4.0 million in 2Q18. For 1H19, net profit attributable to owners of the Company increased 10.7% to S\$5.0 million from S\$4.6 million in 1H18.

Dividend

The Board of Directors has declared an interim dividend of 0.35 cent per share. This translates into a dividend payout ratio of approximately 52.2% based on net profit attributable to owners of the Company for 1H19.

BALANCE SHEET

As at 30 June 2019, the Group remained in a sound financial position with a cash balance of S\$80.1 million and zero borrowings. Shareholders' equity stood at S\$160.9 million, equivalent to net asset value of 21.36 cents per share (based on the total number of issued shares of approximately 753.0 million shares) which includes cash and cash equivalents of around 10.63 cents per share.

Total assets as at 30 June 2019 increased to S\$222.0 million from S\$211.6 million as at 31 December 2018. The increase was attributed mainly to higher inventories and contract assets, as well as the ROU assets following the Group's adoption of SFRS(I) 16. In line with SFRS(I) 16, operating leases are recognised as ROU assets with the corresponding lease liabilities (computed based on present value) recorded on the balance sheet.

The Group's total liabilities increased to S\$61.1 million as at 30 June 2019 compared to S\$47.5 million as at 31 December 2018, attributed mainly to the lease liabilities as a result of the adoption of SFRS(I) 16 and an increase in trade payables.

CASH FLOW STATEMENT

The Group generated net cash from operating activities of S\$10.8 million in 1H19. This was attributed mainly to operating profit before working capital changes of around S\$12.9 million and increase in trade and other payables, offset partially by increases in inventories and contract assets, as well as payment for income taxes.

Net cash used in investing activities amounted to S\$0.6 million during 1H19. The Group incurred capital expenditure of S\$2.7 million which was offset partially by a withdrawal of short term investments and receipt of interest income.

Net cash used in financing activities totalled S\$10.3 million in 1H19. This was attributed mainly to dividends of around S\$7.5 million paid to shareholders of the company during 1H19 and the repayment of lease liabilities following the adoption of SFRS(I) 16. The repayment of lease liabilities were previously classified under changes in working capital (trade and other payables).

As a result, the Group's cash and cash equivalents remained relatively steady at S\$80.1 million (including cash deposits pledged of S\$3.3 million) at the end of 1H19 as compared to S\$80.3 million as at 31 December 2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

While the global economy has been plagued by persistent trade and political uncertainties, the Group continues to make good progress in its efforts to improve its operations. This has enabled it to deliver a positive performance for 1H19 with operating profit growth of 41.7% to S\$7.9 million.

The Group's better results were driven by improved sales in the consumer and medical segments which helped to counterbalance weaker demand from customers in the printing & imaging and networking & communications segments. As a result of the shift in its product mix, the Group recorded relatively stable revenue and benefited from improved profitability in 1H19 compared to 1H18. This broad diversity in product portfolio is a key element of the Group's strategy to achieve its goal of stable and sustainable growth over the long term.

Nonetheless, the operating landscape is expected to remain challenging in the second half of FY2019 due to increasing uncertainties over the global trading environment. The Group's financial performance is also influenced by other factors such as intensifying industry competition, pressure on selling prices and movements in the US Dollar. Its overall sales performance is dependent on, among other factors, end-user demand for customers' products and the individual performance of each segment in the Group's diverse product portfolio.

The Group's aim is to deliver sustainable and profitable growth over the long term. To achieve this, the Group will continue to focus on executing its strategic initiatives:

- i. increase its business development efforts to expand market share with existing customers and secure new customers in target market segments;
- ii. diversify its customer base across target market segments to ensure greater business resilience and stability;
- iii. focus on products that have longer life cycles and higher growth potential such as medical, automotive, eco-friendly and smart home consumer products, and 3D printers; and
- iv. continually improve its operations to achieve optimal capacity utilisation, high production efficiency and lean cost structure.

Over the past two years, the Group had undertaken a number of initiatives to streamline and optimise its organisation structure. On 10 July 2019, the Group announced that its joint venture in Malaysia, Berry Plastics Malaysia Sdn Bhd, in which it owns a 40% equity interest, has commenced members' voluntary liquidation process in Malaysia.

The Group will continue to seek ways to further optimise the cost structure of its operations in the region, such as rightsizing or consolidation of operations, or the sale/lease of unutilised factory space if suitable opportunities arise.

As part of its plans to strengthen the Singapore operations, the Group has accepted a letter of offer from Jurong Town Corporation (“JTC”) to renew the lease of its premises at 7 Tuas Drive 1 and 9 Tuas Drive 1 (“Plot 9”) for a further term of 20 years from 16 November 2021. This renewal is subject to compliance by the Group with the investment criteria stipulated by JTC and the assignment of the Group’s premises at 5 Tuas Drive 1 by 10 September 2020. The Group intends to redevelop Plot 9 (“Redevelopment Project”) to expand and improve its operations in Singapore. The plans for the Redevelopment Project have been submitted to the regulatory authorities to obtain the requisite approvals. The preliminary estimated capital expenditure for this Redevelopment Project is around S\$13.0 million, which will be subject to any changes in the plans as required by the authorities.

With its strong one-stop manufacturing capabilities, strategically-located facilities in Asia, diversified customer base and sound financial position, the Group is well positioned to capitalise on future business opportunities and withstand challenging business periods.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.35 cent per ordinary share
Tax rate	One-tier tax exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.30 cent per ordinary share
Tax rate	One-tier tax exempt

(c) Date payable

3 September 2019

(d) Books closure date

23 August 2019

12. If no dividend has been declared/ recommended, a statement to that effect.

Not applicable.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no general mandate obtained from shareholders for IPTs.

There were no IPTs for the period ended 30 June 2019.

14. Negative assurance confirmation on interim financial results under SGX Listing Rule 705(5) of the Listing Manual

We, Hew Lien Lee and Ching Heng Yang, being two directors of Fu Yu Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to attention of the Board of Directors of the Company which may render the Q2 2019 financial statement to be false or misleading in any material aspect.

On behalf of the Board of Directors

Hew Lien Lee
Executive Director
Chief Executive Officer

Ching Heng Yang
Vice Chairman
Executive Director

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).

The Company has procured all the required undertakings as required under Rule 720(1).

BY ORDER OF THE BOARD

Kong Wei Fung
Company Secretary
Singapore, 13 August 2019